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May 5, 2011

VIA ELECTRONIC FILING

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

Re: WC Docket No. 10-90 Connect America Fund
GN Docket No. 09-51 A National Broadband Plan for Our Future
WC Docket No. 07-135 Establishing Just and Reasonable Rates for Local Exchange Carriers
WC Docket No. 05-337 High-Cost Universal Service Support
CC Docket No. 01-92 Developing a Unified Intercarrier Compensation Regime
CC Docket No. 96-45 Federal-State Joint Board on Universal Service
WC Docket No. 03-109 Lifeline and Link-Up
NOTICE OF EX PARTE PRESENTATION

Dear Ms. Dortch:

On May 5, 2011, Douglas Kitch and Vincent Wiemer, principals of Alexicon Telecommunications Consulting, and I met separately with Brad Gillen, Legal Advisor to Commissioner Meredith Atwell Baker, Angela Kronenberg, Legal Advisor to Commissioner Mignon Clyburn, and with Margaret McCarthy, Legal Advisor to Commissioner Michael Copps. Also attending these meetings were several officers of telecommunications companies for whom Alexicon provides consulting services. Those attendees included Michael Murphy and Tanya Murphy of Gorham Telephone Company, Bill Eckles of Bevcomm, Steve Sackrider of WTC (Wamego, Kansas), Bruce Holdridge of Gila River Telecommunications, Inc., and Brian Boisvert of Wilson Communications (Mr. Boisvert did not attend the meetings with Ms. Kronenberg and Ms. McCarthy).

The purpose of these meetings was to describe how certain aspects of the Commission's Universal Service Fund and Intercarrier Compensation reform proposals would have an adverse impact on those companies' ability to continue to provide affordable telecommunications services to their rural, lightly-populated communities and to deploy broadband infrastructure throughout their rural service areas. Alexicon described a model which it has developed for reforming Universal Service Fund and Intercarrier Compensation which would achieve the Commission's stated goals. During the meetings, certain documents were provided, including a "talking points" summary of the Alexicon proposal as well as materials describing Gorham Telephone Company, Wilson Communications and Bevcomm. Copies of those materials are included with this letter.

Pursuant to Section 1.1206(b) of the Commission's rules, this letter is being filed electronically. Please direct any questions regarding this submission to undersigned counsel.

Sincerely,

Mitchell F. Brecher

Enclosures

cc: Mr. Brad Gillen
Ms. Angela Kronenberg
Ms. Margaret McCarthy

Enclosures

Alexicon Telecommunications Consulting

FCC Ex Parte Outline

May 5th and 6th, 2011

Re: In the Matter of

- **Connect America Fund WC Docket No. 10-90;**
- **A National Broadband Plan for Our Future GN Docket No. 09-51;**
- **Establishing Just and Reasonable Rates for Local Exchange Carriers WC Docket No. 07-135;**
- **High-Cost Universal Service Support WC Docket No. 05-337;**
- **Developing an Unified Intercarrier Compensation Regime CC Docket No. 01-92;**
- **Federal-State Joint Board on Universal Service CC Docket No. 96-45;**
- **Lifeline and Link-Up WC Docket No. 03-109**

Talking Points:

A. Alexicon Universal Service Fund and Intercarrier Compensation Reform Discussion

B. Alexicon Client Discussion: Waste & Inefficiency – Company-Specific Statistics

Alexicon Universal Service Fund and Intercarrier Compensation Reform Discussion

1. Introduction
    a. Alexicon Telecommunications Consulting provides management consulting services to approximately two dozen independent local exchange carriers serving rural areas.
    b. Alexicon's clients include privately-owned, co-operatives, and tribal companies in ten states and represent communities ranging from 250 to 40,000 access lines.
    c. Alexicon advises its clients on rate-of-return (RoR) regulation, universal service funding, intercarrier compensation, and interconnection issues among other services.

