



Your business
is our business.

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REDACTED – FOR PUBLIC INSPECTION

VIA HAND DELIVERY

September 26, 2013

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

**Re: Request for Confidentiality - Notice of *Ex Parte* Presentation
WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135,
WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45
WC Docket No. 03-109, WT Docket No. 10-208, WC Docket No. 13-184**

Dear Ms. Dortch:

This request for confidentiality is made on behalf Eastex Telephone Cooperative, Inc. (“Eastex”). Eastex seeks confidential treatment of financial data attached to the above-referenced Notice of Ex Parte Presentation under the Third Protective Order in WC Docket Nos. 10-90, 07-135, 05-337, 03-109, GN Docket No. 09-51, CC Docket Nos. 01-92, 96-45 and WT Docket No. 10-208.¹ Pursuant to the Order, one copy of the confidential document and two copies of the redacted version are provided. The redacted version is also being filed on the Electronic Comment Filing System.

Please contact the undersigned with any questions.

Respectfully submitted,

John Kuykendall
Vice President

Attachments

¹ See Third Protective Order, WC Docket Nos. 10-90 *et al.*, DA 12-1418 rel. Aug. 30, 2012 (“Order”).



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WC Docket No. 03-109, WT Docket No. 10-208, WC Docket No. 13-184
Notice of *Ex Parte* Presentation**

Dear Ms. Dortch:

On September 24, 2013, Rusty Dorman, Steve Alexander and Vernon Woolley of Eastex Telephone Cooperative, Inc. (“Eastex”), and John Kuykendall and Dan Weaver of John Staurulakis, Inc. (collectively, “Eastex representatives”), met with Lisa Hone, Chin Yoo, Chris Koves, Victoria Goldberg, Richard Kwaitkowski and Deena Shetler of the Wireline Competition Bureau. The Eastex representatives also met with Priscilla Argeris, Wireline Legal Advisor to Commissioner Rosenworcel, and with Nicholas Degani, Wireline Legal Advisor to Commissioner Pai. On September 25, the Eastex representatives met with Rebekah Goodheart, Wireline Legal Advisor to Acting Chairwoman Clyburn. Discussion focused on proposed reforms of the E-Rate Program for Schools and Libraries¹ as well as the Commission’s proceeding to rescribe the authorized rate of return as initiated in the USF/ICC Reform Order and Further Notice.²

Mr. Dorman provided an overview of Eastex history and service to its Texas subscribers and the unique challenges of its service area in providing advanced telecommunications services to high-cost rural customers.

¹ *In the Matter of Modernizing the E-rate Program for Schools and Libraries*, WC Docket No. 13-184, Notice of Proposed Rulemaking, FCC 13-100 (rel. Jul. 23, 2013) (“E-rate NPRM”).

² *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 17870, para. 640 (2011) (“USF/ICC Reform Order and Further Notice”), *pets. for review pending sub nom. In re: FCC 11-161, No. 11-9900* (10th Cir. filed Dec. 8, 2011).

Eastex representatives discussed E-rate issues as set forth in recently filed comments, highlighting the need to consider flexibility to accommodate the needs of small, rural schools.³ Eastex also cautioned against transitioning support away from still-essential voice services in the Commission's efforts to extend E-rate support to broadband services.

Finally, Eastex representatives presented an impact analysis of the proposed rate of return prescription based on the assumption of recycled high cost loop support. It was demonstrated that a significantly reduced rate of return would chill investment and ultimately undermine National Broadband Plan goals.

Attached are materials provided to meeting participants. Please contact the undersigned with any questions.

Respectfully submitted,



John Kuykendall
Vice President

cc: Lisa Hone
Chin Yoo
Chris Koves
Victoria Goldberg
Richard Kwaitkowski
Deena Shetler
Priscilla Argeris
Nicholas Degani
Rebekah Goodheart

Attachments

³ See Comments of Eastex Telephone Cooperative, Inc. and Riviera Telephone Company, Inc., WC Docket No. 13-184, filed Sept. 16, 2013.



Eastex Telephone Cooperative, Inc.

