

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Updating Part 1 Competitive Bidding Rules)	WT Docket No. 14-170
)	
Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions)	GN Docket No. 12-268
)	
Petition of DIRECTV Group, Inc. and EchoStar LLC for Expedited Rulemaking to Amend Sections 1.2105(a)(2)(xi) and 1.2106(a) of the Commission's Rules and/or for Interim Conditional Waiver)	RM-11395
)	
Implementation of the Commercial Spectrum Enhancement Act and Modernization of the Commission's Competitive Bidding Rules And Procedures)	WT Docket No. 05-211
)	

COMMENTS OF THE RURAL CARRIER COALITION

Robert A. Silverman
Erin P. Fitzgerald
Bennet & Bennet, PLLC
6124 MacArthur Boulevard
Bethesda, MD 20816
(202) 371-1500

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Summary

The Rural Carrier Coalition (“Coalition”) files these comments in response to the Federal Communications Commission’s (“FCC” or “Commission”) Public Notice requesting further comment on issues related to its competitive bidding proceeding. These Comments detail the vital services and benefits provided to those who live, work, and travel in the Coalition members’ rural service territories. The Coalition urges the FCC to commit fully to its statutory mandate to ensure that rural telephone companies are given the opportunity to participate in the provision of spectrum-based services.

Sparse population, extreme weather conditions, and difficult terrain make financing spectrum acquisition – as well as the network build out and maintenance that follow – an expensive and difficult task. Access to spectrum promotes competition and is critical to ensuring that rural wireless carriers are given the opportunity to participate in the provision of spectrum-based services. Adoption of a bidding credit for rural telephone companies (“Rural Telco Bidding Credit”) to improve such access prior to the 600 MHz Broadcast Incentive Auction (“Incentive Auction”) is particularly important because low-band (below 1 GHz) spectrum is well-suited to providing robust broadband coverage in rural areas.

The current Small Business Bidding Credit is insufficient to provide realistic opportunities for most rural telephone companies to obtain spectrum at auction. Less than half of Auction 97’s 11 successful rural entities were able to qualify under the Commission’s Designated Entity (“DE”) rules as small businesses, and at the close of the auction rural bidders accounted for just 25 (or 1.55%) of the 1,611 total licenses won. In terms of bidding credits, rural bidders received only \$871,350, or 0.024% of the total \$3.57 billion in bidding credits awarded.

The Coalition supports the adoption of a Rural Telco Bidding Credit as it has been proposed by the Rural Wireless Association, NTCA – The Rural Broadband Association, and the Blooston Rural Carriers. A Rural Telco Bidding Credit would help the Commission satisfy its statutory obligation under Section 309(j) of the Communications Act of 1934, as amended (“Act”) to ensure that rural telephone companies are given the opportunity to participate in the provision of spectrum-based services.

A Rural Telco Bidding Credit will help to ensure rural consumers’ access to emergency services. Rural carriers’ ability to procure spectrum is a critical link in protecting public health and safety throughout the nation. Further, a Rural Telco Bidding Credit will help rural carriers meet the wireless technology demands of critical industries such as agriculture and food production, oil and gas development, and renewable energy.

A Rural Telco Bidding Credit would not be duplicative of the Universal Service Fund – they exist for two separate, complementary purposes. Bidding credits are inherently linked to procurement of spectrum. One of the principal means by which the Commission fulfills its statutory mandate to promote “economic opportunity and competition...by avoiding excessive concentration of licenses and by disseminating licenses among a wide variety of applicants, including small businesses [and] rural telephone companies....” is through the award of bidding credits. A Rural Telco Bidding Credit would help the Commission to meet this objective in a way that the Small Business Bidding Credit alone was unable to do in Auction 97. USF support is intended for building and maintaining wireless network infrastructure – not procuring spectrum licenses. While USF support will help ensure that rates are kept comparable in rural areas and that companies can build networks, the Rural Telco Bidding Credit will help ensure that spectrum on which a network can be built is made available to rural carriers.

