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April 10, 2002

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1914 - 1999

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**Ex Parte**

William F. Caton, Acting Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

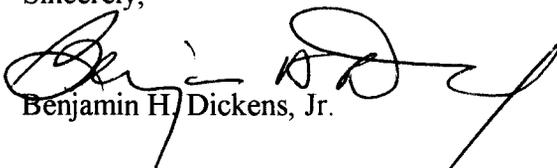
Re: Notice of Ex Parte Presentation: Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, CC Docket No. 00-256; Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Reallocation and Service Rules for the 698-746 MHz Spectrum Band (Television Channels 52-59), GN Docket No. 01-74.

Dear Mr. Caton,

On April 8, 2002, Mark Shlanta, Vernon Brown, Greg Dean, Randy Houdek and I met with Jordan Goldstein fo FCC Commissioner Michael Copp's staff. We discussed the business and operations of SDN Communications. We also discussed some of the problems with the MAG mechanisms and highlighted the rural benefits associated with 700 MHz licensing. We used the attached documents as an outline for discussion.

Consistent with the Commission's rules, I am filing one electronic copy of this notice and request that you place it in the record of the proceedings.

Sincerely,

  
Benjamin H. Dickens, Jr.

Attachment



Overview of SDN and issues for:  
Jordan Goldstien Staff of  
FCC Commissioner Michael Copps

Mark Shlanta, Vernon Brown,  
Greg Dean, Randy Houdek, Ben Dickens  
Washington, DC  
April 8, 2002

## History of SDN



- Owned by most of South Dakota's Independent Telephone Companies
- Incorporated in 1989
- Operating in 1992
- Deployed statewide transport in 1996
- Deployed statewide Frame Relay in 1997
- Deployed statewide SONET in 1998
- Deployed statewide ATM in 1999
- Deployed fiber to Omaha in 2000
- Deployed DWDM in 2001
- Centralizing video feeds for members in 2002

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## SDN Facts



- Headquartered in Sioux Falls, SD
- 37 employees
- 2000 Revenues of \$16M
- 2001 Revenues estimated at \$20M
- 2002 Revenues budgeted at \$25M
- One of South Dakota's fastest growing companies
- Committed to the success of South Dakota

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## Transport Network



- 5,000 miles of fiber optic cable
  - South Dakota, Iowa, Minnesota, Nebraska
- Partnered with similar networks
  - Onvoy, Minnesota
  - Iowa Network Services (INS), Iowa
  - Dakota Carrier Network, North Dakota
  - Alltel, Nebraska
  - Working on partnerships in Wyoming and Montana
- Partners give SDN easy "on-net" access to 34 states
- Points of Presences in larger Qwest Markets and hundreds of ILEC markets
- Co-located with Worldcom, Sprint, Midco, McLeodUSA, Black Hills Fibercom and Northern Valley Communications, and AT&T

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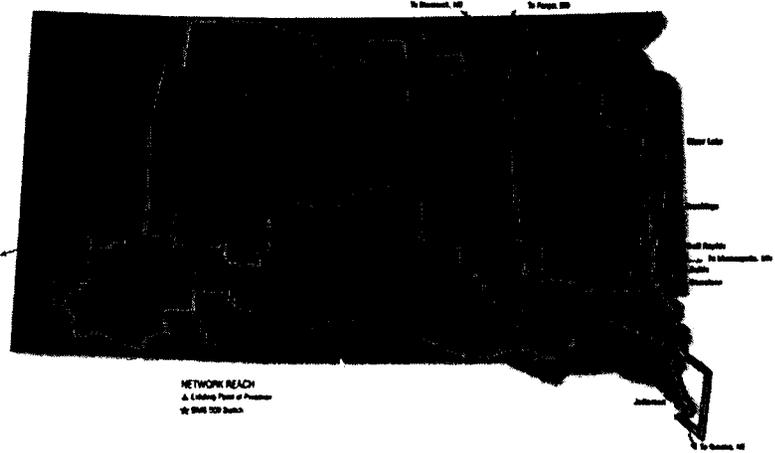
## SONET Network



- SDN maintains multiple SONET rings in SD
  - Eastern, SD 2-OC48s (5.0 Gigabits/second)
  - Southern/Western, SD 2-OC48 (5.0 Gigabits/second)
  - Northwest, SD OC12 (622 Megabits/second)
- SONET rings allow for:
  - Survivability
  - Greater "up-time"
  - Increased reliability
- SONET is a "differentiator" for SDN
- Only SDN provides a protected east/west route across South Dakota connecting Rapid City, Pierre and Sioux Falls