3675 US Highway 79 South
PO Box 150
Henderson, TX 75653

FCC Ex Parte Meetings **September 24-25, 2013**

INTRODUCTION

- Description of Eastex history, unique non-contiguous service area, community, and provision of advanced telecommunications services to high-cost rural customers

E-RATE NPRM COMMENTS

- Streamlining the administration of E-rate and expediting applications, decisions, and funding disbursement
- Internet usage and evolving demands of small schools
- Transitioning voice support to broadband – voice services are still essential for schools
- Maintaining flexibility for small schools and competitive opportunities for service providers

RATE OF RETURN REPRESRIPTION

- Presentation of Eastex rate of return represcription impact analysis
- Response to Sept. 10 NASUCA ex parte filing: the rate of return should not be reduced to 7.39%
- Reducing the rate of return at this time will chill investment and will not help achieve the goals of the Universal Service Fund and National Broadband Plan
- Rural industry stakeholders have shown that limitations in the FCC's Staff Report make it unacceptable

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EASTEX TELEPHONE COOPERATIVE, INC.

Providing dependable communications services to rural East Texas since 1950.



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EASTEX TELEPHONE CO



FROM 1952 TO 1971, EASTEX TELEPHONE COOPERATIVE GREW TO TWENTY-ONE EXCHANGES SERVING 6 NON-CONTIGUOUS AREAS OF EAST TEXAS.



THE HISTORY OF EASTEX TELEPHONE COOPERATIVE, INC.

In the late 1940's, the residents of rural Rusk County and adjoining counties were unable to obtain telephone service from any existing telephone company. Several companies had been contacted and they all gave the same story, "It's just not feasible."

In November 1949, Congress passed an Amendment to the Rural Electrification Act providing that loans could be made to newly established telephone cooperatives. On June 2, 1950, an organizational meeting was held to establish Eastex Telephone Cooperative, Inc. Later that month, a Charter was granted, and on December 27, 1952 two exchanges became operational with 204 subscribers.

In 1954, the people in the rural area around Livingston, 100 miles south of Henderson, after an unsuccessful attempt to establish a cooperative and telephone service, joined Eastex. During the time frame of December 1952 thru October 1971 Eastex Telephone Cooperative grew to twenty-one exchanges serving 6 non-contiguous areas of East Texas.

EASTEX TELEPHONE COOPERATIVE — TODAY

Today, Eastex Telephone Cooperative serves 20,528 member access lines (17,017 residential lines and 3,511 business lines) across 11 rural counties, stretching 125 miles from north to south, in East Texas. Eastex serves an area with fewer than 10 customers per square mile, and 3.5 customers per route mile. Among its residential member customers, close to 12 percent are Lifeline recipients.



A PHONE *for every* FARM

THE INVESTMENT

Since our incorporation in 1950, Eastex has made significant investments to construct and expand network capabilities to make critical services available to our customers.

At year end 2012, Eastex has invested in 5,902 route miles of copper plant, 620 miles of fiber-optic cable, and has converted to 100 percent soft switch technology. Given the size and geographic challenges of our service area, such advancements required significant capital and operational expenditures. In fact, between January 2007 and December 2012, Eastex invested \$79 million in network enhancements necessary for voice and broadband advancements.

SERVICES

Eastex's network provides special circuits to nine wireless carriers at 75 cell sites in the service area. Of which, Eastex has constructed fiber to 29 of those towers providing as much as 500 megabit Ethernet transport for wireless backhaul. In addition to the wireless towers, Eastex also provides Ethernet transport to 8 school districts and many larger businesses in our serving area.

At the dawn of the Broadband era, the Board and Management of Eastex, made the decision to invest in a robust network that includes a dual 10 Gig Cisco layer III network to provide backhaul to 217 DSLAMS that are used to provide broadband services.

Eastex currently provides high-speed Internet service to 9,600 members, and is capable of providing high speed service to 95% of the cooperative's service area.