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To: The Commission

COMMENTS OF THE RURAL CARRIER COALITION

The Rural Carrier Coalition, a coalition of rural telephone companies and their wireless subsidiaries,¹ respectfully files these comments in response to the Federal Communications Commission’s (“FCC” or “Commission”) Public Notice requesting further comment on issues related to its competitive bidding proceeding.² These Comments detail the

¹ The Rural Carrier Coalition includes Central Texas Telephone Cooperative, Inc.; Copper Valley Telephone Cooperative; DeKalb Telephone Cooperative, Inc.; Nemont Telephone Cooperative, Inc.; Panhandle Telephone Cooperative, Inc.; Rainbow Telecommunications Association, Inc.; SRT Communications, Inc.; and STRATA Networks.

² *In the Matter of Updating Part 1 Competitive Bidding Rules, Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions, Petition of DIRECTV Group, Inc. and EchoStar LLC for Expedited Rulemaking to Amend Section 1.2105(a)(2)(xi) and 1.2106(a) of the Commission’s Rules and/or for Interim Conditional Waiver, Implementation of the Commercial Spectrum Enhancement Act and Modernization of the Commission’s*

vital services and benefits provided to those who live, work, and travel in the Coalition members' rural service territories. The Coalition urges the FCC to commit fully to its statutory mandate to ensure that rural telephone companies are given the opportunity to participate in the provision of spectrum-based services.³

I. INTRODUCTION.

The nation's rural telephone companies have a long history of providing their consumers with state of the art telecommunications services. The rural telephone companies that make up the Rural Carrier Coalition have provided service in their respective rural communities for an average of more than 62 years a piece. Sparse population, extreme weather conditions, and difficult terrain make financing spectrum acquisition – as well as the network build out and maintenance that follow – an expensive and challenging task.

Access to spectrum promotes competition and is critical to ensuring that rural wireless carriers have the opportunity to participate in the provision of spectrum-based services. Adoption of a bidding credit for rural telephone companies (“Rural Telco Bidding Credit”) to improve such access prior to the 600 MHz Broadcast Incentive Auction (“Incentive Auction”) is particularly important because low-band (below 1 GHz) spectrum is well-suited to providing robust broadband coverage in rural areas. As noted in *Digital Crossroads: Telecommunications Law and Policy in the Internet Age*, “[l]ow-band spectrum presents the most significant advantages in sparsely populated rural areas, where its superior propagation characteristics

Competitive Bidding Rules and Procedures; Public Notice, WT Docket No. 14-170, GN Docket No. 12-268, RM-11395, WT Docket No. 05-211; FCC 15-49 (rel. Apr. 17, 2015); (“*Further Notice*”).

³ 47 U.S.C. § 309(j).

enable providers to build fewer cell towers that cover larger cells.”⁴ The Commission has recognized “the importance of access to low-band spectrum to promote variety in licensees and the advancement of rural deployment as directed by Section 309(j).”⁵

The technical superiority of low band spectrum does not, unfortunately, equate to accessibility of such spectrum. Two nationwide providers, AT&T and Verizon Wireless, hold approximately 73 percent of all suitable and available below-1-GHz spectrum nationwide.⁶ Improved access to this low-band spectrum for rural telephone companies will yield stronger, more robust wireless broadband networks to meet the needs of emergency responders, farmers, ranchers, energy producers, and consumers in rural America.

II. THE CURRENT SMALL BUSINESS BIDDING CREDIT IS INSUFFICIENT TO PROVIDE REALISTIC OPPORTUNITIES FOR MOST RURAL TELEPHONE COMPANIES TO OBTAIN SPECTRUM AT AUCTION.

Auction 97 yielded more than \$40 billion in net bids, but the results for rural telephone companies and their subscribers were far less positive. Rural telephone companies enthusiastically participated in Auction 97. Indeed, more than half of the eligible bidders (38 out of 70) were rural telephone companies, rural telephone company affiliates or subsidiaries, or groups comprised of these entities – including two members of this Coalition. However, of 31 winning bidders, only 11 were rural entities. More noteworthy is the fact that less than half of the successful rural entities were able to qualify under the Commission’s Designated Entity (“DE”) rules as small businesses, and at the close of the auction rural bidders accounted for just

⁴ Nuechterlein, Jonathan E., Veiser, Philip J., “Digital Crossroads: Telecommunications Law and Policy in the Internet Age,” 2nd. Ed., MIT Press Books (2013).

