

June 24, 2011

**Filed Via ECFS**

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

**Notice of Ex parte regarding: WC Docket Nos. 10-90, 07-135, 05-337 and 03-109, GN Docket No. 09-51 and CC Docket Nos. 01-92 and 96-45 in the matter of Connect America Fund, a National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-cost Universal Support, developing a Unified Intercarrier Compensation Regime, federal-State Joint Board on Universal Service, Lifeline and Link-up**

Dear Ms Dortch:

On June 23, 2011, Andy Denzer of Warinner, Gesinger and Associates, LLC (WGA) , Tony Duet of Lafourche Telephone Company LLC, Mary Meyer of Madison Telephone LLC, Archie Macias of Wheat State Telephone Company, Inc., and Stuart Polikoff of The Organization for the Promotion and Advancement of Small Telecommunication Companies (OPASTCO), met with the following members of the Federal Communications Commission's Wireline Competition Bureau, Jennifer Prime, Greg Seigel, Katie King, Kevin King, and Margaret McCarthy of Commissioner Copp's Office, and Angela Kronenberg of Commissioner Clyburn's Office to discuss the FCC's pending universal service and inter-carrier compensation notice of proposed rulemaking in the referenced dockets. The discussion was both in general and how the proposed changes impact rural rate-of-return carriers.

WGA previously filed comments on April 1, 2011, and April 18, 2011 in the mentioned dockets and on July 12, 2010 in the additional WC Docket Nos. 10-90 and 05-337, and GN Docket 09-51.

Andy Denzer presented information from the Wichita State University's economic assessment on the FCC's National Broadband Plan on Kansas rural LECs, WGA topics for the FCC's consideration, and immediate actions needed by the FCC to appropriately proceed with USF and inter-carrier compensation reform. In addition, information was presented regarding the potential revenue available to both large ILECS and the Federal Universal Service Fund if the Subscriber Line Charge (SLC) were to be the first rates benchmarked and billed at the maximum levels set by the FCC.

Pursuant to Section 1.1206(b) of the Commission's rules, a copy of this presentation is filed for inclusion in the public record of the referenced proceeding.

Sincerely,



Andrew A. Denzer, Principal

**WARINNER, GESINGER & ASSOCIATES, LLC**

*Midwest*

10561 Barkley Street, Suite 550  
Overland Park, Kansas 66212-1835

*p* 913 599-3236

*f* 913 599-3737

[www.wgaepa.com](http://www.wgaepa.com)

*Northwest*

501 SW 295th Place  
Federal Way, WA 98023-3531

*p* 253 941-5668

*f* 253 529-9004

**WARINNER, GESINGER &  
ASSOCIATES, LLC**

**EX PARTE PRESENTATION  
TO  
FCC WIRELINE COMPETITION BUREAU  
STAFF**

**Washington, D.C.  
June 23, 2011**

# INTRODUCTIONS

Andy Denzer, Principal  
Warinner, Gesinger & Associates, LLC  
10561 Barkley Street, Suite 550  
Overland Park, KS 66612-1835  
913-599-3236  
denzer@wgacpa.com

Tony Duet, President/CEO  
Lafourche Telephone Company, LLC  
112 W 10<sup>th</sup> Boulevard, PO Box 188  
Larose, LA 70373  
985-693-4567  
Tony.duet@corp.viscom.net

Archie Macias, General Manager  
Wheat State Telephone, Inc.  
106 West First, PO Box 320  
Udall, KS 67146-0320  
620-782-3341  
agmacias@wheatstate.com

Mary Meyer, Chief Executive Officer  
Madison Telephone, LLC  
117 N Third Street, PO Box 337  
Madison, KS 66860-0337  
620-437-2356  
mmeyer@madtel.net

# PURPOSE OF VISIT

- A. To add Warinner, Gesinger & Associates, LLC (WGA's) support to ex parte information presented by Lafourche, Madison & Wheat State Telephone Companies.
- B. To highlight comments filed by WGA in the National Broadband Plan proceedings and Connect America Fund, USF/ICC reform.

# COMPANY HISTORY

Warinner, Gesinger & Associates, LLC (WGA) is a certified public accounting firm formed for the specific purpose of serving the telecommunications industry.

Since its inception in 1988, WGA is committed to excellence in client service. It is our charge to provide the highest quality service to each and every client.

WGA is headquartered in Overland Park, Kansas, in the heart of America and a hub for communications companies. Because of its accessibility, the Kansas City area has become the home of many major corporations.

