

Russell M. Blau
Direct Phone: 202.373.6035
Direct Fax: 202.373.6001
russell.blau@bingham.com

January 11, 2013

Via Electronic Filing

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Room TW-A325
Washington, D.C. 20554

Re: Notice of *Ex Parte* Communication, WC Docket Nos. 10-90 & 05-337

Dear Ms. Dortch:

Virgin Islands Telephone Corporation (“Vitelco”) d/b/a Innovative Telephone, by its undersigned counsel, respectfully submits this *ex parte* communication in response to the Wireline Competition Bureau’s recent solicitation of input regarding functionalities or capabilities not included in version one of the Connect America Cost Model (CACM) that should be addressed in or added to subsequent versions of the model.¹ For the reasons described below, Vitelco proposes that the Bureau consider an alternative model that will incorporate cost characteristics unique to price cap carriers serving territories outside the contiguous United States (“CONUS”), which version one of the model fails to address.

Vitelco is the incumbent local exchange carrier serving the territory of the United States Virgin Islands (“USVI”) and is regulated by the Commission as a price cap incumbent LEC. As recognized by the Commission² and as more thoroughly detailed in comments previously submitted by Vitelco in the above-captioned proceedings,³ price cap carriers serving non-CONUS territories face unique operating conditions and challenges that cause their cost characteristics to differ significantly from those of mainland LECs. Accordingly, the Commission directed the Bureau to consider the unique circumstances of such carriers when adopting a cost model.⁴

¹ See *Connect America Fund, High-Cost Universal Service Support*, WC Docket Nos. 10-90 & 05-337, Public Notice, DA 12-2011 (Dec. 11, 2012).

² See *Connect America Fund, High-Cost Universal Service Support*, WC Docket Nos. 10-90 & 05-337, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 ¶ 193 (2011) [hereinafter the *Transformation Order*].

³ See Comments of Virgin Islands Telephone Corporation d/b/a Innovative Telephone, WC Docket Nos. 10-90 & 05-337 (Jul. 9, 2012).

⁴ *Transformation Order* at ¶ 193.

Beijing
Boston
Frankfurt
Hartford
Hong Kong
London
Los Angeles
New York
Orange County
San Francisco
Santa Monica
Silicon Valley
Tokyo
Washington

Bingham McCutchen LLP
2020 K Street NW
Washington, DC
20006-1806

T +1.202.373.6000
F +1.202.373.6001
bingham.com

Ms. Marlene H. Dortch, Secretary
January 11, 2013
Page 2

Unfortunately, version one of the Bureau's Connect America Cost Model contains the same shortcomings as the previously discussed CQBAT model, which Vitelco addressed in detail in its previous comments. For example, the model fails to include certain costs specific to non-CONUS carriers including, most significantly, long-haul transport costs to distant Internet peering locations; as well as higher costs of equipment and other supplies and materiel resulting from customs duties, excise taxes, procurement restrictions, shipping, and warehousing; higher operational costs resulting from the topography of insular areas; costs related to unreliable and high-cost electrical power supplies; and personnel expenses related to the small populations and remote locations of these areas.

Further, Vitelco notes that version one of the CACM only models fiber to the premises and fiber to the DSLAM network architectures. Vitelco is currently in the process of deploying its broadband network using a hybrid fiber-coaxial (HFC) network architecture, which it determined was most cost-effective for its particular geography. The CACM's failure to model this option is a further cause for concern that it will not produce accurate results for the USVI.

In light of these shortcomings, Vitelco intends to present to the Bureau for consideration an alternative cost model for measuring the cost of deploying and operating a broadband/voice network providing ubiquitous 4/1 mbps service in the USVI. A preliminary description of the proposed input requirements for each of the model's three principal components is attached hereto as Exhibit A. Vitelco expects to submit a complete cost model proposal to the Bureau within ninety days of this filing.

Please do not hesitate to contact the undersigned with any questions.