⁵ *In the Matter of Policies Regarding Mobile Spectrum Holdings, Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions*, Report and Order, WT Docket No. 12-269, GN Docket No. 12-268, at ¶ 45 (rel. June 2, 2014) (“*Mobile Spectrum Holdings R&O*”).

⁶ *Id.* at ¶ 153.

25 (or 1.55%) of the 1,611 total licenses won. In terms of bidding credits, rural bidders received only \$871,350, or 0.024% of the total \$3.57 *billion* in bidding credits awarded.⁷

Rainbow Telecommunications Association, Inc. (“Rainbow”) participated in Auction 97 in order to procure the spectrum necessary to offer a next generation wireless solution to portions of its service area, but it was not a successful bidder. For one of the licenses on which Rainbow placed bids, its last provisionally winning bid was 90.8% of the final winning bid placed by SNR Wireless LicenseCo, LLC. In this case, a 25% Rural Telco Bid Credit could have helped Rainbow make up the difference between its last provisionally winning bid and SNR’s final bid price. A Rural Telco Bidding Credit seems particularly warranted in this case, given that Rainbow, a company with gross annual revenues under \$14 million, was competing against a “special purpose DE” largely backed by DISH Network Corp. (“DISH”). DISH is a company *with* significant spectrum holdings, annual revenues of approximately \$14 billion, a market capitalization of over \$32 billion – and *without* a functioning wireless network.

An affiliate of Central Texas Telephone Cooperative, Inc. (“CTTC”), Central Texas Telephone Investments, LP (“CTTI”), also participated in Auction 97. For five of the licenses on which CTTI held provisionally winning bids, CTTI’s last provisionally winning bid was within 25% of the final winning bids. One of these licenses was ultimately won by SNR Wireless LicenseCo. This is particularly concerning due to the fact that CTTI did not qualify for a small business bidding credit under the Commission’s rules – and “special purpose DE” SNR Wireless LicenseCo. did. In such a case, a Rural Telco Bidding Credit could have helped to level the playing field. Rural telephone companies – including the members of this Coalition – are ready

⁷ See *In the Matter of Updating Part 1 Competitive Bidding Rules*, Comments of the Blooston Rural Carriers, WT Docket No. 14-170, Attachment B (February 20, 2015) (“*Blooston Initial Comments*”).

and willing to participate in the upcoming Broadcast Incentive Auction, but their ability to do so successfully will be largely determined by the Commission’s decisions regarding its competitive bidding rules.

III. THE COMMISSION SHOULD ADOPT A RURAL TELEPHONE COMPANY BIDDING CREDIT.

The Coalition supports the adoption of a Rural Telephone Company (“Rural Telco”) Bidding Credit as it has been proposed by the Rural Wireless Association, NTCA – The Rural Broadband Association, and the Blooston Rural Carriers.⁸ A Rural Telco Bidding Credit would help the Commission satisfy its statutory obligation under Section 309(j) of the Communications Act of 1934, as amended (“Act”) to ensure that rural telephone companies have the opportunity to participate in the provision of spectrum-based services.

The Commission should offer a 25% Rural Telco bidding credit separate from, and in addition to, any small business bidding credit for which an applicant would qualify. This credit would be available to any entity that: (1) qualifies under the Communications Act of 1934, as amended (the “Act”)⁹ or Commission’s Rules¹⁰ as a rural telephone company; and (2) has no

⁸ See *Ex Parte* Letter from Jill Canfield, Director, Legal and Industry & Assistant General Counsel, NTCA – The Rural Broadband Association, Erin Fitzgerald, Assistant Regulatory Counsel, Rural Wireless Association, Inc., John A. Prendergast, Managing Partner, Blooston, Mordkofsky, Dickens, Duffy & Prendergast, LLP, and Cary Mitchell, Partner, Blooston, Mordkofsky, Dickens, Duffy & Prendergast, LLP to Ms. Marlene H. Dortch, Secretary, Federal Communications Commission, WT Docket No. 14-170 (March 18, 2015) (“*Rural Coalition Ex Parte*”).

