REDACTED – FOR PUBLIC INSPECTION

EX PARTE
VIA ELECTRONIC FILING
October 14, 2015

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

Re: *In the Matter of Special Access for Price Cap Local Exchange Carriers* (WC Docket No. 05-25); *AT&T Corporation Petition for Rulemaking to Reform Regulation of Incumbent Local Exchange Carrier Rates for Interstate Special Access Services* (RM-10593); *Technology Transitions* (GN Docket No. 13-5); *AT&T Petition to Launch a Proceeding Concerning the TDM-to-IP Transition* (GN Docket No. 12-353)

Dear Ms. Dortch:

On October 13, 2015, the undersigned of TDS Telecommunications Corporation ("TDS") sent the attached e-mail to Eric Ralph, Christopher Koves, Shane Taylor, Billy Layton, Deena Shetler, Virginia Metallo, William Kehoe of the Wireline Competition Bureau to provide follow-up information that was requested during TDS's September 23, 2015 conference call with these individuals.[1]

The attached document contains information that the Wireline Competition Bureau has deemed confidential under the protective orders in these proceedings.[2] Pursuant to the procedures outlined in the protective order, the original confidential version of this filing is being submitted to the Secretary's office under separate cover. Two copies of the confidential version

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1 *See* Letter from Steve Pitterle, Manager – Carrier Relations, TDS Telecommunications Corporation, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 05-25, RM-10593, GN Docket Nos. 13-5, 12-353 (Sept. 24, 2015).

2 *Special Access for Price Cap Local Exchange Carriers; AT&T Corp. Petition for Rulemaking to Reform Regulation of Incumbent Local Exchange Carrier Rates for Interstate Special Access Services,* Modified Protective Order, 20 FCC Rcd. 1994 (2005); *Technology Transitions; AT&T Petition to Launch a Proceeding Concerning the TDM-to-IP Transition*, Protective Order, 29 FCC Rcd. 2014 (2014).

are being delivered to Andrew Mulitz of the Pricing Policy Division of the Wireline Competition Bureau, and two copies are being delivered to Jonathan Reel of the Competition Policy Division of the Wireline Competition Bureau. Additionally, one machine-readable copy of the redacted version is being filed electronically via ECFS.

Please do not hesitate to contact me with any questions regarding this matter.

Respectfully submitted,

/s/ Steve Pitterle

Steve Pitterle
Manager – Carrier Relations,
TDS Telecommunications Corporation

cc Eric Ralph
Christopher Coves
Shane Taylor
Billy Layton
Deena Shetler
Virginia Metallo
William Kehoe

ATTACHMENT

From:	Pitterle, Steven [steven.pitterle@tdstelecom.com]
Sent:	Tuesday, October 13, 2015 2:50 PM
To:	eric.ralph@fcc.gov; William Layton (William.Layton@fcc.gov); Christopher Koves (Christopher.Koves@fcc.gov); shane.taylor@fcc.gov; 'deena.shetler@fcc.gov'; 'william.kehoe@fcc.gov'; 'virginia.metallo@fcc.gov'
Cc:	Pitterle, Steven
Subject:	TDS Response to Additional FCC Staff Questions from September 23, 2015 Conference Call
Follow Up Flag:	Follow up
Flag Status:	Flagged

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All:

During our September 23, 2015 conference call regarding TDS's financial data, you asked that we provide additional information in response to three questions. Below are our answers to those questions as we understand them.

Please let us know if you would like any further information on these topics.

Thanks once again for your time.

Steve Pitterle
608-469-7843

1. **FCC Staff Question: Why do back office expenses account for a higher percentage of TDS CLEC's expenses than TDS ILEC's expenses?**

   TDS Response: TDS CLEC's back office expenses account for a higher percentage of its total expenses for at least three reasons. First, TDS CLEC has had to spend much more than TDS ILEC on selling expenses, such as sales commissions and marketing. This is because, as the incumbent provider in its markets, TDS ILEC already had a large installed base of legacy customers, while TDS CLEC had to start from scratch. Second, the internal teams we need to have in place to manage the order process are much more involved and costly for TDS CLEC than for TDS ILEC because the CLEC teams must facilitate the purchase of UNEs and regularly complete customer conversions. (The actual cost of the UNE facilities are not included in Back Office expenses as they are accounted for as "Cost of Goods Sold.") Third, TDS CLEC has incurred significant expenses managing disputes with the RBOCs.

2. **FCC Staff Question: Why is rate-of-change for TDS CLEC's expenses higher over the past several years than the rate-of-change for TDS ILEC's expenses?**

TDS Response: It has become increasingly difficult for TDS CLEC to provide the levels of bandwidth that prospective customers demand. This difficulty is due in large part to the lack of availability of IP-based wholesale services at competitive prices. In addition, the cost of purchasing and bonding several UNE T-1s is often prohibitive. **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]**

3. **FCC Staff Question: What is the importance of scale to TDS, and how the market might prevent TDS CLEC from achieving scale?**

TDS Response: As providers achieve greater scale, they are able to allocate their fixed costs across a larger base of customers. This enables them to profitably provide service in markets where doing so would otherwise be cost-prohibitive. To a degree, TDS is able to achieve scale economies by sharing common teams—such as our Engineers, HRA Dept., Finance, IT systems—across our ILEC, CLEC, and cable segments. However, TDS is still much smaller than other providers, such as the RBOCs, and thus cannot achieve scale economies to nearly the same extent as these providers. TDS is unable to achieve additional scale primarily because the cost of last-mile access services limits its ability to serve new customers.