



Advocates for Rural Broadband

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September 24, 2015

Filed Via ECFS

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Washington, DC 20554

RE: *Connect America Fund*, WC Docket No. 10-90

Dear Ms. Dortch:

On Tuesday, September 22, 2015, Betty Buckley of the Washington Independent Telecommunications Association; Rick Vitzthum and Michor Hodgen of Kalama Telephone Company and Tenino Telephone Company; Skip Haynes of Rainier Connect; and Derrick Owens and Gerry Duffy representing WTA – Advocates for Rural Broadband (“WTA”) met with Amy Bender, Legal Advisor, Wireline to Commissioner Michael O’Rielly, to discuss their experience in serving rural areas in the State of Washington and its relevance to universal service reform.

Messrs. Vitzthum and Haynes each described their companies and their rural service areas, and joined with Ms. Buckley to emphasize the substantial needs of their rural customers and communities for broadband services. All three companies have deployed broadband facilities, but noted that stable, certain and sufficient high-cost support is necessary to provide facilities and services reasonably comparable to those available in the urban areas of Washington State. They asserted that the \$2.0 billion high-cost support budget for rate-of-return carriers is not sufficient to deploy “reasonably comparable” broadband in rural areas at minimal supported 10/1 levels, much less at the Commission’s 25/3 broadband benchmark. Moreover, the continuing uncertainty of changing and potentially changing high-cost support mechanisms has made it increasingly difficult for managements and lenders to undertake substantial broadband upgrade projects and associated loans having 10-to-20-year terms. The company representatives spoke of several situations inside and outside of Washington State where rural telephone companies have loan commitments from the Rural Utilities Service (“RUS”) or are far along in the loan application process, but are concerned about proceeding with the projects until the future of high-cost support mechanisms becomes more certain. The companies emphasized that high-cost support has been subject to various “reform” proposals and proceedings since 1995, and urged the Commission to provide at least ten years of stability for all existing and prospective mechanisms. They emphasized that fixed wireline broadband networks not only serve rural residential and business customers, but also provide the underlying facilities necessary to support the Commission’s E-Rate, Rural Health Care and Lifeline programs as well as furnishing backhaul for local wireless services.

The companies are aware of the ongoing discussions at the Commission regarding further universal service reform, and of the possibility of a two-pronged path going forward consisting of optional Model-based support and revised rate-of-return mechanisms. The companies indicated that they were reviewing potential options and

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alternatives with open minds, and that they had not yet reached any conclusions or determined their preferences. They did, however, note certain questions and concerns with respect to each potential approach.

With respect to the Alternative Connect America Model (“A-CAM”), the companies indicated that assumed network structures and cost estimates based upon price cap networks in more densely populated areas do not apply to many smaller rural local exchange carriers. Ms. Buckley indicated that Washington State companies were particularly hard hit by the A-CAM.

With respect to rate-of-return mechanism revisions under consideration, the companies were concerned that the bifurcation of “old” and “new” investment under consideration was being developed too rapidly without sufficient time for detailed testing and analysis, and consequently was likely to entail unforeseen consequences. They were particularly worried that it will require complicated and expensive additional bookkeeping, allocation, reporting and auditing procedures.

Whatever high-cost support mechanisms the Commission ultimately uses, the companies emphasized their urgent need for stability, predictability and sufficiency. Small rural telephone companies and their lenders simply cannot undertake broadband infrastructure projects with 10-to-20 year useful lives and loan terms without reasonable certainty that there will be sufficient revenues to recover the costs and repay the loans.

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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Attachment