⁹ 47 U.S.C. § 153(44) Rural telephone company. The term “rural telephone company” means a local exchange carrier operating entity to the extent that such entity—

(A) provides common carrier service to any local exchange carrier study area that does not include either—

(i) any incorporated place of 10,000 inhabitants or more, or any part thereof, based on the most recently available population statistics of the Bureau of the Census; or

(ii) any territory, incorporated or unincorporated, included in an urbanized area, as defined by the Bureau of the Census as of August 10, 1993;

more than 100,000 domestic retail subscriber lines, counting all fixed business and residential subscriber lines, aggregated over all affiliates (as the term is defined in 47 U.S.C. § 153(2)¹¹).¹² To promote the formation of partnerships among qualified rural telephone companies or rural telephone company bidding consortia, the Commission should not aggregate access lines served by non-affiliated rural telephone companies. So long as qualified rural telephone companies or their affiliates have control of the bidding entity, the bidder should be eligible for the Rural Telco Bidding Credit in areas where one of its members operates and has Eligible Telecommunications Carrier (“ETC”) status.

The credit would allow eligible entities to secure a discount on their gross winning bid(s) for any geographic area licenses that overlap, in whole or in part, the qualified rural telephone company’s wireless or wireline service area as defined by its existing ETC designation. Given Section 309(j)’s directive to ensure that both rural telephone companies *and* small businesses are given the opportunity to participate in the provision of spectrum-based

(B) provides telephone exchange service, including exchange access, to fewer than 50,000 access lines;

(C) provides telephone exchange service to any local exchange carrier study area with fewer than 100,000 access lines; or

(D) has less than 15 percent of its access lines in communities of more than 50,000 on February 8, 1996.

¹⁰ Section 1.2110(c)(4) of the Commission’s DE rules defines a “rural telephone company” using language that is substantially identical to § 153(44) of the Act. *See* 47 C.F.R. § 1.2110(c)(4).

¹¹ Section 153(2) of the Act defines “affiliate” as “a person that (directly or indirectly) owns or controls, is owned or controlled by, or is under common ownership or control with, another person.” For purposes of Section 153(2), the term “own” means to own an equity interest (or the equivalent thereof) of more than 10 percent.

¹² The Commission utilized a 100,000 subscriber threshold in its recent *Rural Call Completion Order on Reconsideration*. *See In the Matter of Rural Call Completion*, Order on Reconsideration, WC Docket No. 13-39, FCC 14-175, ¶ 2 (rel. November 13, 2014) (noting that a “covered provider is a provider of long-distance voice service that makes the initial long-distance call path choice for more than 100,000 domestic retail subscriber lines, counting the total of all business and residential fixed subscriber lines and mobile phones, and aggregated over all of the provider’s affiliates.”)

services, the Rural Telco Bidding Credit would be cumulative with any other Small Business Bidding Credit for which a company is eligible. However, the Rural Telco Bidding Credit would be capped at \$10 million aggregated over all areas for which the company is eligible to receive the bid credit (*i.e.*, no one rural telephone company could receive more than \$10 million in rural telephone company bid credits).¹³

If a winning bidder seeks to reassign a license acquired with the Rural Telco bidding credit, the winning bidder should make unjust enrichment payments as otherwise delineated in the Commission's rules.¹⁴ The Coalition understands that the Commission is currently reviewing the unjust enrichment period applicable to licenses acquired with the Small Business Bidding Credit, and expects that any changes to the unjust enrichment period would apply to both the Small Business Bidding Credit and the Rural Telco Bidding Credit. The credit would be subject to unjust enrichment payments *unless* the license or any portion thereof is assigned to: (1) another rural telephone company or rural telco subsidiary/affiliate with wireless or wireline presence in the original license area; or (2) an independent wireless ETC certificated in the original license area with fewer than 100,000 subscribers. These conditions will both facilitate rural partitioning arrangements in the public interest and ensure that rural telcos do not use the Rural Telco Bidding Credit to acquire a license and then "flip" the license before constructing a network and initiating service.

IV. A RURAL TELCO BIDDING CREDIT WILL HELP TO ENSURE RURAL CONSUMERS' ACCESS TO EMERGENCY SERVICES.

Reliable access to emergency services is vital to all Americans. Rural carriers' ability

¹³ If a rural telephone company qualifies for a small business credit, capped for discussion purposes at \$25 million, *and* the Rural Telco Bidding Credit, it could receive an overall bid credit of up to, but no more than, \$35 million.