2. Goals
    a. Modernize universal service fund and intercarrier compensation mechanisms;
    b. Create incentive-based USF for small RoR carriers to deploy broadband;
    c. Modernize USF rules to advance IP technology;
    d. Provide efficiency within the USF system; and
    e. Accomplish these goals in a manner consistent with current ratemaking and Universal Service Funding algorithms.

Alexicon Telecommunications Consulting
FCC Ex Parte Outline
May 5th and 6th, 2011

3. The Alexicon Plan for USF/ICC Reform
    a. Guiding Principles:
        i. USF should support the causes of the higher cost of the deployment and provision of universal service in rural areas – loop costs; central office and field equipment; and bandwidth access.
        ii. Explicit funds should provide specific, predictable and sufficient support to preserve and advance universal service.
    b. Proposed Support:
        i. The Broadband High Cost Loop Fund
        ii. Middle Mile Support
        iii. Local Switching Support (reformed)
        iv. Interstate Common Line Support (includes Intercarrier Compensation Reform)

4. The Broadband High Cost Loop Fund
    a. Current HCL algorithm is driven by investment in Category 1 Exchange C&WF and Category 4.13 Subscriber Circuit Equipment.
    b. *Proposal:* Include broadband equipment categories in a broadband-based high cost loop algorithm.
        i. Category 4.11 Wideband Exchange Line Circuit Equipment allocated to the Interstate jurisdiction as defined in 47 CFR 36.126 (b) (1) (i).
        ii. Category 4.22 Interexchange Circuit Equipment Used for Wideband Services allocated to the Interstate jurisdiction as defined in 47 CFR 36.126 (b) (2) (ii).
        iii. Category 2 Wideband and Exchange Trunk Cable and Wire Facilities allocated to the Interstate jurisdiction as defined in Section 36.152(a)(2) and Section 36.155.
    c. Current separations and record-keeping rules do not have to be modified.
    d. Support for broadband equipment currently recovered via special access rates is quantified and removed to avoid "double recovery".

5. Alexicon Broadband HCL Algorithm - Development
    a. Reproduced the 2010 SACPL and HCL support calculation for every RoR carrier in the U.S. using NECA's national database and current algorithm.
    b. Revised the algorithm to include broadband equipment categories Cat 2 CWF, Cat 4.11 COE, and Cat 4.22 COE.
    c. Estimated broadband equipment category amounts for each company by applying data and category relationships from the 2010 NECA Tariff Review Plan.

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6. Alexicon Broadband HCL Algorithm - Calculations
    a. Calculated Study Area Broadband Cost per Loop (SABCL) for each cost settlement carrier based on the estimated broadband investments.
    b. Calculated separate National Average Broadband Cost per Loop (NABCL) for non-rural and rural RoR carriers using the estimates described.
    c. Calculated Annual Broadband HCL Support for each cost settlement carrier using the estimates described.
    d. Calculated the support amounts attributed to broadband equipment to be removed from special access ratemaking for each carrier (the Broadband Recovery Adjustment).

7. Alexicon Broadband HCL Algorithm – Calculation Notes
    a. The following current conditions are maintained in the Alexicon Broadband HCL Algorithm
        i. Corporate Operations Expense limitation calculation
        ii. 65% / 75% recovery thresholds for study areas reporting fewer than 200,000 access lines
    b. Average Schedule Company results were estimated in the following manner based on 2010 USF submission data:
        i. 3% of Nationwide Broadband Unseparated Costs
        ii. 2.64% of Total Rural Company Annual Broadband High Cost Loop Support
    c. Broadband HCL is calculated without Section 54.305 "parent trap" rule support limitations
    d. The Alexicon Broadband HCL Model can adjust the effective NABCL in order to account for a capped fund

8. Alexicon Broadband HCL Algorithm – Results

Combined Non-rural & Rural Co's	**2010 Actual HCL Data**	**Broadband HCL (est.)**
Unseparated Revenue Requirement	$25,906,588,559	$28,099,084,241
Cost per Loop	$423.15	$459.00

