Advocates for Rural Broadband
Jerry Piper
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April 12, 2018

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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 and 07-135; CC Docket No. 01-92

Dear Ms. Dortch:

On Tuesday, April 10, 2018, Deborah Rand and David Shipley of USConnect; Robert Johnson and Troy Radermacher of Dickey Rural Networks; and Derrick Owens, Bill Durdach and Gerry Duffy representing WTA – Advocates for Rural Broadband (WTA) met with Jamie Susskind, Chief of Staff for Commissioner Brendan Carr, to discuss various Universal Service Fund (USF) matters.

WTA initially noted that the Commission's recent March 2018 order and notice of proposed rulemaking (FCC 18-29) did not address one of the issues that it had raised on reconsideration of the Commission's March 30, 2016 Order – the regulatory treatment of situations where post-2017 mergers, acquisitions or transfers of control result in an Alternative Connect America Cost Model (ACAM) study area and a Legacy Rate-of-Return (RoR) study area in the same state. Whereas the initial ACAM election was required to be made on a statewide basis, transactions and consolidations are beginning to result in the potential for affiliated ACAM and Legacy RoR study areas in the same state. WTA stressed the need for clarity and certainty so that transactions can be priced accurately on the basis of projected future revenue streams and so that they can be approved and completed promptly without the need to wait for waivers. WTA has proposed that post-transaction ACAM study areas and Legacy RoR study areas remain under the same regulation so as not to require budget revisions, and has indicated that any resulting allocation issues would not differ significantly from the existing situation where holding companies and affiliated companies were permitted to make different ACAM and Legacy RoR elections in different states. WTA emphasized that, whatever the Commission decides, the most important factor is a clear rule that allows parties negotiating a transaction to know what regulatory treatment to expect.

US Connect noted that it was formed and is owned by rural telephone companies (RLECs), and that its primary business has been to acquire, consolidate and streamline the operations of RLECs in multiple states (including Colorado, Texas, Georgia, Nebraska and Kansas). Its experience has been that rural areas differ significantly, and that a variety of technologies – including fiber-to-the-premises, copper and digital subscriber line (DSL) facilities shortened by fiber trunks and digital subscriber line access multiplexers (DSLAMs), and fixed wireless – are necessary to meet the broadband needs of different areas in an economic manner. USConnect has determined that certain approaches – such as establishing one host switch and serving other exchanges via remote switches – may greatly improve efficiency, but raise questions regarding service across state boundaries and the

recovery of transport and middle mile costs. It has also found that, paradoxically, increased efficiencies can reduce other revenue sources and increase dependency upon high cost support. Finally, USConnect has noted that there is a limit to the efficiencies that can be achieved by RLECs, and that its labor costs, in particular, have been increasing as the skills and training of the types of employees needed to deploy and operate a broadband network increase, and as higher and higher salaries become necessary to induce the necessary skilled technicians to move to and remain in the rural service areas of RLECs.

Dickey Rural Networks is a cooperative that has deployed fiber-to-the home (FTTH) to virtually all its rural North Dakota members and that is offering Gigabit services. It emphasized that the deployment of FTTH does not mean that its work is done. In addition to repaying fiber construction loans and maintaining FTTH facilities, there is a constant need to upgrade electronics to meet customer demand for higher broadband speeds and to obtain sufficient middle mile service and capacity to support the services offered over its own network. Dickey Rural Networks indicated that it was not eligible to elect ACAM support when it was first offered, and stated that the unpredictability and unexpected size of the Budget Control Mechanism "haircuts" has been a major problem impairing its ability to serve its rural customers.

Both USConnect and Dickey Rural Networks indicated potential interest in model-based support with respect to a future additional ACAM election option and/or the CAF Phase II auction. However, both observed that the ACAM model appeared to substantially overstate the number of locations and unserved locations in the areas they had studied. Whereas the most accurate solution may be to recalibrate and rerun the ACAM model, they indicated that the waiver process adopted for the CAF Phase II reverse auction appeared to be a relatively fair and reasonable approach.

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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Attachment: DRN Company Profile