WGA provides accounting, tax, audit, compliance, and regulatory consulting services to telecommunications companies in 29 states, including Alaska. Service to the telecommunications industry is the purpose of the entire firm, not just a group or division of the firm. WGA's clientele includes an impressive list of local exchange carriers, state toll pools, state public utility commissions, ILEC owned state network companies, various competitive service providers and centralized equal access providers.

# TOPICS TO CONSIDER

- CAF/USF/ICC reform is mostly related to the need to pay for loop costs and connect customers to both voice and broadband networks. Loop costs are a function of customer density. High loop costs exist where customer densities are low. The FCC should consider raising all ILEC Subscriber Line Charges (SLCs) to the maximum allowed for those entities currently charging less than the maximum allowed. The benefits would be additional revenues available for voice and broadband network connections and additional Federal USF revenue contributions, lowering the contribution factor. (See Attachment 1).

## TOPICS TO CONSIDER (Continued)

- WGA opposes the use of a bidding process (auctions) for the award of USF for the provision of supported services. Auctions are fraught with economic disincentives, quality of service concerns, and conflict with Carrier of Last Resort (COLR) obligations.

For example, there will be a new layer of cost added to the process for conducting USF auctions that will undermine the USF savings expected from the service providers. The industry has been provided no estimates of the cost/benefit relationship associated with the auction process proposed by the FCC.

## TOPICS TO CONSIDER (Continued)

- WGA opposes the use of new “cost models” for the determination of USF distributions to rate-of-return (ROR) service providers in rural areas.
- The FCC’s established Part 36, Part 69 and the related USF calculations provide existing ROR methods that already include recovery for broadband services.
- USF and ICC reform should be conducted using modifications to these industry proven models instead of transitioning to new unproven models.

## TOPICS TO CONSIDER (Continued)

- ROR carriers are “fully regulated” and are already accountable to the FCC and State commissions. RLEC’s have provided data to NECA/USAC for over 27 years. The FCC should develop procedures to obtain and use the existing reporting information from these entities.
- ROR carriers already satisfy the USF requirements regarding the use of USF support.
- The FCC should not implement USF/ICC reform on carriers who are using USF revenues to deploy broadband services to their rural customers.

## TOPICS TO CONSIDER (Continued)

- The 1996 Act directs the FCC to preserve *and advance* universal service via specific, predictable, and sufficient support mechanisms. The Commission must confront the fact that the present size of the High-Cost program is insufficient to both achieve broadband access throughout the nation *and* maintain affordable and “reasonably comparable” broadband rates in high-cost areas where it already exists.

## TOPICS TO CONSIDER (Continued)

- Wichita State University assessed the impact of the FCC's National Broadband Plan on Kansas Rural LECs. The following summarizes some of the information from the economic survey:
  - 33 RLECs participated in the study and provides services in 104 of the 105 Kansas counties. Collectively, they serve over 50% of the geographic area and less than 10% of the customers in Kansas.
  - In 2010, these RLECs employed 1,005 people and infused a total of \$53,724,000 of wages in rural Kansas. RLEC jobs create and support an additional 1,627 jobs in the communities they serve, making the total rural impact 2,632 jobs on wages of \$93,701,000.

## TOPICS TO CONSIDER (Continued)

- The reduction in funding to Kansas RLECs from the FCC's NPRM is estimated to average \$28,715,000 a year between 2012 and 2016, for a potential loss of \$143,575,000 during the 5 years.
- As a result of the loss of funding, Kansas RLECs will reduce services and staff. Estimated job losses are 140 between 2012 and 2016 for a loss of \$29,615,000 in wages.
- These direct job losses are amplified in the economy due to indirect and induced effects. For every RLEC job lost, there are an additional 1.6 jobs removed from the economy. Therefore total employment impact from USF/ICC reform in rural Kansas is 367 jobs by 2016 with a total wage impact of \$51,101,000.

## TOPICS TO CONSIDER (Continued)

- As a result of these job losses, over 5 years, the state of Kansas is estimated to lose personal income taxes of \$1,434,000, property taxes of \$1,109,000, and \$1,578,000 in retail sales tax.
- The proposed loss of over \$143 million of USF will require Kansas RLECs to dramatically change their operations and likely cause defaults on loan obligations, many of which are from the USDA RUS Program.