Rural Companies	**2010 Actual HCL Data**	**Broadband HCL (est.)**
Unseparated Revenue Requirement	$7,954,573,961	$8,556,817,350
Cost per Loop	$505.37	$543.76
Capped Cost per Loop	$458.36	
Total Annual HCL Support	**$ 912,645,750**	**$ 815,924,701**

9. Middle Mile Support
    a. "Middle Mile" connects the last mile broadband provider to a node on the Internet backbone.
    b. The cost to obtain Internet bandwidth access is one of the largest barriers to reasonable and affordable consumer broadband rates in rural areas.
    c. *Proposal 1*: Accumulate cost data for bandwidth access, develop an average or threshold cost, and fund costs in excess of the threshold in a manner similar to the Broadband High Cost Loop Fund.
    d. *Proposal 2*: Include middle mile cost as a part 32 transmission cost (acct 6232) which would allow the recovery of costs through the Broadband HCL Fund and ratemaking.

10. Local Switching Support
    a. Phasing out LSS entirely is counter-intuitive to the Commission's initial intent for this funding mechanism, which was "to help small telephone companies that lack economies of scale."
    b. *Proposal:* Ratchet down the Dial Equipment Minutes (DEM) weighting threshold from the current levels.
        i. <5,000 = weighted DEM of 3;
        ii. between 5,000 and 10,000 = weighted DEM of 2.5;
        iii. between 10,000 and 15,000 = weighted DEM of 2; and
        iv. > 15,000 receives minimal or residually-based funding from LSS.

11. Interstate Common Line Support & ICC Reform
    a. ICLS helps to offset interstate access charges and is designed to permit each RoR carrier to recover its common line revenue requirement, while ensuring that subscriber line charges (SLC) remain affordable.
    b. ICLS recognizes that a portion of the common line is used for interstate purposes.
    c. Due to broadband, the interstate portion of common line usage will only increase.
    d. Interstate Common Line Support is the obvious mechanism for recovery of other access rate amounts shifted due to Intercarrier Compensation reform.
    e. *Proposal:* Modifying the current MAG shift adjustment to move traffic sensitive switched access revenue requirement to the common line element
    f. All other aspects of the ICLS should remain the same.

