April 24, 2013

***Ex Parte* Notice**

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

Re: ***Connect America Fund*, WC Docket No. 10-90; *High-Cost Universal Service Support*, WC Docket No. 05-337; *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135; *Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92**

Dear Ms. Dortch:

On April 22, 2013, Dale Jones and Danny Reiff of Tri-County Telephone Association (TCT) of Council Grove, Kansas, Chris Schroeder of TCA, and I met with Nicholas Degani of Commissioner Ajit Pai's office to discuss the above-referenced proceedings. This letter is filed on behalf of TCA and TCT.

The parties' discussion focused primarily on the Quantile Regression Analysis (QRA) and the uncertainty generated by its annually-changing impacts. The parties explained that although TCT began fiber deployment in 2009, that effort was the culmination of years of forecasting and planning. By way of example, TCT explained that the process of obtaining loans prior to builds requires at least 18 months of prior work, and that a half-decade of forecasting and planning can precede the loan process. In this context, carriers plan with a ten-to-twenty year horizon. The level of regulatory certainty necessary to foster the confidence necessary to complete those plans, however, is not discernible as the QRA descends upon the industry.

The parties also noted that the lack of a rural-specific broadband support mechanism has grave implications for providers who face rigorous competition from firms that are not subject to various and costly public interest and regulatory obligations shouldered by community-based carriers of last resort. In this context, the lack of certainty generated by the QRA is compounded by the absence of a clear path toward specific, predictable and sufficient support for the deployment of advanced services in rural areas. The attached hand-out was distributed to explain these issues in greater detail.

Pursuant to Section 1.1206 of the Commission’s rules, a copy of this letter is being filed via ECFS. Please do not hesitate to contact me if you have any questions or require additional information.

Submitted respectfully,

s/*Joshua Seidemann*
Joshua Seidemann

cc: Nicholas Degani

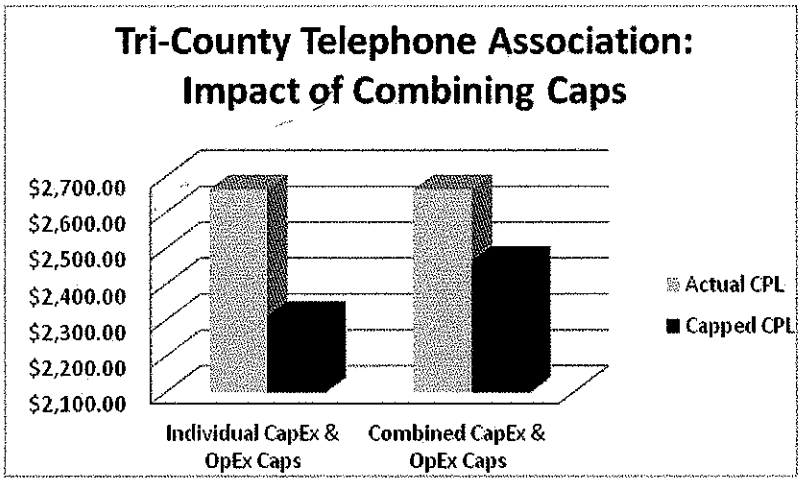
Attachment

TRI-COUNTY TELEPHONE ASSOCIATION, INC.

U N P R E D I C T A B L E   F U T U R E

QRA Caps

The FCC has made significant retroactive changes to the USF high cost program which impacts Tri-County's ability to recover costs it has already incurred. Most significantly, on April 25, 2012, the FCC adopted quantile regression analysis (QRA) to cap the amount of reimbursable capital and operating expenses for rate of return LECs **despite its acknowledgement that underlying data may be inaccurate.** The FCC also made adjustments in the latest Reconsideration Order, in an effort to account for companies, like Tri-County, that have made business decisions that balance operating expenses and investments. While this adjustment does benefit Tri-County, it still has not fully mitigated the impact of this ill-conceived "reform". Further, this benefit is realized in 2013 only, the QRA caps for 2014 and beyond remain a mystery as the FCC has asked its staff to consider resetting the caps every year or holding them constant for a TBD length of time.



Regulatory Barriers to Broadband Services

The rate-of-return ILECs are the only segment of the telecommunications industry that the FCC has not provided with a plan for supporting broadband service in either the near or long term. This creates difficulties for companies participating in the NECA pools, as the costs to provide a data only connection are 400% higher than providing a connection with both voice and data due to the lack of USF offset. This also has implications for the IP Transition, currently under consideration by the FCC as Tri-County and others experience customers migrating away from traditional local and mobile voice and video services to broadband only with OTT service offerings, such as VoIP and video streaming such as Netflix. Tri-County is at a competitive disadvantage to react to this trend, with no ability to offer attractive data-only offerings, leading to a loss of customers in its service area. This in turn has negative consequences for rate-of-return companies due to the FCC's USF/ICC reforms. Most of the reforms are tied to the number of lines a RLEC has, especially QRA cap and the $250/line/month total cap on USF distributions. As Tri-county looses customers (made worse by out-dated regulations) it becomes more susceptible to being impacted by one or both of these caps.

NECA data only rates are 400% higher than voice & data rates

The FCC has not adopted a near or long term plan to provide USF support for broadband connections for rate-of-return ILECs.

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