SOUTH CAROLINA RURAL CARRIERS

February 1, 2016

The Honorable Mignon Clyburn, Commissioner
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

In Re: Connect America Fund, WC Docket No. 10-90
Written *Ex Parte* Letter
Request for your assistance in regards to loss of Federal Universal Service Funding

Dear Commissioner Clyburn:

As providers of telecommunications services to rural South Carolinians, we are contacting you to express a concern regarding proposed reforms to the high cost universal service fund (USF). We are pleased that the Commission has prioritized this reform, and understand that the long process may be nearing its conclusion. However, we are very concerned regarding what has been termed areas of competitive overlap. We hope this letter will help explain why this issue is so critical and why your position could be very harmful to many rural South Carolinians.

Small rural carriers in our state are in agreement with small carriers throughout our nation in support of what we believe is a key principle of USF reform:

Support for prior investments must continue under the same rules as were in place when those investment decisions were made.

Maintaining this principle as a cornerstone of any reform effort will ensure we achieve the maximum broadband deployment for the future.

As you know South Carolina's rural carriers have long been leaders in the deployment of broadband capable network to rural high cost areas. It is important to understand these networks represent long-term investments. Companies have ongoing expenses to operate and maintain these networks and in most cases have not yet recovered the cost of those investments.

Support from the USF system was critical to the decision to make these investments. We cannot now change those decisions and take back the dollars required to install and maintain them. To now retroactively change the rules related to those historical investments under such circumstances is patently unfair. Reducing support for those past decisions would substantially alter the financial viability of those investments, and moreover, would substantially impair the financial well-being of our companies, including our ability to maintain the broadband networks on which our communities rely, to make additional investments in broadband and other

necessary services, to secure necessary capital to support broadband investment, and to support our communities and workforces through economic development that provides jobs in rural areas, as we have historically done.

In addition to the impact discussed above, it is important for the Commission to note that any competition that exists today may or may not have been present when these investments were made. It is also highly likely that these investments positively impacted economic development which makes that competition economical today. Regardless of the presence or absence of competition, removing support after investment decisions have been made is an unfair outcome and will also have a chilling effect on future investment by increasing the perceived uncertainty of future USF support. This is a particular concern to South Carolina companies as our state has been among the leaders in deploying rural broadband networks. If the rules are changed in the middle of the game the companies in our state that have already invested will be most harmed.

To encourage true expansion of rural broadband networks we must first maintain existing broadband networks. The financial decision to invest in long-term network infrastructure requires a reasonable degree of certainty regarding future revenue flows. The more uncertainty associated with USF support, the larger the discount in determining the future value of the support revenue flows, thus depressing broadband buildout. Reducing support for existing investment for any reason will have a chilling impact on future investment decisions and deny the citizens of South Carolina the increasing broadband speeds they need and deserve.

Given the limited federal USF budget it is critical to understand that the principle of supporting existing networks and investments already made cannot be sacrificed to artificially provide support for new broadband deployment. Expanding broadband networks at the loss of existing networks is a false economy, and most importantly would harm customers of the companies who were leaders in broadband deployment, which includes most South Carolina companies. Any adjustments to universal service support must allow a reasonable transition, such as that the Commission allowed in revising the intercarrier carrier compensation mechanism. Actions that would remove more than 5% of the current support over each of the next 10 years could challenge the South Carolina RLECS who are providing universal service to low income, rural areas such as the I-95 corridor of our state. In addition to jeopardizing affordable communications service for all South Carolina citizens, such action would have unintended negative impacts on rural health care and distance learning programs in economically challenged rural areas of our state.

In conclusion, as we near the end of what has been a long and complicated process to revise rural USF support mechanisms, we ask for your help in making sure that South Carolina companies and the rural citizens they serve are not harmed by retroactive changes to rules related to past network investments. Any changes to high cost support due to the presence of an unsubsidized competitor should be for prospective investment only.

We would like the opportunity to engage in further dialogue to explore ways to accomplish the Commission's goals while maintaining this important principle. Thank you for your attention in this matter. We appreciate your past your service to our country and your excellent

representation of the State of South Carolina, and we trust we can count on you to do what is right not only for South Carolina, but for all rural portions of our country.

Sincerely,

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