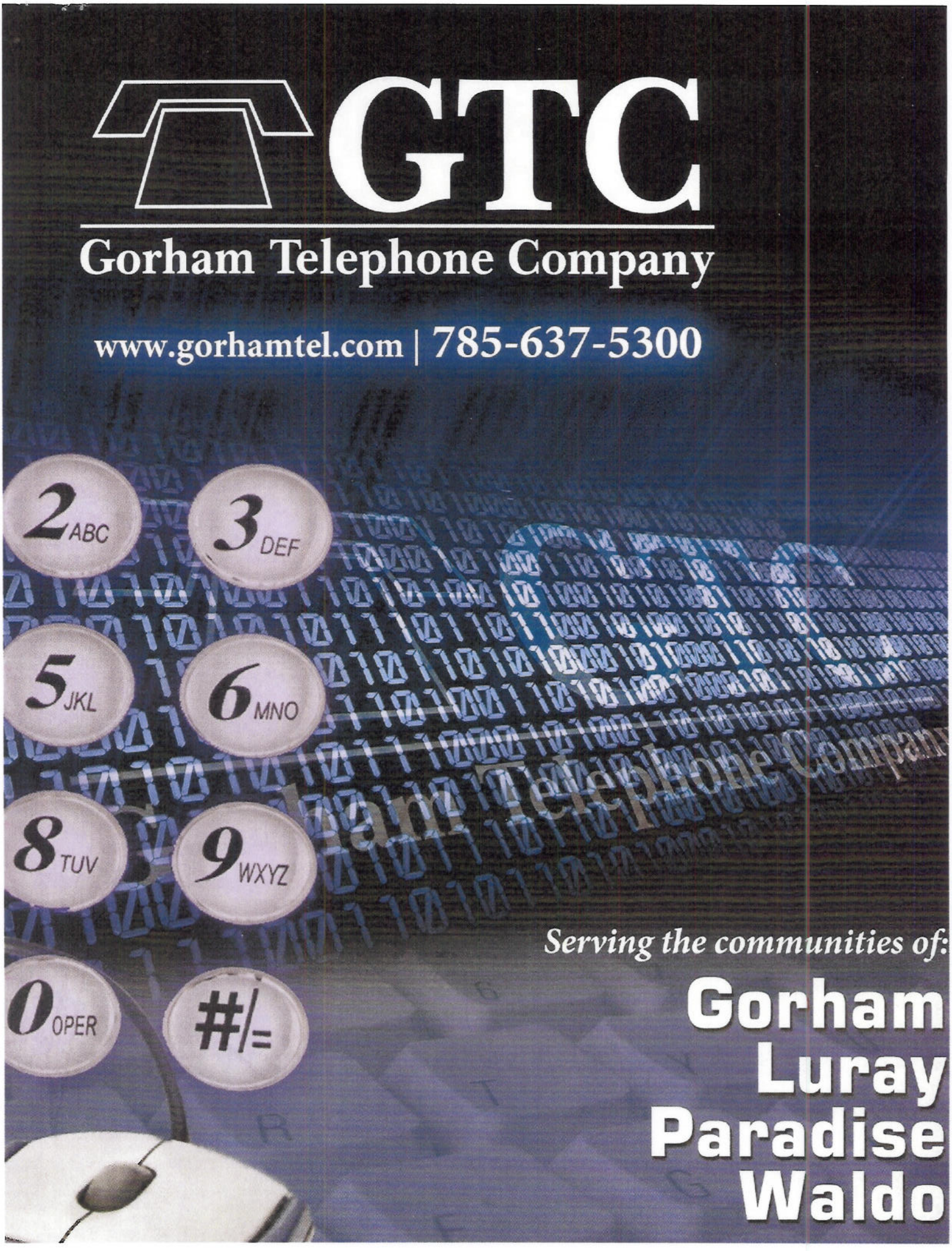
12. Intercarrier Compensation Reform – Notes
    a. Alexicon's treatment can capture the following proposed reforms:
        i. ICC Reform Revenue Offset
        ii. ICC Reform Shift to ICLS
            1. Target access rate; or
            2. All or portion of switched access rates moved to ICLS
        iii. Broadband HCL Recovery Adjustment
        iv. Corporate Operations Expense Cap for ICLS

13. CONCLUSION
    a. Comparison of Results for the example carriers.

Alexicon Client Discussion - Waste & Inefficiency: Company-Specific Statistics

Alexicon is perplexed how the Commission appears to associate "waste and inefficiency" with "high cost". In this regard, some of Alexicon's client companies would like to address the Commission, share their experiences, and share company-specific metrics such as:

- Efficient network configurations
- Number of access lines served, both in total and averaged per square mile
- Number of staff employed
- Broadband offerings


GTC
Gorham Telephone Company
www.gorhamtel.com | 785-637-5300
2 ABC
3 DEF
5 JKL
6 MNO
8 TUV
9 WXYZ
0 OPER
#/=
Serving the communities of:
Gorham
Luray
Paradise
Waldo

Gorham Telephone Company (GTC) and Alexicon
Presentation to the FCC May 5 & 6, 2011

History:

1905--Russell-Gorham Telephone Company was formed. At this time poles were set and proper lines were strung.

1927--Russell-Gorham Telephone Company name was changed to the Gorham Telephone Company.

1944--George W. Murphy purchased controlling interest of the GTC. Gorham was the first community in Western Kansas to have dial telephone.

1947 thru 1956--Several exchanges were purchased and upgraded to automatic relay type switching using RUS funding.

1960--George W. Murphy decided to sell all but the Gorham and Waldo exchanges.

1967--John and Judy Murphy purchased controlling interest of the GTC.

1978--New Stromberg-Carlson switches were installed in both exchanges.

1988 thru 1989--All rural lines were buried and one party service was provided to everyone.

1993--New digital switches/equal access and SS7 was installed at both exchanges.