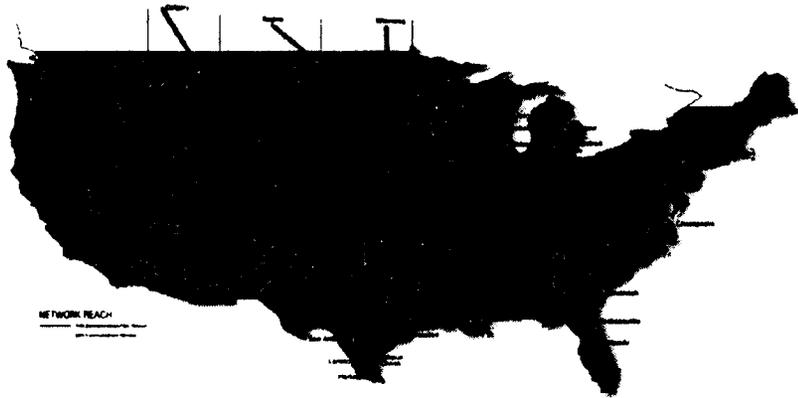
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# SDN Transport Network



2900 W. 10th Street, Sioux Falls, SD 57104 | p 605.334.7183 | 800.247.1442 | 605.334.4782 | www.sdncommunications.com

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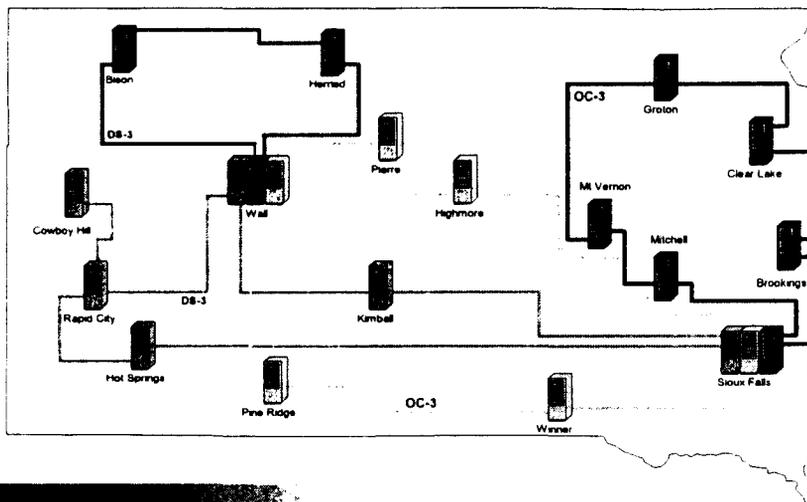
# SDN Frame Relay/ATM Network



- 24 switches on line
  - Qwest has nine in South Dakota
- Rides transport backbone
- Common ILEC pricing program
  - Qwest markets higher
- Service available in 300 cities in South Dakota
- Service available in surrounding states
- Primary SDN Frame Relay/ATM users include:
  - Banking, Medical, and State Government

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## ATM/Frame Relay Network



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## SDN Members



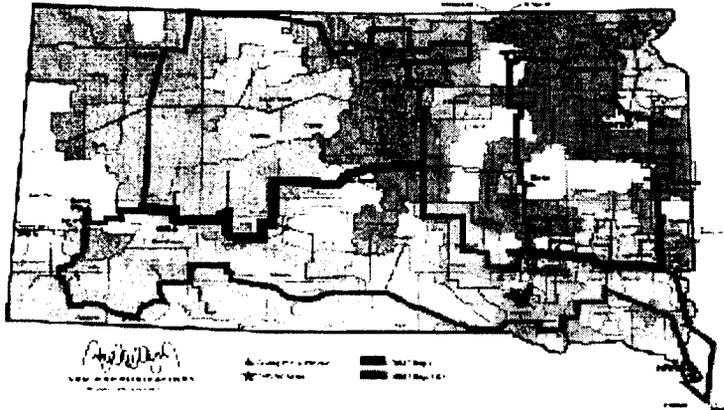
- 30 of South Dakotas Telephone Companies
- They offer:
  - Local service
  - Long Distance Service
  - Local Internet (dial up in over 300 cities)
  - Local DSL (nearly 100 cities at the end of 2001)
    - Qwest has two cities (Rapid City and Sioux Falls)
  - Some wireless options (Sprint PCS, MMDS)
  - High level of services in served communities

