



Advocates for Rural Broadband

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June 1, 2020

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

Dear Ms. Dortch:

On Thursday, May 28, 2020, Mike George of Northeast Louisiana Telephone Company (“NortheastTel”) in Louisiana; Derek White of San Carlos Apache Telecommunications Utility, Inc. (“SCATUI”) in Arizona; Ian Brumana of Penasco Valley Telephone Cooperative, Inc. (“PVT”) in New Mexico; John Badal and Neo Nicolaou of Sacred Wind Communications, Inc. (“Sacred Wind”) in New Mexico; Steven Steele and Gena Von Reyn of Peoples Telephone Cooperative, Inc. (“Peoples”) in Texas; and Derrick Owens and Gerry Duffy representing WTA – Advocates for Rural Broadband (“WTA”) met via telephone conference call with Preston Wise, Rural Broadband Advisor to Chairman Ajit Pai, to discuss the urgent need by the 437 rural local exchange carriers (“Rural LECs”) that receive High Cost Loop Support (“HCLS”) and/or Connect America Fund – Broadband Loop Support (“CAF-BLS”) for relief from the budget control mechanism (“BCM”) during the period from July 1, 2020 through June 30, 2021, or at least for the remainder of the ongoing COVID-19 emergency.

WTA requests BCM relief on its own accord, and also in support of similar recent requests by NTCA – The Rural Broadband Association (“NTCA”) and the National Tribal Telecommunications Association (“NTTA”). Whereas WTA is aware that there are a variety of additional demands for Universal Service Fund (“USF”) support during the current COVID-19 pandemic, the amount of BCM relief requested is relatively small and would have minimal impact upon USF resources and contributions. At the projected BCM factor of 3.03 percent for the 2020-2021 year, the maximum amount of BCM relief would be approximately \$36 million if BCM reductions are not implemented during the entire year (and, obviously, somewhat less if the pandemic were to end, and the BCM were to be implemented before June 30, 2021). Assuming overall USF collections and disbursements of \$8.0 to \$8.5 billion, the maximum BCM relief requested would comprise less than one-half of one percent (approximately 0.42%-to-0.45%) of USF dollars during the 2020-2021 year.

Marlene H. Dortch, Secretary

June 1, 2020

Page 2 of 3

The requested BCM relief is warranted because the HCLS/CAF-BLS participants on the call and hundreds of other Rural LECs (both HCLS/CAF-BLS recipients and model-based support recipients) have gone to extraordinary lengths and expense to meet the broadband needs of their service areas during this unprecedented world-wide crisis, and are suffering substantial and increasing financial hardships as they continue to serve more and more of their customers who are becoming unable to pay their monthly service bills.

All five WTA members participating on the call signed onto both Chairman Pai's initial Keep America Connected pledge and the current extension thereof. In addition, NortheastTel is subject to Louisiana Public Service Commission mandates that have prohibited disconnections, late fees and interest charges since March, and that will require carriers to work out individualized payment plans in the future with customers that have been unable to pay their bills during the crisis.

All call participants indicated that they have gone well beyond the Keep America Connected pledge in order to meet the critical and increasing broadband needs of their communities and customers during the crisis. Several of the companies have been providing free installations to new broadband customers (with two of the companies indicating that they have foregone approximately \$130,000 to \$150,000 in installation charges). Some of the companies have provided the first month of broadband service at no charge and/or free WiFi routers to new broadband customer homes. Still other companies have provided free upgrades to 25/3 Mbps service to customer homes where students needed increased bandwidth to complete their coursework on a distance learning basis. WTA is proud of the efforts of these companies to serve their communities, and notes that they are not atypical of its members and other Rural LECs.

The participants also reported substantial increases in operating expenses as a result of COVID. With many more people working and "attending" school from home, several of the companies have had to increase the capacity of their backbone and middle mile facilities, as well as incurring increased middle mile transport costs that cannot readily be recovered via broadband rate increases at this time. One company noted that its middle mile transport costs have increased by approximately 25 percent so far. Personnel costs have also increased, with one company indicating that it has incurred over 500 hours of overtime for its installation technicians since February.

The impacts of the Keep America Connected pledge and the COVID economic downturn are increasingly being felt by Rural LECs. One company stated its monthly collections are now falling 60% to 75% below their normal levels. Other companies reported that their delinquent accounts and their uncollectible accounts have already grown to about twice their normal levels, with no sign that this trend will be improving soon. The participants indicated that, in their experience, delinquent accounts become less and less likely to be collected the longer they remain in arrears and the larger the owed amount grows.

There was brief mention of the potential for legislative relief. At this time, WTA notes that there is no assurance of any legislation that will help Rural LECs to recover a significant portion, if any, of their increased expenses, foregone revenues or uncollectible billings due to the COVID crisis.

Marlene H. Dortch, Secretary

June 1, 2020

Page 3 of 3

With the exception of the smallest company, the participants estimated six-figure HCLS/CAF-BLS reductions (in the \$100,000-to-\$300,000 range) if the BCM is implemented on July 1 for the 2020-2021 year. At a time when HCLS/CAF-BLS recipients are accruing larger and larger amounts of delinquent and likely uncollectible charges as a result of keeping their pledges not to terminate non-paying customers, while also foregoing revenues and incurring increased operating expenses in order to meet the broadband needs of their COVID-impacted communities and customers, it would appear eminently reasonable and equitable for the Commission to recognize their efforts and sacrifices, as well as the harsh and unusual circumstances of the COVID pandemic, by granting them the requested relief from the BCM for all (or at least part) of the year beginning July 1, 2020.

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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