1997--Michael and Tonya Murphy purchased the GTC.

2000--Provided Dial up internet.

2003--Installed Soft switches in both exchanges and GTC Long Distance. Started fiber ring deployment. Deployed High Speed internet.

2004--Became a RUS borrower to deploy Fiber to the Home(FTTH). RUS borrower KS 562.

2005 thru 2006--Deployed Fiber to the Home in the exchanges of Gorham and Waldo, Kansas. RUS loan amount of $3M.

2007--Purchased two Embarq exchanges: Luray and Paradise, Kansas.

2008 thru 2009-- Deployed Fiber to the Home in the exchanges of Luray and Paradise, Kansas. RUS loan amount of $3M.

2010 thru Current--All Gorham Telephone Company customers are offered the very latest in technology, Fiber to the Home, High Speed Broadband and Digital TV.

Statistics:
GTC is a full service local exchange carrier providing telecommunications services to the cities of Gorham, Luray, Paradise and Waldo, Kansas. GTC serves four exchanges in the State of Kansas. Counties include Russell, Ellis and Osborne, Kansas. The service territory consists of 396 square miles, with a 1.23 access line per square mile and 1.73 subscribers per route mile.

Services 487 access line. (Business and Residential)

6 Full Time Employees

100% Fiber To The Home (FTTH) technology.

$6M RUS Loan.

2010 County property Tax paid was $73K.

Uses an OC 48 and 10 Gig Fiber Optics Transport Network with all Central Offices on Fiber Optic Ring.

52% High Speed Broadband penetration within our service territory.

Offers High Speed Broadband at 768K thru 3 Meg as advertized, but can provide more when requirement is needed.

Offers 25 Class Calling Features.

Local Phone Book

Lifeline program

Offers bundled services/$147.99
Digital Telephone/$24.95
Long Distance/$.13
High Speed/$39.95
Dial Up/$19.95
IPTV/$50.95
Free Voice Mail
Weather Alert/$12

24/7 Trouble Reporting--24/7 Internet Help Desk

National, State and Local involvement:
OPASTCO (Organization for the Promotion and Advancement of Small Telecommunications Companies)
RUS (Rural Utility Service)
NECA (National Exchange Carrier Association)
FTTH (Fiber To The Home Council)
KTIA (Kansas Telecommunications Industry Association)
Russell County Economic Development
RCACF (Russell County Area Community Foundation)
City Council
Fire Departments
Church and Religious Programs
School Boards
School Events
Community Events
Local Scholarships

County Statistics per the 2000 Census:
Russell County 12.8 % below poverty level, 22.8% 65 years old and over...
Osborne County 12.4% below poverty level, 24.7% 65 years old and over.
Ellis County 11.2% below poverty level, 14.1% 65 years old and over.

City of Gorham population 534
City of Luray population 309
City of Paradise population 144
City of Waldo population 143

The average income was $22K

Focus Summary:
We are one of the few businesses, left in our declining communities. We pride our company in the long-term quality and technology we bring to our customers whether it is telephone, high speed internet or video service. Our company chose to invest in FTTH because it was the most efficient long-term investment do to our deteriorating copper plant and the purchase of exchanges that were not served well.

Before we purchased Paradise & Luray we tried offering service via wireless technology. We had numerous trouble calls and found limitations with line of sight and weather related issues. This was another factor in our decision to deploy FTTH to our customers.

Wireless service is a service that is needed; however, it needs to be a complementary service with wireline in our area because the market simply can not even support one provider. All data can not travel through the air waves nor can wireless be a stand alone service without wireline.

Good quality Telephone & Broadband must be available to consumers. Security systems, home health care, people with disabilities, house arrest systems, E911, credit card systems, School Districts, ATMs, house meter reading, online markets & cattle auctions all can be served through our system.

We believe we operate our company very efficient with the choices of technology we offer. We keep technology in rural America as technology is constantly changing. Electronic hardware and software upgrades are constantly being done.