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EASTEX IS A GOOD CORPORATE CITIZEN

- 127 employees
- Active role in numerous civic organizations
- Pays over \$850,000 of Texas Property Tax
- Collects and remits \$660,000 of state and local taxes, \$100,000 of 911 fees
- Provides 400 services to state agencies
- Provides 911 Network facilities to two Council of Governments and one special 911 district which involves 11 PSAPS
- Administers a \$1.5 million scholarship program which offers 30 \$5,000 scholarships per year
- Provision and related administration of various social and educational programs

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WHY EASTEX IS CRITICAL TO RURAL INFRASTRUCTURE

- Voice and Data services provided to business and residential customers
- Transport services provided to wireless service providers
- Voice and Data services provided to 100 anchor institutions, including:
 - 10 School Districts
 - 2 Education Service Centers
 - Municipal and County offices
 - Fire Departments
 - Law enforcement facilities
 - Forestry services
 - TXDOT facilities
 - Texas Prison Systems (Death Row-Polusky Unit)
 - Generating and Mining Utilities
 - Oil and Gas producing facilities
 - Agricultural facilities
- Maintaining a strong presence in its communities, Eastex is one of the area's largest employers and plays an active role in local and regional educational and economic initiatives.

Please continue your support of the Universal Service Fund.

THE SURVIVABILITY OF RURAL AMERICA DEPENDS UPON VOICE AND DATA SERVICES PROVIDED BY SMALL RURAL LOCAL EXCHANGE CARRIERS.

Rural ILECS are building and maintaining networks to provide comparable communication services that customers in urban areas enjoy. These customers and providers depend upon the support received from the Universal Service Fund (USF).



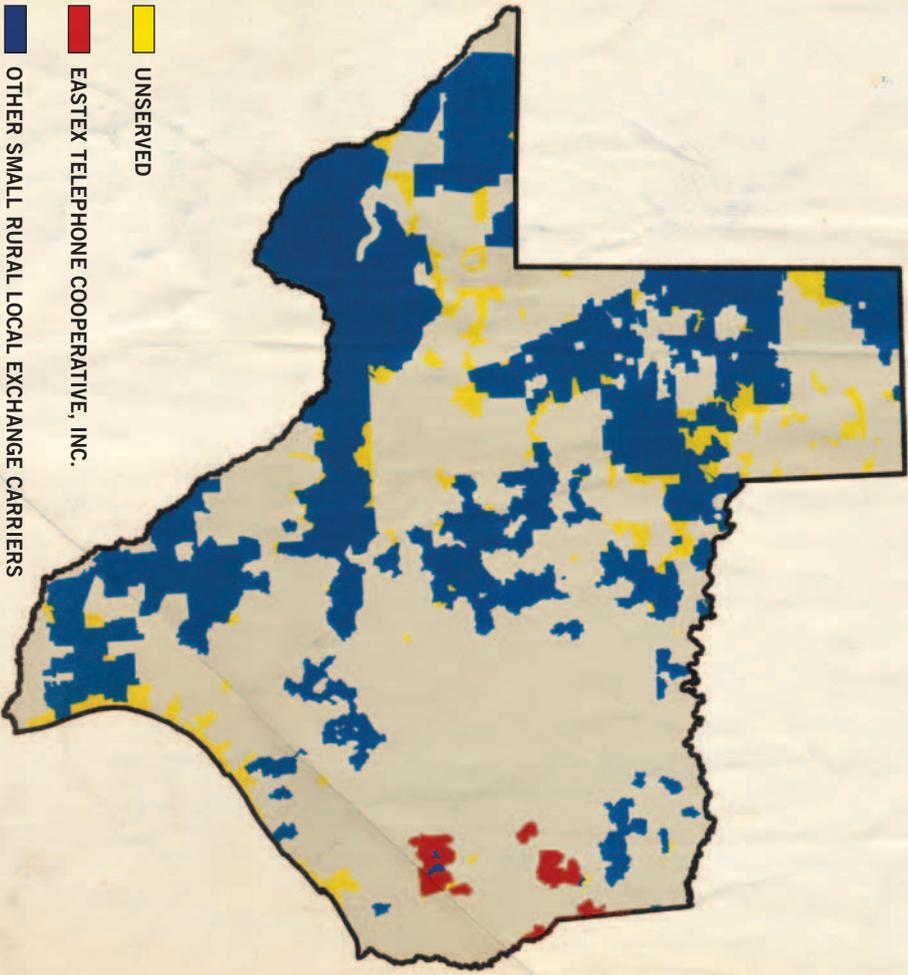
FEDERAL UNIVERSAL SERVICE FUND (“USF”)