¹⁴ 47 C.F.R. § 1.2111(d).

to procure spectrum is a critical link in protecting public health and safety throughout the nation. Nowhere is this access a more crucial lifeline than in rural Alaska.¹⁵ Copper Valley Telephone Cooperative (“Copper Valley”), and its subsidiary Copper Valley Wireless, LLC, serve the Valdez, Prince William Sound, Cordova, and Copper River Valley areas - a rural Alaska service area that is both remote and extremely challenging to serve.

Copper Valley provides vital wireless service in isolated areas that other carriers (including nationwide service providers) do not cover because they are lightly populated and expensive to serve. For example, Copper Valley provides 4G LTE service in the McCarthy/Kennecott area near the Wrangell Mountains. McCarthy is extremely remote and has a population of 28 people,¹⁶ but sees significant temporary population growth each summer when the Wrangell-St. Elias National Park and Preserve attracts up to 20,000 visitors. Areas in and around Tatitlek on Prince William Sound and Lake Louise, which are home to Tribal communities, also have 4G LTE coverage because of Copper Valley. Residents of, and travelers in, these isolated areas rely on the connectivity that Copper Valley provides to communicate with first responders.

The service Copper Valley provides is essential to those who live, work, and travel through its service territory. Among the individuals and businesses that rely on Copper Valley’s service for personal, business, and emergency communications are the Alaska State Troopers, the Alaska Department of Fish and Game, the Alaska Department of Natural Resources, Alaska Division of Forestry, the Alaska Department of Transportation and Public Facilities, the National

¹⁵ See *Ex Parte* Letter from Shilah Butler, Senior Manager for Affiliate Operations, Copper Valley Telecom, to Ms. Marlene Dortch, Secretary, Federal Communications Commission, WC Docket No. 10-90, WT Docket No. 10-208 (Aug. 29, 2013) (describing how Copper Valley wireless service played a critical role in saving the life of David Bruss of Chitina, Alaska, after a kayak accident on the Copper River).

¹⁶ 2010 U.S. Census Data, available at www.census.gov (May 9, 2015).

Park Service, and local police and other first responders. Given its broad constituency, access to emergency services via Copper Valley's network is vital. A Rural Telco Bidding Credit would help Copper Valley, the other members of the Coalition, and other rural telephone companies to get the low-band spectrum that they need to continue serving Americans living in rural and remote locations.

V. A RURAL TELCO BIDDING CREDIT WILL HELP RURAL CARRIERS MEET THE WIRELESS TECHNOLOGY DEMANDS OF CRITICAL INDUSTRIES.

The “spectrum crunch” problem has been widely reported and discussed in the news media.¹⁷ Much has been made about the tremendous growth in wireless data traffic – there is an ever-increasing amount of content and an ever-shrinking amount of bandwidth to go around. This “spectrum crunch” is often discussed in the context of consumer data use, but there is also a need for additional spectrum to accommodate the growing demand for wireless data by critical industries, such as agriculture, food production, and the oil and gas industries, that often operate in rural areas. Industrial applications rely heavily on wireless services provided by the Coalition and other rural telephone companies. A Rural Telco Bidding Credit would help these rural telephone companies to secure the spectrum that they need to further serve these industries and encourage economic growth at the same time.

a. Agriculture and Food Production.

In the Oklahoma Panhandle (OK RSA #1 - Cimarron, Texas & Beaver Counties), Panhandle Telephone Cooperative, Inc. (“PTCI”) provides, through its subsidiaries, mobile wireless services as well as telephone, high speed Internet, and video services. The Oklahoma

¹⁷ See e.g., Jason Furman and Megan Smith, *How to Avoid Spectrum Crunch*, THE WALL STREET JOURNAL, Jan. 22, 2015, available at <http://www.wsj.com/articles/jason-furman-and-megan-smith-how-to-avoid-spectrum-crunch-1421970841>.