We made the choice to invest in our company and our communities by building a network that would last, not on advertising, buildings or race tracks. We built the most effective network and now the ability to pay it back may be taken away along with the ability to make any further investment

If rules are adopted as in the USF/ICC reform we will not be able to continue to bring quality service, let alone make loan payment to RUS. The future of our communities and our telephone company are at stake.

BEVCOMM®

123 West 7th Street • Blue Earth, MN 56013
507-526-5156 • 1-877-864-5156 • Fax: 507-526-4963
www.bevcomm.net

Summary of BEVCOMM:

- BEVCOMM is comprised of the independent local carriers: Blue Earth Valley Telephone Company, Easton Telephone Company, Cannon Valley Telephone Company and Eckles Telephone Company. All doing business under the name BEVCOMM
- Headquartered in Blue Earth, MN.
- 11,982 access lines
- 6,629 broadband subscribers
- Serving 13 communities in Southern Minnesota. This includes all of Faribault County, MN.
- Over 1,000 square miles serving area, equates roughly 12 customers per square mile.
- Over 1685 route miles of buried cable. 7 customer access lines per mile.
- 99% broadband coverage
- Network was made 99% broadband capable as a result of a long term 25 year plan to replace aging cable with fiber a fiber to the node architecture
- Network is upgrade based on the principals of network efficiency
- Currently executing on a plan to collapse the intelligence in the network to a single location to increase network efficiency
- 800 homes currently served by fiber to the home.
- 85 Employees
- Broadband offerings range from 1 mbs up to 40 mbs
- 40.6% of revenue comes from interstate and intrastate access
- 37.1% of revenue comes from USF funding
- 22.25% of revenue comes from the end user

Contact information:
Bill Eckles CEO
beckles@bevcomm.com
507-526-3252

Wilson communications
It's What You Want!

2504 Avenue D • PO Box 190
Wilson KS 67490-0190
(785) 658-2111
(800) 432-7607
Fax (785) 658-3344

Wilson Communications is a commercial RLEC operating in North Central Kansas. The company has been in business for more than sixty years. We build and operate efficient networks. We serve where the Bell companies would not. We have provider of last resort responsibilities. Wilson Communications buried its copper plant back in the `70's to reduce weather related service interruptions and provide one party service. In the 1980's and `90's Wilson upgraded its interoffice network to fiber optic cable and its switching from mechanical to digital. This investment provided equal access to long distance carriers of the customers' choosing. During the last decade fiber to the node was installed to meet the need for broadband services. Wilson can reach 100% of its customers providing the current standard of 768Kb/s down. Demand for greater network bandwidth continues. Wilson now is investing in fiber to the premise. This undisputed technology provides the most reliable and technologically advanced medium for meeting the mandates contained in the Communications Act of 1996.

Predictable and sufficient support ensures that Wilson will continue providing services and operational efficiencies to the rural communities we serve. We have the experience and knowledge to provide the best long term return on USF and ICC support. Below are illustrative statistics of Wilson's area, broadband adoption and economic impact.

- 7 Exchanges covering approximately 1,000 square miles. Average customer density is 1.5 customers per square mile. Exchanges include:
  - Wilson, 493 customers, 180 sq. miles, 2.74 customers/mi^2
  - Sylvan Grove, 242 customers, 142 sq. miles, 1.7 customers /mi^2
  - Lucas, 269 customers, 171 sq. miles, 1.6 customers /mi^2
  - Denmark, 36 customers, 49 sq. miles, 0.73 customers /mi^2
  - Hunter, 108 customers, 170 sq. miles, 0.64 customers /mi^2
  - Tipton, 204 customers, 127 sq. miles, 1.6 customers /mi^2
  - Brookville, 188 customers, 149 sq. miles, 1.3 customers /mi^2

- Total Customers: 1540

- Access Lines: 1687

- Broadband: 817 - 53% adoption rate

- Employees:
  - 13 Full-time
  - 4 Part-time

Wilson communications
It's What You Want!