# **IMMEDIATE ACTIONS NEEDED BY THE FCC TO “APPROPRIATELY” PROCEED WITH USF/ICC REFORM**

- Broaden the USF contribution base to include, at the very least, all broadband internet access providers over all platforms. Given that the High-Cost program is being redirected toward broadband, requiring contributions from all broadband service providers would more fairly distribute the total cost of the USF. It would also permit the size of the USF to grow without imposing an unreasonable universal service fee on any assessable communications service.
- The FCC should support wholesale broadband Internet access transmission service, for those carriers willing to offer it on a stand-alone common carrier basis.
- Eliminate fraud, disguised as “phantom traffic,” by establishing that every call that enters the network should contain a record with the appropriate call detail information necessary for billing.

# IMMEDIATE ACTIONS NEEDED BY THE FCC TO “APPROPRIATELY” PROCEED WITH USF/ICC REFORM (Continued)

- In Phase I of CAF, benchmark SLCs first by increasing SLCs to the maximum levels allowed. Note the additional revenue on the attached schedule that would be in the USF base and could be used for making customer connections before these company’s need CAF or USF revenue.
- Benchmarking SLCs would cause the FUSC contribution factor to go down.
- Determine what additional levels of high-cost support are realistically sufficient to sustain affordable and reasonably comparable broadband in high-cost rural areas throughout the nation.
- Work with the state commissions and Federal State Joint Board members to appropriately transition USF to the CAF fund(s).

# SUMMARY

- Questions
- Suggestions to improve topic
- Other topics
- Evaluation

# National Broadband Plan

## Potential Additional SLC Revenues for Large ILECs Requesting USF for Unserved Territories

### Based on the FCC's December 2010 Monitoring Report – Table 7.9

National Broadband Plan  
 Potential Additional SLC Revenues for Large ILECs requesting USF for Unserved Territories  
 Based on the FCC's December 2010 Monitoring Report - Table 7.9