- The Universal Service Fund (“USF”) is a federal program created by the U.S. Congress to ensure that customers in rural areas have the same access to advanced telecommunications services as those in urban areas at similar rates which are offered in those areas. The program recognizes that the costs of constructing networks and offering advanced communications services throughout the nation vary significantly, and it seeks to ensure that the companies operating in rural areas can count on appropriate recovery of their sizeable investment and expenses. USF has made it possible for Eastex Telephone Cooperative to provide voice and broadband service to its customers at reasonably affordable rates.
- The rural networks supported by the USF go beyond providing land lines to individuals. They also support wireless communications, distance learning facilities to major universities, rural health care locations to doctors and hospitals, and the economic growth and infrastructure of small communities, like those that Eastex serves.
- The Federal USF is not corporate welfare and the funds distributed to communications providers must be used to insure our nation has the best communications network and that citizens everywhere can communicate with one another. The Federal Communications Commission (“FCC”), which oversees the USF program, made changes last year to reform this program. While this is an admirable goal, the reforms that the FCC adopted have begun a process of transitioning vital support away from small and rural providers, and are threatening universal communication services throughout the nation.
- While Eastex will always work hard to ensure that within our service area there is “voice and broadband for every farm,” that goal continues to depend on the U.S. Congress and the FCC believing in the value of universal communication service and administering an adequate and effective Federal Universal Service Fund support mechanism.

RURAL TELCOS ARE CRITICAL TO TEXAS

Please continue your support of the Texas Universal Services Fund.

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 UNSERVED

 EASTEX TELEPHONE COOPERATIVE, INC.

 OTHER SMALL RURAL LOCAL EXCHANGE CARRIERS

EASTEX TELEPHONE COOPERATIVE, INC.

P.O. BOX 150 • HENDERSON, TX 75653-0150
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Potential Cost Recovery Impact due to FCC Rate of Return Represcription
Per Public Notice DA 13-1110, Release date 5/16/2013

Eastex Telephone

6/7/2013

A Rate of Return Impacts				
COST STUDY ANALYSIS				
		Current 11.25% RoR	Proposed 8.06% RoR	Proposed 8.72% RoR
1	Common Line Revenue Requirement			
2	Common Line (ICLS) - Impact			
3	Special Access Revenue Requirement			
4	Special Access - Impact			
5	DSL Revenue Requirement			
6	DSL - Impact			
7	Total Cost Study Revenue Requirement			
8	Total Cost Study Impact			
HIGH COST LOOP FUND (HCLF) ANALYSIS				
		Current 11.25% RoR	Proposed 8.06% RoR	Proposed 8.72% RoR
9	High Cost Loop Fund Support - NACPL @ \$554.31			
10	Total HCLF Impact			
11	TOTAL RATE OF RETURN IMPACTS			

B Recycled Support Impact due to Rate of Return Change				
HIGH COST LOOP FUND ANALYSIS				
		Current 11.25% RoR	Proposed 8.06% RoR	Proposed 8.72% RoR
12	High Cost Loop Fund Support - NACPL \$554.31			
13	High Cost Loop Fund Support - NACPL \$504			
14	High Cost Loop Fund Support - NACPL \$491			
15	<i>HCLF Recycled Support Impact due to Rate of Return Change</i>			

C TOTAL COST STUDY AND HCLF IMPACT SUMMARY				
	Summary		Proposed 8.06% RoR	Proposed 8.72% RoR
16	Change in Rate of Return Impact			
17	Recycled HCLF Support Impact due to Rate of Return Change			
18	TOTAL IMPACT			
19	Access Lines (12/31/12)			
20	Impact per Access Lines			

NOTES

The FCC proposal to change the rate of return from 11.25% to a range between 8.06% and 8.72% is reflected in the cost recovery mechanism on Line 11.

Line 15 estimates the additional HCLF support that could be generated from lowering the rate of return assuming that the overall HCLF cap remains at its current level. The additional support is recycled to HCLF filers by adjusting the National Average Cost Per Loop (NACPL). Our analysis uses a NACPL baseline at \$554.31 and the updated NACPL reflecting the recycled support at an estimated \$504.00 when the Rate of Return is at 8.72% and \$491.00 when the Rate of Return is at 8.06%.

At this time we do not believe the FCC intends to adjust the Switched Access (now embedded in the CAF baseline) because it was frozen and is no longer referred to as "rate of return".

Baseline data: 2012 Forecast (2nd Half) and 2012-1 HCLF filing.