Panhandle is a major road and rail transportation corridor and an important industry corridor for energy (oil and gas, wind farms), food (pork production) and agriculture and pivot irrigation. In OK RSA #1, the competitive landscape for mobile wireless services consists of Verizon's CDMA LTE network (9 cell sites) and PTCI's GSM-based UMTS LTE network (34 cell sites and one cell on wheels).¹⁸ PTCI's network is four times the size of Verizon's in OK RSA #1.¹⁹

Industrial agriculture employs 2,500 people in the Oklahoma Panhandle. Center Pivot Irrigation (CPI) systems rely on wireless networks for improved efficiency. This wireless access allows systems to track progress, shut down or start pumps, link with weather and other mobile apps to help farmers make decisions, and send alert messages regarding power failures or mobility issues. Hog farms, too, rely heavily on wireless access. The local hog industry in PTCI's service area employs over 550 workers, with many more employed as contract labor in various capacities. Worker connectivity between barns, trucks, mills, and plants is crucial. Machine to machine ("M2M") connectivity is necessary to remotely monitor temperature and humidity, water pressure and power, and feed and water levels.

In Northeast Kansas, Rainbow, with its subsidiaries, provides telephone, broadband, and video services. Like PTCI, Rainbow serves an agriculture-based economy and is seeing requests for broadband delivery to nontraditional locations in order to support CPI and grain storage facilities that require remote monitoring. There is also a growing need for mobile

¹⁸ Legacy GSM 2G-only networks in OK RSA #1 either already have been decommissioned or are expected to be decommissioned in the near future. Neither AT&T nor T-Mobile has deployed a competing network in OK RSA #1.

¹⁹ *Connect America Fund, A National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-Cost Universal Service Support, Developing a Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service; Lifeline and Link-Up, Universal Service Reform – Mobility Fund; Notice of Ex Parte Presentation of Panhandle Telephone Cooperative, Inc.; WC Docket Nos. 10-90, 07-135, 05-337, 03-109; CC Docket Nos. 01-92, 96-45; GN Docket No. 09-51; WT Docket No. 10-208 (Dec. 5, 2014).*

broadband for precision farming that allows for a more efficient use of resources. Rainbow is interested in procuring 600 MHz spectrum to provide fixed wireless broadband to underserved areas of Northeast Kansas – services that would support the agriculture industry and encourage job growth.

Similarly, agriculture is a key industry in rural Tennessee. In eastern Middle Tennessee, DeKalb Telephone Cooperative, Inc. (“DTC Communications”) provides, through its subsidiaries, wireless services as well as telephone, Internet access, high speed data services, special calling features, voice mail, DTC TV, and security services. DTC Communications’ subsidiary DTC Wireless operates 47 towers in the counties of Smith, DeKalb, Cannon, White, Warren, Van Buren, Coffee and Grundy. DTC Wireless’ service area is comprised largely of agricultural communities, and is the only locally owned nationwide wireless provider in the region.

b. Energy.

The energy industry has boomed throughout many areas of the American West in the last decade.²⁰ Wireless technology plays an important role in energy production, and its importance is only expected to increase. The oil and gas industry’s presence in remote, extreme environments, and its “focus on safety and efficiency...is driving the need for Internet of Things solutions within the industry.”²¹ The number of M2M communications devices with cellular or

²⁰ See e.g., Murrey Jacobson, *Energy Boom in West Creating Jobs and Growth, but Changing Way of Life*, PBS Newshour, Aug. 7, 2012, available at <http://www.pbs.org/newshour/rundown/energy-boom-in-west-creating-jobs-and-growth-but-changing-way-of-life/>; Patti Domm, *Power Shift: Energy Boom Dawning in America*, CNBC, Mar. 18, 2013, available at <http://www.cnbc.com/id/100563497>.

²¹ Karen Boman, *Internet of Things Technologies Could Transform Oil, Gas Industry*, Rigzone.com, September 1, 2014, available at http://www.rigzone.com/news/oil_gas/a/134738/Internet_of_Things_Technologies_Could_Transform_Oil_Gas_Industry.

satellite connectivity deployed in oil and gas applications around the world was 423,000 at the end of 2013. Berg Insight, an analyst firm focused on the M2M market, estimates that number will rise by 21.4 percent to 1.12 million by 2018.²²

Minot, North Dakota, has been at the center of one of the country's most recent (and significant) oil development booms. Oil and related industries employ approximately 60,000 workers in the state.²³ SRT Communications, Inc. ("SRT"), located in Minot, is North Dakota's largest telephone cooperative, employing more than 200 people. SRT maintains a fiber optic, copper and wireless distribution and access network to provide essential and advanced communications. As a leader in deploying enhanced telecommunications services, SRT provides broadband and dial-up Internet services, wireless service and Cable TV as well as traditional telephone, leased line, frame relay, voice mail and long distance services. SRT serves over 48,000 customers, and is seeing unprecedented growth due to oil development. The U.S. Census Bureau estimates that Minot's population grew 13.1% between 2010 and 2013. A Rural Telco Bidding Credit would help companies like SRT to acquire necessary low-band spectrum, and continue to meet the wireless technology needs of its community.

