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July 22, 2011

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

By Electronic Filing

Re: Connect America Fund, WC Doc. No. 10-90; A National Broadband Plan for our Future, GN Doc. No. 09-51; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Doc. No. 07-135; High-Cost Universal Service Support, WC Doc. No. 05-337; Developing a Unified Intercarrier Compensation Regime, CC Doc. No. 01-92

Ex Parte Notice

Dear Ms. Dortch:

On July 21, 2011, Larry Sevier, Rhonda Goddard, Jeff Wick and I, representing Rural Telephone Service Company, Inc. and its subsidiary Nex-Tech (“Rural Telephone/Nex-Tech”), met with Deena Shetler, Kevin King, Doug Sloten, Katie King, Ted Burmeister, Gary Seigel, Katie Church, Amy Beier and Dan Ball of the Wireline Competition Bureau to discuss issues in the above referenced proceedings that affect Rural Incumbent Local Exchange Carriers (“Rural ILECs”) and Rural Competitive Local Exchange Carriers (“Rural CLECs”).

The Rural Telephone/Nex-Tech representatives described the nature of their service territory, which spans 9,300 square miles, and how they have made broadband service available to a large portion of western Kansas using a combination of funding from the American Recovery and Reinvestment Act, normal RUS financing and internal funding. Included in the companies’ service offerings are free broadband and Wi-Fi

connections to every library in their service territory, with 37 of the 39 libraries taking services. A major portion of the facilities constructed involve Fiber-To-The-Premise (FTTP), which is necessary to meet the rapidly growing demand in the service area for broadband service well in excess of what can be provided over wireless systems. A brochure was distributed containing testimonials from western Kansas citizens, small businesses, medical institutions, libraries and a university who depend upon Rural Telephone/Nex-Tech's broadband offerings. A copy of this brochure is attached for your reference.

The representatives emphasized that in addition to the substantial debt service requirements they are responsible for, the high costs of serving their rural service area and the ongoing maintenance and operating costs require USF support in order to continue providing broadband service. The proposals in the Commission's NPRM to substantially reduce the support for Rural ILECs and eliminate the support for Rural CLECs would significantly impair the ability of the companies to continue providing broadband and meeting their debt service obligations. The Executive Summary of a study conducted by the Docking Institute of Public Affairs at Fort Hays State University was distributed (a copy is attached for your reference). The study concludes that implementation of the proposals in the NPRM would result in a loss of approximately \$39 million in economic activity in the service area, including a loss of 206 jobs and \$11 million in employee compensation.

It was noted that any mechanism for replacing access revenue with USF support should include Rural CLECs as well as Rural ILECs. The Rural Telephone/Nex-Tech representatives also explained that the exchanges Rural Telephone purchased from Sprint/United in 2006 had no broadband access and, now, have 100 percent availability, with a take rate of more than 70 percent. Because of the "Parent Trap" rule, Rural Telephone has not been able to fully recover its costs because it is limited to the 50 percent of USF in the "Safety Valve" mechanism. The proposal in the NPRM to remove the "Parent Trap" rule for carriers that purchased exchanges but have not improved access to services has the public policy and incentives backwards. If public policy wants to encourage investment in broadband in areas where it does not exist, it makes no sense to reward acquiring companies who do not invest, while continuing to provide 50 percent recovery to those that do invest in broadband.

The representatives also explained that the existing "Identical Support" was irrational and recommended that USF support be based on the costs of individual Rural ILECs and Rural CETCs. Following adoption of the "Interim Cap" on CETC support, Nex-Tech prepared and filed a cost study demonstrating its costs far exceed the minimal IAS support it currently receives. The Bureau has not acted on that study.

Please contact me if there are any questions on this matter.

Sincerely yours,

David Cosson  
Counsel to Rural Telephone Service Company and  
Nex-Tech

Attachments:

1. PowerPoint Handout
2. Nex-Tech Broadband Brochure
3. Fort Hays State University Docking Institute of Public Affairs Executive Summary

cc: Deena Shelter  
Kevin King  
Doug Slotten  
Katie King  
Ted Burmeister  
Gary Seigel  
Katie Church  
Amy Beier  
Dan Ball