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November 6, 1995

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William F. Caton
Acting Secretary
Federal Communications Commission
Mail Stop 1170
1919 M Street, N.W., Room 222
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Dear Mr. Caton:

Re: CC Docket No. 95-115 Subscribership and Usage of the Public Switched Network;
RM-8159, BETRS

Enclosed is a copy of a letter Jeffrey B. Thomas, Senior Counsel, Legal Department, Pacific Bell, sent to Kenneth P. Moran, Chief, Accounting and Audits Division, Common Carrier Bureau, regarding the above-referenced proceedings. Please associate this material with these proceedings.

We are submitting two copies of this notice in accordance with Section 1.1206(a)(1) of the Commission's Rules.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,



cc: Pete Belvin
Jim Casserly
Deborah Dupont
Dan Gonzalez
George Johnson
Kenneth Moran
Andrew Mulitz
John Nakahata
Todd Silbergeld
Kathleen Wallman
Richard Welch

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Jeffrey B. Thomas
Senior Counsel
Legal Department

140 New Montgomery Street
San Francisco, California 94105
(415) 542-7661

PACIFIC BELL[®]
A Pacific Telesis Company

November 3, 1995

Kenneth P. Moran
Chief, Accounting and Audits Division
Common Carrier Bureau
Federal Communications Commission
2000 L Street, N.W.
Washington, D.C. 20554

Dear Mr. Moran:

Re: CC Docket No. 95-115, *Subscribership and Usage of the
Public Switched Network*; RM-8159, *BETRS*

Thank you for meeting with us on October 13, 1995 regarding subscribership issues. This letter serves to provide information that you requested in that meeting concerning our use of *BETRS*. While gathering this information, I became aware of the inaccuracy of the *BETRS* cost information in two sentences of our Comments in CC Docket 95-115 that I provided orally at the meeting. On October 30, 1995, we filed an Erratum to our Comments.

The corrected data, together with additional data, are detailed below. The cost data include the cost of the radio equipment, engineering and outside plant costs, and installation costs.

The corrected data does not change our conclusion that, even though *BETRS* is used where it is less expensive than wireline service, *BETRS* is still very expensive. Nonetheless, we believe that wider availability of *BETRS* spectrum could help with efforts to bring telephone service to unserved rural residents.

NEVADA BELL BETRS

July 1, 1991 thru August 31, 1995

Base Station License Location	# of Customers	Cost	Cost Per Customer
1. Diamond Valley	7	\$102,087	\$14,584
2. Carrant	4	21,773	5,443
3. Carrant Creek	2	26,748	13,374
4. Crescent Valley	2	15,980	7,990
5. Nyala	10	63,710	6,371
6. Smoky Valley	15	402,924	26,862
7. Izzenhood	13	291,306	22,408
8. Desert Valley (sold 1995)	66	552,122	8,365

We also provide BETRS to 26 customers in Austin, Nevada pursuant to a waiver of Part 21. Earlier this year, Nevada Bell sold to another local exchange carrier the part of its territory that included the Desert Valley BETRS project.

It is difficult to generalize concerning the demographics of our BETRS customers. In Nevada, most are ranchers, ranging we believe from low income to high income. We believe that some are persons who moved to rural areas upon retirement.

Where spectrum is available, BETRS is used to serve Nevada's rural areas where it is more economic than wireline or other radio services. BETRS customers pay the same tariffed rates for service as all other customers. For instance, once BETRS service is established, residential customers within the base-rate area of a Nevada Bell local exchange pay \$10.00 per month for non-lifeline, flat-rate residential service. If they are outside that area but still within the exchange, they pay an extra \$2.00 per month. In either event, they also pay the subscriber line charge. BETRS customers normally are not within the base-rate area.

If the customer is outside not only the base-rate area but also the exchange, the customer traditionally has had to pay state tariffed line extension charges, which residents in remote areas generally cannot afford. Nevada Bell has worked to have these charges removed where practical. Beginning with proceedings in 1987 and continuing in two subsequent proceedings, Nevada Bell faced an intrastate overearnings situation and petitioned the Public Service Commission of Nevada ("PSCN") to use the overearnings to cover the intrastate costs of rural improvements. The PSCN agreed to our plans to replace open wire and install BETRS or other economic facilities, replace mechanical switches with digital equipment, and develop special rate areas to bring remote customers into the exchange so that they need not pay line extension charges. Customers are brought into the exchange on a PSCN approved priority basis, with growing areas normally coming in first. Additional rural improvement funding sources are being explored.

PACIFIC BELL BETRS

Pacific Bell has eight BETRS base station licenses serving 30 customers in California. Three examples¹ follow:

Base Station License Location	# of Customers	Cost	Cost Per Customer
1. Forest Ranch	4	\$123,900	\$30,975
2. Feather River Area (between Beldon and Quincy)	8	166,500	20,812
3. Hallelujah Junction	1 (2 business and 2 coin lines)	103,200	103,200

¹ In addition to these three, Pacific Bell has base station licenses at Boulder Creek (near Santa Cruz), Colinga, Miranda (south of Eureka), Briceburg (near Yosemite National Park), and Wawona (in Yosemite).

Most of Pacific Bell's BETRS customers are residential subscribers, ranging we believe from low income to high income. At Hallelujah Junction, BETRS is used by a small business, which includes a service station and restaurant with a heavily used California Lottery line.