Northwest North Dakota and Southcentral and Northeast Montana, served via 179 cell sites by Sagebrush Cellular, Inc. ("Sagebrush"), a wholly owned subsidiary of Nemont Telephone Cooperative, Inc. ("Nemont"), have also seen tremendous oil and gas activity. Sagebrush covers over 14,000 square miles of very rural, remote areas, and hopes to deploy

²² *Id*; see also News Release, The Installed Base of Wireless M2M Devices in the Oil and Gas Industry Reached 423,000 in 2013, FierceWireless.com, Apr. 11, 2014, available at <http://www.fiercewireless.com/europe/press-releases/installed-base-wireless-m2m-devices-oil-and-gas-industry-reached-423000-201-0>.

²³ Kirk Siegler, *On the Plains, the Rush for Oil has Changed Everything*, NPR Special Series – The Great Plains Oil Rush, January 29, 2014, available at <http://www.npr.org/2014/01/29/264912750/on-the-plains-an-oil-boom-is-transforming-nearly-everything>.

mobile and fixed data services in its service area using 600 MHz spectrum. The 600 MHz spectrum promises to increase a tower's service radius and provide service where Sagebrush's existing spectrum simply cannot reach. Sagebrush plans to deploy 600 MHz-based mobile data services in Montana and North Dakota to improve remote customers' ability to leverage M2M and other data-only applications in agriculture, fleet management and the oil industry. Fixed wireless data services could be deployed to extremely remote areas which cannot be economically served via fiber optic-based products. 600 MHz spectrum will dramatically improve the quality of service that Sagebrush's most remote rural customers can currently access – satellite and dial-up.

Energy is also an important sector of Oklahoma's economy. There are currently 750 oil and gas related employees in PTCI's service area. The oil and gas industry uses wireless technology for remote monitoring and control (turning pumps on and off, evaluating tank levels), equipment diagnostics, surveillance, and workforce connectivity (scheduling load transfers). Wind farms are a growing industry in PTCI's service area, where 150 employees and their families have moved to the area to work in the renewable energy sector. These wind farms use M2M for remote monitoring, equipment repair and service, and emergency shut-downs. M2M capabilities also allow turbines to be redirected to best capture available wind energy. Wireless technology is necessary to maintain wind farm connectivity, which benefits all Americans – not just those living in rural markets.

In the Uintah Basin in rural Utah, STRATA Networks ("STRATA") and its subsidiaries provide its customers with nationwide wireless coverage, broadband Internet, advanced Cable TV, and home telephone service. Oil and gas extraction has a long history in the

Uintah Basin.²⁴ The Basin is located on a remote desert plateau in Utah, and is considered one of the major coalbed methane producing areas in the United States.²⁵ The Uintah Basin is also the location of the Uintah and Ouray Indian Reservation, home to the Ute Tribe of the Uinta and Ouray Agency (also known as the Northern Ute Tribe). In addition to providing service to energy exploration/production companies, farms and ranches, and tourism sites, Strata provides high-speed broadband services to Ute Tribe members, Tribal Enterprises, and BIA anchor institutions. Access to spectrum, and the resulting wireless service that rural telephone companies provide, is crucial to sustaining and growing local industries throughout the Coalition members' service areas.

VI. A RURAL TELCO BIDDING CREDIT IS NOT DUPLICATIVE OF THE UNIVERSAL SERVICE FUND.

This Coalition urges the Commission to consider the separate, complimentary purposes for which the Universal Service Fund (“USF”) and a Rural Telco Bidding Credit exist. Bidding credits are inherently linked to procurement of spectrum. One of the principal means by which the Commission fulfills its mandate under Section 309(j) of the Communications Act to promote “economic opportunity and competition...by avoiding excessive concentration of licenses and by disseminating licenses among a wide variety of applicants, including small businesses [and] rural telephone companies....” is through the award of bidding credits. A Rural Telco Bidding Credit would help the Commission to meet this objective in a way that the Small Business Bidding Credit alone was unable to do in Auction 97.