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## SDN Members



SDN Fiber Network Within the Member Company Regions



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## SDN Issues



- Rural Task Force-High Cost Support
  - Acquired Exchanges
    - Agree with the concept
    - Support NTCA's reconsideration request
    - Many acquired exchanges lacking infrastructure
      - No dial up internet
      - No voice mail
      - No basic calling features (call waiting, three way calling, etc.)
      - Many delayed service orders
    - Do not like the one year waiting period
      - Incentive is to wait another year before investment made
    - Would like to see USF made available in first year based on the average cost per line in the study area

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## SDN Issues



- Wireless Items
  - Smaller BTA's
    - Help put spectrum in the hands of Rural providers
    - Rural providers have interest in the build out of rural markets
    - Recently adopted by FCC on a portion 700 Mhz licensing
    - FCC should to pursue this on future licensing, do not let this be a one time aberration
    - May need Legislation to create a requirement or strong incentive to partition existing license areas
  - Wireless E911
    - Congress should encourage FCC to grant extensions to rural carriers as they will be the last to have access to new equipment

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## SDN Issues



- **MAG**
  - If **MAG**, then leave intact
    - **MAG** was a loose weave of items, pull on too many threads and the whole package comes apart
    - **FCC** pulled to many threads
      - Core revenue of SD ILECs shifted from legitimate cost according to FCC's own orders to a portable subsidy fund. This will attract unfair competition for rural customers since competitors own costs will be ignored.
      - The South Dakota Telephone Association filed a reconsideration petition for **MAG** in December of 2001
  - **MAG** allows for,
    - Diversity in non-price cap markets
    - Lower access costs
    - Required **IXCs** to pass through reductions
    - Advances Universal Service principles from the '96 Act

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## SDN Issues



- **Bill and Keep**
  - Recent action at **FCC** has all forms of inter-company compensation under scrutiny
    - Interstate access
    - Local access
    - Wireless
    - **ISP**
  - **Bill and Keep** will devastate the rural telephone industry
  - Ask **FCC** to:
    - Narrow focus to **RBOCs**
    - Move slowly
  - When Congress authorized Universal Service, supports were built into access rates
    - Some items, like common line, need to stay in access
    - South Dakota has loops in excess of 60 miles from central offices
      - Greater than distance from **DC** to **Baltimore**

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## SDN Issues



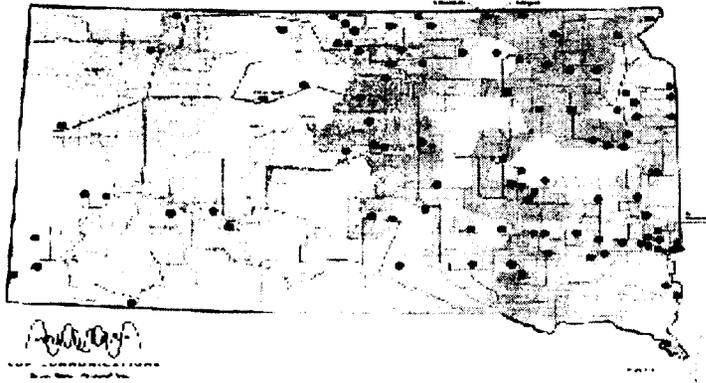
- Tauzin/Dingell
  - SDN does not support
  - Qwest not opening markets
  - Interlata data relief should not be given to RBOCs until local markets are open and significant market share secured by competitors
  - SD ILECs have already deployed broadband in many markets
  - Qwest is rumored to have two in SD, SXFL and RPCY
  - Broadband definition needs to be tailored to fit rural markets in any incentive Legislation
  - Why give RBOCs incentives? ILECs are deploying broadband without Legislative assistance

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## SDN Members



DSL Service Area by Year End 2001



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## SDN Issues



- Universal Service Funds for ETCs
  - Make all ETCs file cost studies
  - Provide assistance based on ETC costs, not incumbent costs
  - ETCs must be able to provide lifeline, data, E911, and equal access
  - If ETC fails to file a study or provide basic services, then no USF should be provided