2504 Avenue D • PO Box 190
Wilson KS 67490-0190
(785) 658-2111
(800) 432-7607
Fax (785) 658-3344

- Services offered include Broadband Internet Access, Local Telephone Service, and Long Distance Service.

- Currently offer ADSL broadband services to 100% of our customer base. In 2009 began constructing fiber-to-the-premise. This network modernization is planned to take seven years to reach our entire customer base.

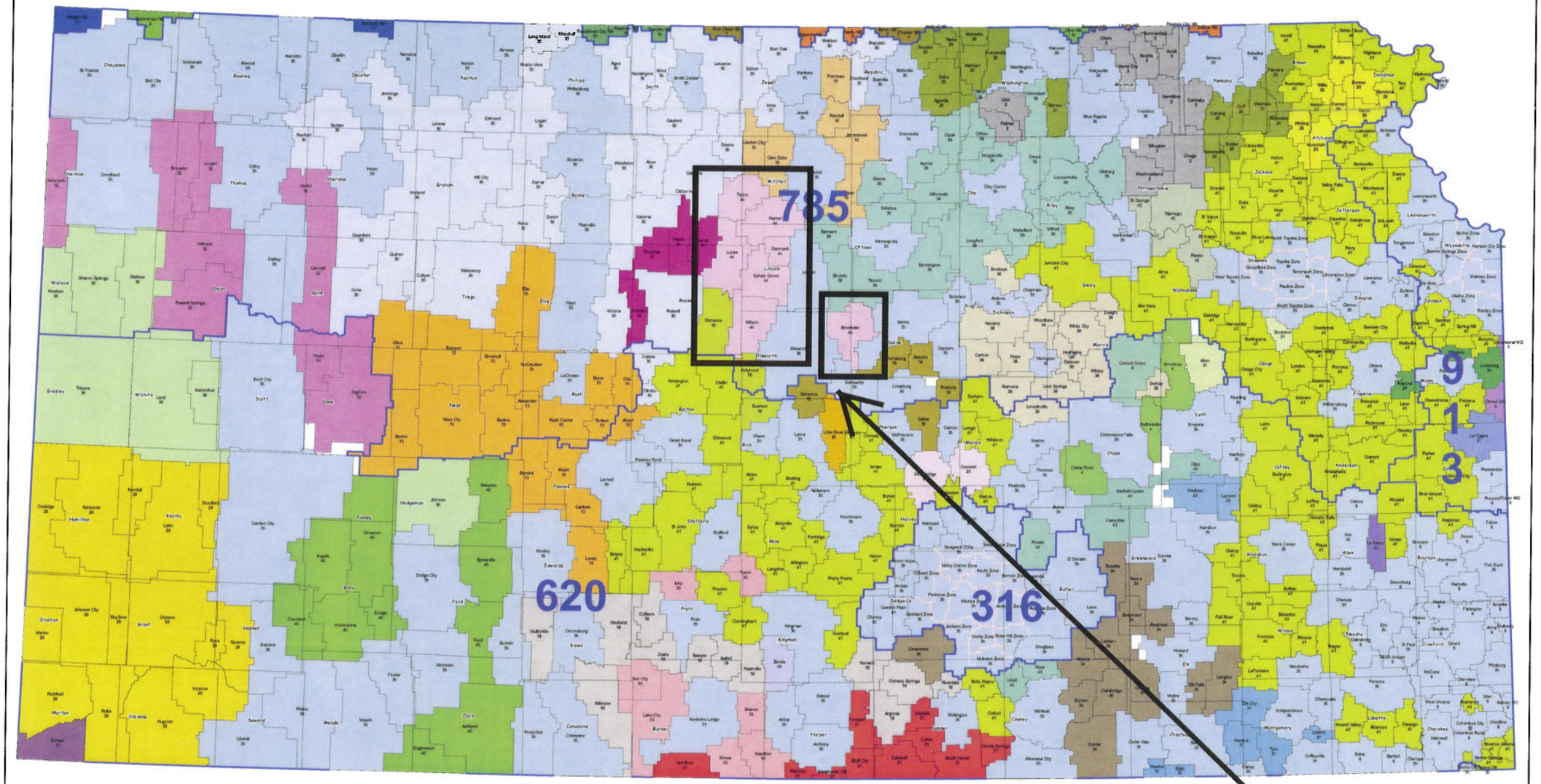
- Interstate high cost support (HCL, SNA, LSS, & ICLS) for 2010 was 58% of Wilson Telephone's operating revenue.

