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Via ECFS

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

Re: *Ex Parte* Letter in WC Docket No. 10-90

Dear Ms. Dortch:

Virgin Islands Telephone Corporation d/b/a Innovative Telephone ("Innovative"), by its undersigned counsel, respectfully submits this *ex parte* letter in response to comments filed by the American Cable Association ("ACA") in the above-captioned docket.[1]

ACA's Criticism of the Bureau's Forward-Looking Plant Mix Approach Should Be Rejected by the Bureau

In its comments, ACA recognizes that the intention of the CAM is "to estimate the forward looking costs of an efficient, modern network" and to "ensure that price cap LECs receive support based on the costs associated with best practice network deployment and operations."[2]

ACA goes on to state that "[t]he use of forward-looking plant mix estimates for non-contiguous areas is not consistent with current practices of using estimates based on existing plant mix," that "[e]stimates of existing plant mix are the most reasonable proxy for modeling costs since they are based on actual deployments, and this approach was previously adopted in the cost model."[3] Thus, ACA recognizes the intention of the modeling process to estimate the costs of an efficient, modern network to establish support based on the costs associated with best practice network deployment and operations while nevertheless insisting that the use of forward-looking plant mix estimates for non-contiguous areas is inappropriate because it is not consistent with current practices of using estimates based on existing plant mix.

[1] Comments of American Cable Association, WC Docket No. 10-90 (filed Jan. 7, 2014).
[2] ACA Comments at 1-2 (emphasis added).
[3] *Id.* at 3.

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Interestingly, while ACA favors a forward-looking cost approach for an efficient modern network, which ACA presumably views as synonymous with lower costs, ACA does not support the Bureau's hybrid forward-looking plant mix approach simply because it is inconsistent with previously adopted modeling practices. The forward-looking plant mix approach for non-contiguous areas such as the U.S. Virgin Islands logically entails the use of more underground and buried plant than what is in its current network. Such greater deployment of underground and buried plant would serve to improve operating efficiency through lower maintenance costs and would increase network reliability in the face of the higher concentration of corrosive elements in the atmosphere and the frequency of storms in a tropical operating region.

According to ACA, however, the likely higher investment costs of a greater proportion of underground and buried plant in a forward-looking network versus a current plant mix that includes a higher proportion of aerial plant (*i.e.*, lower cost) is inappropriate because of "current" modeling practices, regardless of the fact that a forward-looking plant mix would represent best practice network deployment and operations consistent with the intention of the CAM process.

ACA expresses concern that changes to the model to more accurately reflect the characteristics of non-contiguous areas might somehow seep into the model methodology for calculating the costs of contiguous areas. ACA states that "should such changes be necessary for non-contiguous areas, the Commission should deem them an exception that would not be appropriate in contiguous areas"[4] and that, should the Bureau adopt a forward-looking plant mix approach, the Bureau should "make clear that this approach is inappropriate for contiguous areas."[5] However, ACA has not provided any reasoning for its suggestion that justifiable adjustments to the CAM to more accurately reflect the characteristics of non-contiguous areas might somehow affect the cost results for other jurisdictions.

ACA's Recommendation to Reject State-Specific Inputs is based on Inaccurate Information and Ignores the Bureau's Explicit Request to Carriers Servicing Non-contiguous Areas

ACA maintains that a new state-specific capex input sheet was added to CAM Version 4.0 "to adjust certain materials costs for the Virgin Islands based on submissions from Vitelco" and that it "should not be adopted."[6] ACA further states that "[c]apex costs for all other regions are based on values in the master capex input sheet, adjusted for regional variation by values in the regional cost adjustment input sheet," and that "[t]here has not been adequate justification as to why regional adjustments are not sufficient for use in the

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[4] *Id.* at 2.
[5] *Id.* at 3.
[6] *Id.* at 4.

Virgin Islands, while these practices have been deemed to be reasonable in every other geography."[7]

ACA's assertion concerning the submission of state-specific inputs is factually incorrect, as state-specific capex inputs have also been submitted by Alaska Communications Systems[8] and the Puerto Rico Telephone Company.[9] Moreover, the CAM's input templates, including the Capex template, are specifically designed for carriers to revise inputs as necessary. An entire section of the CACM User Guide, available from USAC's CAM website, is devoted to the development of and loading of user-specific Input Collections and Solution Sets.[10] As noted therein, CAM 4.0 provides users the option to modify inputs for up to fourteen input collections, not just for the Regional Cost Adjustment. Changing the regional cost adjustment factor alone would also not produce accurate results because cost ratios are not uniform across categories.

Finally, and perhaps most importantly, Innovative's submissions of inputs specific to its operations in the U.S. Virgin Islands were provided in response to a specific request of the Bureau staff. As noted in Innovative's *ex parte* letter dated September 19, 2013 that accompanied its initial submission of state-specific inputs,[11] representatives of the Bureau and representatives of price cap carriers from the non-contiguous portions of the United States participated in a telephone conference on June 6, 2013 organized by the Bureau to discuss the Connect America Fund Phase II proceeding. As noted in the September 19 letter, during the conference Bureau representatives asked the carriers to focus on the specific aspects of operating in non-contiguous areas that might require adjustment in the model and asked what input values would need specific adjustment for non-contiguous areas. Thus, the Bureau clearly intended to employ state-specific inputs, and it was in response to the Bureau's request that Innovative and other carriers serving non-contiguous areas submitted state-specific CAM input adjustments necessary for the CAM to more accurately reflect the specific operating characteristics of their respective non-contiguous areas.

In light of the foregoing, ACA's assertions regarding the CAM input process are factually inaccurate, and the Bureau should not adopt ACA's recommendation that only the Regional Cost Adjustment inputs be used to implement state-specific inputs.

[7] *Id.* at 4-5.
[8] *See* Comments of Alaska Communications Systems, WC Docket No. 10-90, Attachment A-1 (filed Jan. 7, 2014).
[9] *See* Comments of Puerto Rico Telephone Company, Inc., WC Docket No. 10-90, Attachment A (filed Jan. 7, 2014).
[10] *See* CACM User Guide at 16.
[11] *See* Letter from Russell M. Blau to Marlene H. Dortch, Secretary, Federal Communications Commission, WC Docket No. 10-90 (Sept. 19, 2013).

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

Respectfully submitted,

/s/ Russell M. Blau

Russell M. Blau

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