ATTACHMENT 1

ALL COMPANIES IN TABLE 7.9

| Company                                    | Subscriber Line Charge - Monthly Rates |                 |               | Variance Needed to get to Standard |             |               | 2008 Avg Monthly Access Lines (in 1000s) |              |               | Potential Annual SLC Revenue Available for Broadband Deployment and NOT Needed from USF |                      |                         |                         | Additional USF Contributions at 14% |
|--------------------------------------------|----------------------------------------|-----------------|---------------|------------------------------------|-------------|---------------|------------------------------------------|--------------|---------------|-----------------------------------------------------------------------------------------|----------------------|-------------------------|-------------------------|-------------------------------------|
|                                            | Res & SLB                              | Non-Primary Res | MLB & Centrex | Res & SLB                          | Non-Primary | MLB & Centrex | Res & SLB                                | Non-Primary  | MLB & Centrex | Res & SLB                                                                               | Non-Primary          | MLB & Centrex           | Total                   |                                     |
| ACS                                        | \$ 6.50                                | N/A             | \$ 9.17       | \$ -                               | \$ -        | \$ 0.03       | 86                                       | -            | 72            | \$ -                                                                                    | \$ -                 | \$ 25,920               | \$ 25,920               | \$ 3,629                            |
| AT&T                                       | 5.48                                   | 5.24            | 5.40          | 1.02                               | 1.76        | 3.80          | 27,857                                   | 2,937        | 16,616        | 340,969,680                                                                             | 62,029,440           | 757,689,600             | 1,160,688,720           | 162,496,421                         |
| America Movil                              | 6.50                                   | 6.50            | 9.20          | -                                  | 0.50        | -             | 627                                      | 1            | 175           | -                                                                                       | 6,000                | -                       | 6,000                   | 840                                 |
| Century Link                               | 5.75                                   | 5.53            | 6.93          | 0.75                               | 1.47        | 2.27          | 4,934                                    | 297          | 1,721         | 44,406,000                                                                              | 5,239,080            | 46,880,040              | 96,525,120.00           | 13,513,517                          |
| Cincinnati Bell                            | 5.28                                   | 5.28            | 5.28          | 1.22                               | 1.72        | 3.92          | 417                                      | 26           | 251           | 6,104,880                                                                               | 536,640              | 11,807,040              | 18,448,560.00           | 2,582,798                           |
| Consolidated                               | 6.50                                   | 6.50            | 9.20          | -                                  | 0.50        | -             | 120                                      | 6            | 53            | -                                                                                       | 36,000               | -                       | 36,000.00               | 5,040                               |
| Fairpoint                                  | 6.21                                   | 6.20            | 6.23          | 0.29                               | 0.80        | 2.97          | 727                                      | 91           | 248           | 2,529,960                                                                               | 873,600              | 8,838,720               | 12,242,280.00           | 1,713,919                           |
| Frontier                                   | 6.39                                   | 6.89            | 8.83          | 0.11                               | 0.11        | 0.37          | 4,207                                    | 205          | 1,407         | 5,553,240                                                                               | 270,600              | 6,247,080               | 12,070,920.00           | 1,689,929                           |
| Hawaiin Telecom                            | 6.50                                   | 7.00            | 8.15          | -                                  | -           | 1.05          | 307                                      | 27           | 73            | -                                                                                       | -                    | 919,800                 | 919,800.00              | 128,772                             |
| Innovative                                 | 6.50                                   | N/A             | 9.20          | -                                  | -           | -             | 43                                       | -            | 16            | -                                                                                       | -                    | -                       | -                       | -                                   |
| Pacific Telecom                            | 6.50                                   | 7.00            | 9.20          | -                                  | -           | -             | 9                                        | -            | 6             | -                                                                                       | -                    | -                       | -                       | -                                   |
| Qwest                                      | 5.97                                   | 6.09            | 6.29          | 0.53                               | 0.91        | 2.91          | 5,854                                    | 519          | 2,514         | 37,231,440                                                                              | 5,667,480            | 87,788,880              | 130,687,800.00          | 18,296,292                          |
| Verizon                                    | 6.21                                   | 6.18            | 6.48          | 0.29                               | 0.82        | 2.72          | 15,955                                   | 1,826        | 8,254         | 55,523,400                                                                              | 17,967,840           | 269,410,560             | 342,901,800.00          | 48,006,252                          |
| Windstream                                 | 6.34                                   | 6.55            | 7.89          | 0.16                               | 0.45        | 1.31          | 1,839                                    | 306          | 752           | 3,530,880                                                                               | 1,652,400            | 11,821,440              | 17,004,720.00           | 2,380,661                           |
| <b>TOTALS - Price Cap ILECS</b>            |                                        |                 |               |                                    |             |               | <b>62,982</b>                            | <b>6,241</b> | <b>32,158</b> | <b>\$ 495,849,480</b>                                                                   | <b>\$ 94,279,080</b> | <b>\$ 1,201,429,080</b> | <b>\$ 1,791,557,640</b> | <b>\$ 250,818,070</b>               |
| NECA                                       | 6.50                                   | N/A             | 9.20          | -                                  | -           | -             | 4,394                                    | -            | 1,136         | -                                                                                       | -                    | -                       | -                       | -                                   |
| <b>TOTALS - Price Cap ILECS &amp; NECA</b> |                                        |                 |               |                                    |             |               | <b>67,376</b>                            | <b>6,241</b> | <b>33,294</b> | <b>\$ 495,849,480</b>                                                                   | <b>\$ 94,279,080</b> | <b>\$ 1,201,429,080</b> | <b>\$ 1,791,557,640</b> | <b>\$ 250,818,070</b>               |
| <b>TOTALS - WITHOUT NON-PRIMARY LINES</b>  |                                        |                 |               |                                    |             |               | <b>67,376</b>                            | <b>N/A</b>   | <b>33,294</b> | <b>\$ 495,849,480</b>                                                                   | <b>N/A</b>           | <b>\$ 1,201,429,080</b> | <b>\$ 1,697,278,560</b> | <b>\$ 237,618,998</b>               |

**Additional primary line SLC revenue available for broadband deployment over NBP 9 year planning period (2012 through 2020)** **\$ 15,275,507,040** **\$2,138,570,986**

|                            |         |         |         |
|----------------------------|---------|---------|---------|
| FCC CAP = Assumed Standard | \$ 6.50 | \$ 7.00 | \$ 9.20 |
|----------------------------|---------|---------|---------|