Respectfully Submitted,

/electronically signed/

Russell M. Blau
Counsel for Virgin Islands Telephone Corporation

Attachment

Exhibit A

Proposed Input Requirements for Alternative Cost Model

Input Descriptions

Last Mile Portion of Broadband Cost Model

A. General Inputs

Description: General Inputs include:

- state and federal tax rates
- general financial data, i.e. G/L results
- Right-of-Way structure tax rate, if any
- Broadband Take Rate

B. Cable Cost Development

Description: Cable Cost Development inputs are used to develop the fiber and coaxial cable and structure costs. The inputs include:

- Coaxial Cable Investment Per Foot by Pair Size (Does Not Include Costs Related to Structure or Excavation)
- Drop Investment - Placement and Material Per Line
- Buried / Underground Structure Excavation/Restoration Per Foot
- Fiber Cable Investment Per Foot by Strand size
- Investment per 30 Foot Pole (in-place cost)
- Total Number of Poles (Not Including Poles Owned by Power Company and Used by Telco)
- Net Additional Aerial Structure Expense (For Poles Owned by Power and Cable Company and Used by Telco)
- Conduit Investment Per Foot for Coaxial and Fiber
- Splice Box / Manhole Investment Per Unit

C. Cable Quantity Development

Description: Cable Quantity Development inputs are used for the development of cable and structure quantities. The inputs include:

- System Feet of Fiber Cable
 - Total Fiber
 - Inter-office Transport Fiber (used for middle mile cost calculations)
 - Loop/Feeder Distribution Fiber

- Cell Site Links Fiber (identified in order to be deducted from wireline broadband costs)
- System Feet of Coaxial Cable
 - Total
 - Aerial Cable
 - Buried Cable
 - Underground Cable
- Typical Feet of Fiber Transport Cable Between Splice Box/ Manhole
- Typical Feet of Fiber Distribution Cable Between Splice Box/ Manhole
- Typical Feet of Fiber Loop Cable Between Splice Box/ Manhole
- Typical Feet of Coaxial Loop Cable Between Splice Box / Manhole

D. Cable Development Percentages

Description: Cable Development Percentages are used to develop the breakdown of cable between structure type, the breakdown by cable size, and the percentage of structure sharing with other services. The inputs include:

- % Coaxial Loop Cable Feet by Structure (Aerial, Underground, Buried)
- % Fiber Loop and Feeder Feet by Structure (Aerial, Underground, Buried)
- % Fiber Inter-office Transport Feet (Aerial, Underground, Buried) (used for middle mile cost calculations)
- % Breakdown of Coaxial Cable by Size
- % Distribution Structure Sharing - Percent Paid by Telco (Underground, Buried)
- % Feeder Structure Sharing - Percent Paid by Telco (Underground, Buried)
- % Inter-office Transport Structure Sharing - Percent Paid by Telco (Underground, Buried)

E. Network Interface Device (“NID”) Inputs (if needed for HFC network)

Description: “NID Inputs” calculates the average per line cost of a NID. Data input requires the recent periods’ equipment and installation costs for NIDs (1-Line, 3-Line and 6-Line) and Terminal Blocks (25x, 50x and 100x). Inputs also require the quantities of each NID/Terminal Block in service for the complete HFC network.

F. Capital Inputs

Description: “Capital Inputs” are used to calculate the total depreciation and return on investment factors for Cable and Wire Facilities (CWF), Central Office Equipment (COE), Support Plant and Materials and Supplies.

Inputs to these calculations include:

- debt ratio
- cost of debt
- cost of capital (normally 11.25% is used)

Also, the useful life and salvage value parameters are required for the following:

CWF	2411	Poles
	2441	Conduit
	2421	Aerial Cable
		Underground
	2422	Cable
	2423	Buried Cable
COE		Circuit
	2232	equipment
Support Plant	2112	Motor Vehicles
		Tools and Other Work
	2114	Equipment
	2121	Buildings
	2122	Furniture
	2123	Office Equipment
	2124	General Purpose Computers

G. Customer Premise Equipment (“CPE”), Hub, and Central Office Equipment (“COE”) Costs related to Feeder/Distribution Functions

Description: CPE, Hub-related and COE Equipment costs. These inputs should include equipment costs, install labor, engineering labor, miscellaneous materials (Shelves, etc.) capitalized overheads and equipment units at each site for the following items:

- Cable Modem Termination System (“CMTS”) equipment
- Multimedia Terminal Adaptor (“MTA”)
- Session Border Controllers
- Incognito Provisioning Servers
- Erbium Doped Fiber Amplifier (“EDFA”)
- Hub Structures, if separate from existing structures
- HFC Hardware, including:
 - Amplifiers
 - Amplifier accessories

- Taps
- Tap accessories
- Passives
- Nodes
- Node accessories
- Optical platform
- Etc.
- Any other equipment components required for broadband/voice provision.
- Fill factors by equipment type
- Line capacities by equipment type

H. Network Service Units

Description: Network Service units are used to calculate costs for coaxial and fiber cable investment. Inputs include:

- No. of Residential Locations by Census Block Group (“CBG”) – Can be compiled by PBA from Census;
- No. of Business Locations by CBG – Can be compiled by PBA from Census;
- No. of Private Lines by CBG – from Co. Records;
- Road Footage per CBG (as proxy for structure footage, fiber footage and coaxial footage) for feeder routes, distribution routes and inter-office transport – from engineering/planning records;

I. Overheads

Description: Overhead ratios must be calculated separately for CWF and COE, including allowances for:

Engineering
Planning
Provisioning
Transportation
Miscellaneous
Materials
Contract Labor

Input Descriptions

Middle Mile Portion of Broadband Cost Model

A. Edge Routers

Description: Edge Router inputs are for the costs and quantities of routers located in the serving wire centers. The inputs are as follows:

- List Price including manufacturer installation
- Promotional Discount
- Discount Price
- Quantity of units included in quote
- Number of Nodes

B. Broadband Remote Servers

Description: These inputs are for the Broadband Remote Servers that authenticate authorized IP traffic from the customer locations. The list of inputs is as follows:

- Unit Price including manufacturer installation
- Quantity

C. Core Routers

Description: Core Router inputs are for the routers located in the Multi-Protocol-Label-Switching (“MPLS”) core network. This network transports and switches aggregated IP traffic between customer locations, business networks, Internet providers and servers used to store frequently accessed Internet content. The list of inputs is as follows:

- List Price including manufacturer installation
- Promotional Discount
- Discount Price
- Quantity of units included in quote

D. Internet Routers

Description: Internet Router inputs are for the routers located in the ICC Internet Core that routes IP Internet traffic. The list of inputs is as follows:

- List Price including manufacturer installation
- Promotional Discount
- Discount Price

- Quantity of units included in quote

E. Optical Transmission

Description: Optical Transmission inputs are for the costs of optical interoffice transport electronics used to transport IP traffic between serving wire centers, the Internet Core and the cable station. This includes investment associated with the ports and other items related to the specific configurations at each location. The list of inputs is as follows:

- List Price including manufacturer installation
- Promotional Discount
- Discount Price
- Quantity of units included in quote

F. Optical Ports

Description: Optical Ports inputs are for the ports and other items related to the configuration of the optical interoffice transport system used to transport IP traffic between serving wire centers, the Internet Core and the cable station. The list of inputs is as follows:

- Unit Price
- Quantity of units

G. Central Office Equipment (“COE”)

Description: Middle Mile COE inputs include the equipment necessary to switch, route and transmit IP traffic to/from cable stations, ICC Core IP Network, and serving wire centers. Input data would include the installed costs and quantities of the following network components:

- ES-400 Gigabit Ethernet Switch
- Calix and Nortel Digital Loop Concentration Equipment
- Metaswitch VP3510

[NOTE: Legacy Nortel DMS switches are omitted under the assumption that they would not be required for the fully functional HFC network. If this not the case, legacy costs would be used for the analysis].

- Power supplies
- Common equipment:
 - equipment racking
 - cable trays/troughs and similar assemblies
 - power distribution panels, etc.
- Backup power equipment such as batteries, inverters, generators

Input Descriptions

Internet Peering Point Access Portion of Broadband Cost Model

Description: In order to reach the nearest Internet peering location it is necessary to purchase IRUs for submarine cable capacity to the US Mainland (Florida). Bandwidth capacity requirements should reflect the provision of a minimum of 4/Mbps down and 1Mbps to all household and business locations with appropriate oversubscription parameters.

Inputs for this component of the broadband network include the following items.

A. IRU Costs

- Upfront IRU Investment(s) required to reflect bandwidth capacity requirements to each peering location used
- IRU Term
- Annual operations and maintenance costs
- Maximum annual usage costs per Gbps

B. Cable Station Costs

- COE transmission equipment for fiber circuits to cable stations (to the extent not captured in middle mile interoffice transport costs)
- Ancillary equipment
 - Power supplies
 - Common equipment:
 - equipment racking
 - cable trays/troughs and similar assemblies
 - Power distribution panels, etc.
- Backup power equipment such as batteries, inverters, generators

C. OSP Transport Facilities

- Costs for fiber and related structure costs for links to cable stations (to the extent not captured in middle mile interoffice transport costs)

D. Peering Location Costs

- Costs related to transmission links required between Mainland cable stations and peering locations (if not included in IRU-related agreements)
- Miscellaneous/administrative costs, if any, related to use of the peering facilities (if not included in IRU-related agreements)