- Interstate access (including NECA settlements) was 15% of our operating revenue in 2010.

- Long term debt held by RUS is $5,852,000

- Economic impact of Wilson Communications (2010):
  - 13 full time and 4 part time positions
  - $244,233.00 in property tax
  - $580,000 income tax
  - $827,000.00 outside expenditures to operate the company

CERTIFIED AREAS OF TELEPHONE EXCHANGES IN KANSAS



Boundary Type
- Area Code
- Zone
- Exchange

Company Name
1. ALLIANT TELEPHONE COMPANY OF NB
2. BENKELMAN TELEPHONE COMPANY INC
3. BLUE VALLEY TELE-COMMUNICATIONS, INC
4. BLUESTEM TELEPHONE COMPANY, INC
5. CASS COUNTY TELEPHONE COMPANY
6. COLUMBUS TELEPHONE CO. INC
7. CONTIENTAL TELEPHONE COMPANY OF NB.
8. COUNCIL GROVE TELEPHONE COMPANY
9. CRAW-KAN TELEPHONE COOPERATIVE, INC
10. CUNNINGHAM TELEPHONE COMPANY, INC
11. DILLER TLELPHONE COMPANY OF NB
12. ELKHART TELEPHONE COMPANY, INC
13. GOLDEN BELT TELEPHONE ASSOCIATION
14. GORHAM TELEPHONE COMPANY
15. GTE NORTH NB
16. H&B COMMUNICATIONS, INC
17. HARTMAN TELEPHONE COMPANY OF NB
18. HAVILAND TELEPHONE COMPANY, INC
19. HOME TELEPHONE COMPANY, INC
20. J B N. TELEPHONE COMPANY, INC
21. KAN-OKLA TELEPHONE ASSN., INC
22. LAHARPE TELEPHONE COMPANY, INC.
23. MADISON TELEPHONE LLC
24. MO-KAN DIAL, INC
25. MOUNDRIDGE TELEPHONE COMPANY
26. MUTUAL TELEPHONE COMPANY
27. PEOPLES TELECOMMUNICATIONS, LLC
28. PIONEER TELEPHONE ASSN., INC
29. RAINBOW TELECOMMUNICATIONS ASSOCIATION, INC
30. RURAL TELEPHONE SERVICE COMPANY, INC
31. S&A TELEPHONE COMPANY, INC
32. S&T TELEPHONE COOPERATIVE ASSOCIATION, INC
33. SOUTH CENTRAL TELEPHONE ASSN. INC
34. SOUTHERN KANSAS TELEPHONE COMPANY, INC.
35. SOUTHWESTERN BELL TELEPHONE CO
36. SUNFLOWER TELEPHONE COMPANY, INC
37. TOTAH COMMUNICATIONS, INC
38. TRI-COUNTY TELEPHONE ASSOCIATION, INC
39. TWIN VALLEY TELEPHONE, INC
40. UNITED TELEPHONE ASSN., INC
41. UNITED TELEPHONE CO. OF KANSAS
42. WAMEGO TELECOMMUNICATIONS COMPANY, INC
43. WHEAT STATE TELEPHONE COMPANY, INC
44. WILSON TELEPHONE COMPANY, INC
45. ZENDA TELEPHONE COMPANY, INC
- NO SERVICE

Wilson Telephone Company Inc
Number of Exchanges - 7
Number of Customers - 1,600
Serving Area - 1,000 sq mi
Density/mile - 1.6

0 3.5 7 14 21 28 35 Miles

KANSAS CORPORATION COMMISSION
Information Technology August 2008