USF support is intended to be used for building and maintaining wireless network infrastructure – not procuring spectrum licenses. Noting that the “Mobility Fund builds on prior

²⁴ Craig Fuller, *Utah History Encyclopedia – Utah History to Go*, available at http://historytogo.utah.gov/utah_chapters/the_land/uintabasin.html.

²⁵ American Oil & Gas Historical Society, *Utah Uinta Basin Oil Discovery*, available at <http://aoghs.org/states/utah-uinta-basin-oil-discovery/>.

proposals” for modernizing the USF, the Commission cited the Federal-State Joint Board on Universal Service’s recognition of the importance of “directly addressing the *infrastructure needs* in areas unserved by mobile service” in its creation of the Mobility Fund.²⁶ The National Broadband Plan, too, recommended that the Commission create a Mobility Fund to enhance 3G networks and *infrastructure*.²⁷ The Commission’s rules governing Mobility Fund Phase I required applicants to already “have access to spectrum in an area that enable[d] it to satisfy the applicable performance requirements...”²⁸ Concerns regarding duplicative programs are misplaced. While the Universal Service Fund will help ensure that rates are kept comparable in rural areas and that companies can build networks,²⁹ the Rural Telco Bidding Credit will help

²⁶ *In the Matter of Connect America Fund; A National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-Cost Universal Service Support, Developing a Unified Intercarrier Compensation Regime, Federal State Board on Universal Service, Lifeline and Link-Up, Universal Service Reform – Mobility Fund*; Report and Order and Further Notice of Proposed Rulemaking; FCC 11-161; ¶ 302 (rel. Nov. 18, 2011) (citing *High-Cost Universal Service Support, Federal-State Joint Board on Universal Service, Recommended Decision, WC Docket No. 05-337, CC Docket No. 96-45, 22 FCC Rcd 20477 (Fed.-State Jt. Bd. 2007)*) (emphasis added).

²⁷ *Connecting America: The National Broadband Plan*, Recommendation 8.3 (2010) (noting that lack of 3G coverage in certain geographic areas was a “significant” issue because 3G infrastructure would be used to roll out 4G networks, and recommending that one-time support be given for deployment of 3G networks).

²⁸ 47 C.F.R. § 54.1003.

²⁹ It is important to note that rural telephone companies are not the only telecommunications service providers that receive USF support. The FCC has stated that the two largest nationwide carriers receive approximately 1/3 of the annual funding received by wireless eligible telecommunications carriers. See *In the Matter of Connect America Fund; Universal Service Reform – Mobility Fund, ETC Annual Reports and Certifications, Establishing Just and Reasonable Rates for Local Exchange Carriers, Developing a Unified Intercarrier Compensation Regime*; Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking; WC Docket Nos. 10-90, 14-58, 07-135; WT Docket No. 10-208; CC Docket No. 01-92; ¶ 243 (rel. June 10, 2014) (estimating that two of the largest national providers that have announced commercial roll-out of LTE receive \$185 million in annual support, and that regional and small providers receive approximately \$400 million). Like nationwide and regional carriers, the members of this Coalition use USF support to build and maintain networks in high cost, rural areas where population density is such that network buildout is not economical any other way.

ensure that spectrum on which a network can be built is made available to rural carriers. A Rural Telco Bidding Credit would not be duplicative but instead would provide rural telephone companies with the opportunity to participate in the provision of spectrum-based services as the Congress instructed in the Act.

VII. CONCLUSION.

The Coalition members appreciate the Commission's efforts and engagement on these issues, and urge the adoption of competitive bidding rules that ensure the delivery of services to consumers in rural areas. These rules should promote deployment of advanced wireless services to consumers living, working and traveling in rural America and encourage auction participation by small, rural wireless carriers that serve those consumers.

Respectfully submitted,

THE RURAL CARRIER COALITION

By: */s/ Robert A. Silverman*

Robert A. Silverman
Erin P. Fitzgerald
Bennet & Bennet, PLLC
6124 MacArthur Boulevard
Bethesda, MD 20816
(202) 371-1500

Its Attorneys

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Unlike nationwide and regional carriers, however, rural telephone companies rarely *also* benefit from the high profits yielded in metropolitan and suburban centers.