# Source for Attachment 1

**Table 7.9**  
**Interstate Per-Line Access Charges by Carrier**  
(In Dollars per Month per Line) <sup>1</sup>

| Company             | Rates Effective from 07/01/10 to 06/30/11 |                         |                                |                    |         | 2008 Average Monthly Access Lines <sup>3</sup><br>(Thousands) |                         |                                |
|---------------------|-------------------------------------------|-------------------------|--------------------------------|--------------------|---------|---------------------------------------------------------------|-------------------------|--------------------------------|
|                     | Subscriber Line Charges                   |                         |                                | PICC <sup>2</sup>  |         |                                                               |                         |                                |
|                     | Residential and Single-Line Business      | Non-Primary Residential | Multiline Business and Centrex | Multiline Business | Centrex | Residential and Single-Line Business                          | Non-Primary Residential | Multiline Business and Centrex |
| ACS                 | \$6.50                                    | NA                      | \$9.17                         | \$0.00             | \$0.00  | 86                                                            | 0                       | 72                             |
| AT&T                | 5.48                                      | 5.24                    | 5.40                           | 0.00               | 0.00    | 27,857                                                        | 2,937                   | 16,616                         |
| América Móvil       | 6.50                                      | 6.50                    | 9.20                           | 0.00               | 0.00    | 627                                                           | 1                       | 175                            |
| CenturyLink         | 5.75                                      | 5.53                    | 6.93                           | 0.02               | 0.01    | 4,934                                                         | 297                     | 1,721                          |
| Cincinnati Bell     | 5.28                                      | 5.28                    | 5.28                           | 0.00               | 0.00    | 417                                                           | 26                      | 251                            |
| Consolidated        | 6.50                                      | 6.50                    | 9.20                           | 0.00               | 0.00    | 120                                                           | 6                       | 53                             |
| FairPoint           | 6.21                                      | 6.20                    | 6.23                           | 0.00               | 0.00    | 727                                                           | 91                      | 248                            |
| Frontier            | 6.39                                      | 6.89                    | 8.83                           | 1.79               | 0.25    | 4,207                                                         | 205                     | 1,407                          |
| Hawaiin Telecom     | 6.50                                      | 7.00                    | 8.15                           | 0.00               | 0.00    | 307                                                           | 27                      | 73                             |
| Innovative          | 6.50                                      | NA                      | 9.20                           | 0.00               | 0.00    | 43                                                            | 0                       | 16                             |
| Pacific Telecom     | 6.50                                      | 7.00                    | 9.20                           | 0.10               | 0.01    | 9                                                             | 0                       | 6                              |
| Qwest               | 5.97                                      | 6.09                    | 6.29                           | 0.00               | 0.00    | 5,854                                                         | 519                     | 2,514                          |
| Verizon             | 6.21                                      | 6.18                    | 6.48                           | 0.28               | 0.05    | 15,955                                                        | 1,826                   | 8,254                          |
| Windstream          | 6.34                                      | 6.55                    | 7.89                           | 0.29               | 0.29    | 1,839                                                         | 306                     | 753                            |
| Price Caps          | 5.84                                      | 5.74                    | 6.08                           | 0.14               | 0.04    | 62,982                                                        | 6,241                   | 32,159                         |
| NECA                | 6.50                                      | NA                      | 9.20                           | 0.00               | NA      | 4,394                                                         | NA                      | 1,136                          |
| Price Caps and NECA | \$5.89                                    | \$5.74                  | \$6.19                         | \$0.13             | \$0.04  | 67,375                                                        | 6,241                   | 33,295                         |

NA - Not Applicable.

<sup>1</sup> This table shows average rates (weighted by access lines) for all local exchange carriers (LECs) that file access tariffs subject to price-cap regulation and all LECs in the National Exchange Carrier Association (NECA) pool. Rates are composites of all regions and subsidiaries of each local exchange carrier. For example, non-primary residential SLCs can be less than primary residential SLCs due to weighting by access lines. Note that at the disaggregated level, non-primary rates are always greater than or equal to primary rates. The primary line rate is weighted by the number of primary residential lines and the non-primary residential rate is similarly weighted by the number of non-primary access lines. Because the weight on primary lines versus non-primary lines is not constant, the primary rate is not necessarily lower than the non-primary rate at the holding company level. No information is available for those carriers that are not in the NECA pool, but are subject to rate-of-return regulation.

<sup>2</sup> PICC is an abbreviation for Presubscribed Interexchange Carrier Charge.

<sup>3</sup> Access line counts measure lines that companies report as qualified to receive subscriber line charges (SLCs). ISDN-BRI lines, which are charged non-primary SLC and PICC rates, are included in the non-primary residential line counts. ISDN-PRI lines, which are charged rates equal to five times the multiline business SLC and PICC rates, are multiplied by five and added to multiline business counts.

Source: Access tariff filings.