

## RURAL TELEPHONE SERVICE CO., INC.

Your One-Stop Communications, Information and Entertainment Source

May 14, 2009

### Via Electronic Filing

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, D. C. 20554

Re: Notice of *Ex Parte* Presentation, GN Docket 09-29

Dear Ms. Dortch:

On May 11, 2009, Larry E. Sevier, CEO; Rhonda Goddard, COO; Mike Pollock, CIO; and Ron Ellis, Director of Operations, all with Rural Telephone Service Company, Inc. met via teleconference with Mr. Charles Mathias of the Wireless Telecommunications Bureau and Mr. Ian Dillner of the Wireline Competition Bureau. We discussed rural broadband issues which included the successful provisioning of broadband in a very remote rural area and some of the challenges faced in providing and continuing to provide adequate broadband service.

**Rural Telephone Service Area:** As a rural ILEC, we described our service area in remote western Kansas, which consists of approximately 6,600 square miles (roughly the size of Connecticut and Rhode Island) serving approximately 13,800 customers. We rely on internal equity funds, the RUS loan program and USF in order to provide affordable infrastructure for feasible communications and broadband service. We are currently providing broadband service to approximately 95 percent of our service area through various technologies, mainly fiber-to-the-premise (FTTP).

**Rural Acquisition of Sprint/Embarq Exchanges:** We discussed the acquisition of ten exchanges from Sprint/Embarq approximately 2½ years ago and are finishing a complete rebuild of FTTP to approximately 4,500 customers. The broadband penetration rates went from basically nonexistent in many communities to over 60 percent. While the acceptance and success has been tremendous, the challenge remains to make this a financially, feasible proposition.

**Safety Valve Rules:** We discussed the challenges of acquiring exchanges from another carrier and making a financially, feasible case of rebuilding the exchanges with the latest technology while receiving approximately one-half of the USF revenue based on Rural Telephone's investment. Unless the safety valve rules are changed or waived, it is

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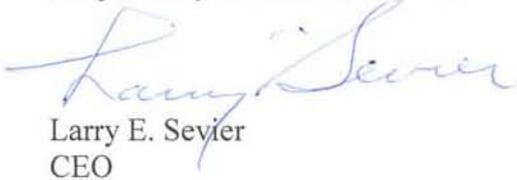
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doubtful that Rural Telephone will make any future acquisitions of this nature even though there are still many rural areas in need of assistance.

**Intercarrier Compensation Rules:** We discussed Rural Telephone's wholly owned deregulated subsidiary, Nex-Tech, Inc., and its success in building FTTP in many of the neglected communities of larger carriers in western Kansas. With community populations ranging from 1,500 to 2,500, Nex-Tech has been able to bring broadband to these communities within the city limits with a penetration rate of 70 to 90 percent. Nex-Tech has been unable to make a financially, feasible case for serving the rural areas outside the city limits without assistance from USF or perhaps utilizing the newly announced American Recovery and Reinvestment Act of 2009 Broadband Initiative. The CLEC business model depends heavily on access charges, and we discussed that drastically reducing access charges to the recently proposed \$0.0007 without some type of recovery mechanism for rural CETC's would threaten Nex-Tech's very existence. We suggested that in the next round of discussions concerning access charges, the rural CLEC industry should have a seat at the table. We suggested that the Rural Independent Competitive Alliance could represent the interests of the small, rural CLEC organizations very well.

**Broadband Speeds and Bandwidth Requirements:** We discussed the need for broadband speeds today and tomorrow. Based on our experience with FTTP and the demand for bandwidth for voice, video and data, we are seeing standard requirements of up to 40 mbps. In our opinion, any area with less than 3 mbps should be considered unserved, and any areas with more than 3 but less than 12 mbps should be considered underserved. Broadband speeds will need to be much higher to run all the IP applications, such as Internet video, IP video for local content, IP video to compete for TV viewing, video conferencing, transmission of medical images, and wireless and Internet backhaul. We explained that WiMax and other wireless broadband connectivity is limited in rural areas as many are hindered by penetration issues with "shelterbelt" type heavy trees surrounding each farmstead. We also discussed our broadband offerings and pricing structure.

Respectfully submitted,



Larry E. Sevier  
CEO

LES/lkw

c: Charles Mathias  
Ian Dillner