As with Nevada Bell, Pacific Bell uses BETRS where it is more economic than wireline or other radio services, and BETRS customers pay the same tariffed rates for service as do all other customers. For instance, once BETRS is established, customers for non-lifeline, flat-rate residential service pay \$11.25 per month. In order to establish basic exchange service in most areas, state tariffs allow the customer a line extension of 750 feet from the nearest Pacific Bell facility without paying line extension charges. Beyond that the customer is charged \$1.10 per foot for a line extension, regardless of the type of facility used (*i.e.*, BETRS, other wireless, or wireline). The customers in one area can pool their allowances and share mileage costs. Nonetheless, for remote rural customers, this can be very expensive. In the three Pacific Bell examples detailed above, however, the customers did not have to pay line extension charges, because in these projects Pacific Bell used BETRS to replace or expand existing facilities.

In some rural California areas where underground, rather than aerial, cable is required (*e.g.*, in or through Forest Service land), customers must pay the actual price of construction, rather than the set per-mile rate. The costs of undergrounding cable in remote rural areas can be extremely high (*e.g.*, several hundreds of thousands of dollars) and can preclude service to residents in these areas. The costs of BETRS tend to be significantly less than the costs of undergrounding cable in remote areas, and BETRS is a possible alternative. For instance, because of the reduced environmental impact, the US Forest Service might be willing to negotiate special use permits for BETRS which they would not for aerial cable. This approach would have more potential if BETRS spectrum were not so limited.

THE NEED FOR ADDITIONAL BETRS SPECTRUM

In sum, serving remote rural areas is expensive regardless of the type of facilities used. In these areas, however, BETRS sometimes is the most economic facility. Using a more economic solution reduces the local exchange carrier's costs, placing less burden on other customers. In addition to use in new projects, BETRS can be the most economic means in some areas to replace existing facilities that provide inadequate service. Moreover, BETRS is a potential service solution in remote areas where aerial cable creates unacceptable environmental impacts. Nevada Bell's use of BETRS, rather than an alternative type of facility, in some cases can reduce a project's drain on the Rural Improvement Fund and allow that Fund to be used to help bring service to more unserved areas.

The number of additional residents in our territories who potentially could be served by BETRS appears to be small. For instance, Nevada Bell estimates that there are approximately 100 remote rural customers in its territory who want service but, as a practical matter, cannot get it because of where they live. We estimate that there are approximately 200 more remote rural customers in Nevada who have substandard service (e.g., party lines or old farm systems) that if practical we would like to upgrade.

BETRS is by no means a perfect solution. Nevada Bell has experienced numerous problems with BETRS, which result in customer complaints due to down time and lack of clarity of the service. Pacific Bell's experience has been more positive.

Although the number of people affected is small and the service provided may suffer in terms of quality, in remote areas a telephone is vital. If service is not provided to the area, a resident cannot go next door to use a friend's or relative's phone, or to a public area to use a payphone.

BETRS would be a more viable option for bringing service to unserved areas, if more BETRS spectrum were available. For instance, some years ago Pacific Bell wanted to use BETRS to serve Yosemite West (a private residential development in Yosemite National Park), but could not get enough spectrum. BETRS shares the 450 MHz range with paging, which creates strong interference and can make BETRS unavailable for hundreds of miles. In the current Subscriber proceeding (CC Docket No. 95-115), various parties have pointed out that BETRS spectrum is too limited. (See Alaska Telephone Association, p. 5; Montana Independent Telecommunications Systems, p. 8; NTCA, pp. 6-7; Pacific Bell and Nevada Bell, pp. 34-36; United, p. 3; US West, p. 12; USTA, p. 15.)

One of the positive side effects of increased BETRS spectrum might be an increase in manufacturers' interests in BETRS equipment. Currently, the supply of types of BETRS equipment is extremely limited, and it can be difficult to find appropriate equipment. Increased use of BETRS also might help decrease the price of this equipment, which is a major cause of the high costs of using BETRS.

Attempting to obtain additional spectrum for BETRS service via the waiver process has not proven very effective. Nevada Bell does provide service to 26 customers in Austin, Nevada pursuant to a waiver of the Part 21 Instructional Television Fixed Service ("ITFS") Rules. Obtaining that waiver and associated Section 214 authority, however, was difficult and took a substantial amount of time, during which time residents who live on Highway 50, "the Loneliest Road in America," were without telephone service.

A good picture of that waiver process and of the plight of citizens living in remote rural areas was provided by Nevada's U.S. Senator Richard H. Bryan in a letter to Chairman Alfred Sikes in 1991: "Some of these Nevada residents are nearly 30 miles from the nearest telephone and anxiously await the arrival of their own phone. In fact, one of these residents is gravely ill and obtaining telephone service is a matter of life and

death. Unfortunately, a number of ITFS organizations, only one of which has a single member from the state of Nevada,...brought this proceeding to a grinding halt."² Concerning his tour of sites where BETRS was in operation, Senator Bryan said:

As a matter of fact, my tour of Nevada Bell's BETRS system was postponed once due to a snowstorm which brought several feet of snow to the remote area I was to visit thus making travel in and out of the area impossible. In light of these circumstances, I am sure you can understand what a lifeline the telephone becomes to the people living in these areas.³

Accordingly, we believe that the Commission should begin a rulemaking proceeding in response to the November 9, 1992 Petition for Rulemaking filed by USTA,⁴ NTCA, OPASTCO, NRTA, and REA in RM-8159. These parties petitioned the Commission "to commence a rulemaking to authorize BETRS to hold co-primary status with the older Air-Ground Radiotelephone Service (ATG) that currently remains operational in the 450 MHz band." (Petition, p. 3.) We support that Petition and believe that now would be a good time for the Commission to move forward on it.

Sincerely,



Jeffrey B. Thomas
Senior Counsel
Pacific Bell and Nevada Bell

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² Letter dated February 1, 1991, from Richard H. Bryan, United States Senator from Nevada, to The Honorable Alfred Sikes, file nos. 7486-CF-P-90 through 7492-CF-P-90.

³ Id.

⁴ Pacific Bell and Nevada Bell are members of USTA.