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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 September 23, 2016, Bill Otis of New Ulm Telecom, Inc., Bill Eckles of BEVCOMM, Brent Christensen of Christensen Communications Company, Jerry Burmeister of Interstate Telcom Consulting, Inc. and undersigned counsel representing the eleven Minnesota, Wisconsin and Iowa rural local exchange carriers (“MN-WI-IA Companies”) listed on Attachment A met with Carol Matthey, Suzanne Yelen, Joseph Sorresso and Alexander Minard (by phone) of the Wireline Competition Bureau to discuss their interest in participating in the Alternative Connect America Cost Model (“ACAM”) mechanism and broadband deployment program and their concerns that the present ACAM eligibility criteria may be changed in some manner at some future date to exclude currently eligible entities.

The MN-WI-IA Companies indicated that their companies had deployed 10/1 broadband to substantial portions (generally, in the 70.0-to-89.9 percent range) of the customers in their eligible service areas, but that they still had much work left to deploy broadband to the more sparsely populated and higher cost areas outside their rural towns. They view ACAM as a unique and pivotal opportunity that will allow their companies to bring broadband to unserved farms and outlying residential clusters where they had previously been unable to make a persuasive business case for deployment to their owners and lenders. In particular, they noted that, as the agriculture industry changes, more and more outlying rural households contain one or more individuals who telecommute and who need increasing amounts of broadband capacity for their work.

The MN-WI-IA Companies recognize that the ACAM path has budget limitations, and that the initial ACAM support offers and build-out obligations will have to be revised if

(as they expect) the ACAM mechanism is over-subscribed. They have already spent substantial time, effort and consulting fees on the analysis of their initial ACAM support offers and build-out obligations, and of various potential scenarios involving reduction of their ACAM support and associated obligations. They intend to opt into the ACAM Path on or before November 1, 2016, and are prepared to respond to revised offers according to the 30-day “second step” procedure set forth in the Commission’s March 30, 2016 *USF Order*.¹

The MN-WI-IA Companies expressed their interest and willingness to work with the Bureau to develop reasonable and equitable ways to accommodate: (a) the entities electing to opt into the ACAM Path as of November 1; (b) the Commission’s budget constraints; and (c) the Commission’s broadband deployment goals. They were concerned with the language in the Bureau’s August 3, 2016 Public Notice² indicating that it might “prioritize” among electing carriers on the basis of one or more of three different potential criteria (percentage of locations lacking 10/1 Mbps, absolute number of locations lacking 10/1 and/or average cost per location). The companies interpreted this language as an indication that the Bureau may be contemplating changing the ACAM eligibility standard in some presently unknown manner that might significantly decrease the number of entities eligible to participate on the ACAM Path.

The MN-WI-IA Companies vigorously support the use of the 30-day second step procedure to resolve ACAM over-subscription problems. Until the actual extent of such over-subscription is known, they understand that it is not possible to determine, for example, the amount by which the present \$200 per location funding cap would need to be reduced to comply with the ACAM budgetary constraint. The MN-WI-IA Companies understand the Bureau’s concerns that certain potential reductions in the per location funding cap might lock in an entity’s support without requiring it to deploy broadband to any or many new locations. They made it clear that they were speaking only for themselves, and not for the RLEC Industry, when they indicated that they would be willing to accept revised ACAM offers where the proportionate support reductions were greater than the proportionate build-out obligation reductions. They also indicated willingness to consider other options such as requirements to spend incremental ACAM support (the “delta”) solely on new deployments to unserved locations.

In contrast, the MN-WI-IA Companies strenuously oppose any “prioritization” or other changes in ACAM eligibility criteria that would bar substantial numbers of entities making the November 1 election from ACAM participation. They would view that as an arbitrary and unfair change of the ACAM eligibility rules in the middle of the process – one that would reduce not only the scope but also the stature of the ACAM Path.

¹ *In the Matter of Connect American Fund et al.*, Report and Order, Order, and Order on Reconsideration, and Further Notice of Proposed Rulemaking, WC Docket Nos. 10-90 and 14-58 and CC Docket No. 01-92, FCC 16-33, released March 30, 2016.

² *Public Notice* (Wireline Competition Bureau Announces Support Amounts Offered to Rate of Return Carriers to Expand Rural Broadband), WC Docket No. 10-90, DA 16-869, released August 3, 2016.

The MN-WI-IA Companies are aware of various consultant estimates that somewhere between 5 and 30 RLEC entities are likely to eat up the entire \$150 million CAF Reserve amount if the present \$200 per-location funding cap is retained, and the number of eligible ACAM participants is reduced until the budgetary constraint is satisfied. A 5-to-30 or similarly limited number of ACAM Path participants would constitute a very minimal “experiment” with model-based support for RLECs, and would confine the potential benefits of the ACAM mechanisms to a very small portion of Rural America. The MN-WI-IA Companies believe that an ACAM Path comprised of several hundred RLECs with revised support and build-out obligations would constitute a far more effective and equitable experiment with model-based support than a “fully funded” \$200 per location alternative with relatively few participants.

The MN-WI-IA companies recognize that the conduct of the second step of the election process, as set forth in the *USF Order*, is likely to preclude full and formal implementation of the ACAM Path by January 1, 2017. However, true-up procedures can be employed to provide ACAM participants with the ultimately offered ACAM support for 2017, while compliance with the associated ten-year build-out obligations is even less time-constrained given that initial deployment milestones and compliance reporting do not become applicable until Year 4.

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

Gerard J. Duffy

Attachment A: List of Participating MN-WI-IA Companies
Attachment B: New Ulm Fact Sheet
Attachment C: BEVCOMM Fact Sheet
Attachment D: Christensen Fact Sheet

cc: Carol Matthey
Suzanne Yelen
Joseph Sorresso
Alexander Minard