



Your business
is our business.

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REDACTED FOR PUBLIC INSPECTION

VIA HAND DELIVERY

February 12, 2014

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

ACCEPTED/FILED

FEB 12 2014

Federal Communications Commission
Office of the Secretary

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, GN Docket No. 13-5,
GN Docket No. 12-353, CG Docket No. 10-51, CG Docket No. 03-123, WC
Docket No. 13-97

Dear Ms. Dortch:

This request for confidentiality is made on behalf Big Bend Telephone Company ("Big Bend"). Big Bend 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

No. of Copies rec'd 091
List ABCDE

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



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**Re: WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135,
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WC Docket No. 03-109, WT Docket No. 10-208, GN Docket No. 13-5,
GN Docket No. 12-353, CG Docket No. 10-51, CG Docket No. 03-123,
WC Docket No. 13-97
Notice of *Ex Parte* Presentation**

Dear Ms. Dortch:

On February 10, 2014, Justin Haynes, Rusty Moore, and Lauren Sanders of Big Bend Telephone Company ("Big Bend"), and John Kuykendall and Steve Meltzer of JSI (collectively, "Big Bend representatives"), met separately with Nicholas Degani of Commissioner Pai's office, Christi Barnhart of Commissioner Rosenworcel's office, Rebekah Goodheart of Commissioner Clyburn's office, and with Commissioner O'Rielly and his wireline legal advisor, Amy Bender. In addition, Big Bend representatives met with Alex Minard, Suzanne Yelen, Erin Boone, Christopher Cook, Victoria Goldberg and Christopher Koves of the Wireline Competition Bureau ("Bureau"). Daniel Alvarez of Chairman Wheeler's office also joined the Bureau meeting. Discussion focused on the impacts of the USF/ICC Reform Order and projected impacts of a reduction in the authorized rate of return.¹ Discussion also included the technology transition proceeding and design of the Remote Areas Fund.²

Big Bend representatives discussed the realities of providing voice and broadband service in its extremely large and remote service area and its commitment to deploying cost-

¹ *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"), *pets. for review pending sub nom.* In re: FCC 11-161, No. 11-9900 (10th Cir. filed Dec. 8, 2011).

² See *Technology Transitions et al.*, GN Docket No. 13-5 et al., Order, Report and Order and Further Notice of Proposed Rulemaking, Report and Order, Order and Further Notice of Proposed Rulemaking, Proposal for Ongoing Data Initiative, FCC 14-5 (rel. Jan. 31, 2014) "Technology Transitions Order".

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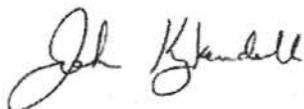
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effective technologies to meet the needs of its customers, including national security and public safety entities. Big Bend efficiently utilizes universal service support to keep its customers connected where there are no alternative providers. The proposed reduction in the rate of return would negatively impact Big Bend's operations at a time when the impacts of USF-ICC reforms are still being implemented and the full impacts are not known. Big Bend representatives presented an impact analysis of the proposed rate of return prescription.

Finally, meeting participants discussed Big Bend's potential participation in the rural broadband experiments³ and the Commission's commitment in the Technology Transitions Order to resolve by the end of this year issues related to remote areas.⁴ Big Bend representatives stated that the Remote Areas Fund is not appropriate for remote areas where rate-of-return carriers are already providing voice and broadband service.

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

Respectfully submitted,



John Kuykendall
Vice President

cc: Nicholas Degani
Christi Barnhart
Rebekah Goodheart
Michael O'Rielly
Amy Bender
Alex Minard
Suzanne Yelen
Erin Boone
Christopher Cook
Victoria Goldberg
Christopher Koves
Daniel Alvarez

Attachments

³ See *Wireline Competition Bureau Identifies Potential High Cost Areas for Next Generation Network Experiments*, FCC Public Notice WC Docket No. 10-90, DA 14-154, rel. Feb. 6, 2014.

⁴ Technology Transitions Order, para. 98.



Big Bend
TELEPHONE COMPANY

Overview of Service Territory and Subscriber Base

Big Bend Telephone Company (BBTC) is a family-owned business based in Alpine, Texas established in 1960 that serves residential and business customers in the sparsely-populated, rugged terrain in far West Texas—one of the highest cost to serve areas in the country.

- Service area contains 17,593 sq. miles, larger than 9 states and much larger than the state of Massachusetts.
- Serves .3 customers per square mile.
- Economically disadvantaged customer base; median income around half the national average in some service areas.
- Deploying and maintaining facilities in area with rocky, mountainous terrain, poor road infrastructure (only 12% of roads in service area are paved), and extreme weather.
- Serves 50% of the Texas-Mexico border (485 miles) or 25% of the entire U.S.-Mexico land border.
- BBTC is the only terrestrial voice and broadband provider that covers its entire service area.

The Realities of Providing Service in Big Bend's Service Area

BBTC utilizes the most cost-effective strategies, equipment, and technology to provide voice and broadband service to this rugged terrain. Due to its massive size, low density, topography, and geological characteristics, service to this area poses many unique challenges not found in other parts of the state. BBTC has overcome and continues to manage high cost challenges that make BBTC a truly High Cost Provider in comparison to other rural communications companies both in the state and the nation. Additionally, higher levels of network redundancy, resiliency, and employee training are needed to meet the needs of federal and state institutions securing the U.S.-Mexico border.

- BBTC operates a mesh network to meet the needs of its subscribers, utilizing copper, fiber, fixed wireless technologies, and a satellite solution.
- BBT Has invested in over 24,000 route miles of terrestrial plant and 3,000 route miles of fiber optic plant and even helped develop innovative satellite technology that allows it to serve customers beyond the reach of its wireline infrastructure.
- Due to the terrain and sparsely dense population, creative solutions must be found to serve customers in a responsible manner. For instance, for one very remote customer BBTC relies on fiber to a central office and unlicensed wireless to an Ethernet broadband loop carrier on a mountain top combined with short-loop copper to reach the customer's premise.

The Impact of Reducing the Rate of Return

The Wireline Bureau's May 2013 Staff Report on represeting the authorized rate of return recommended reducing the rate of return somewhere within the range of 8.06% - 8.72%. In the rural associations' comments, Professor Randall S. Billingsley asks, "This begs common sense: which is riskier, a pure landline, small rural telecommunications company or a broadly diversified, large

telecommunications firm with extensive wireless holdings? Which would you be more comfortable investing in and how would you adjust your return requirements in light of your intuition?"

Record evidence strongly rejected the recommendations in the Staff Report for many reasons, including:

- Reducing the rate of return is a threat to financial stability.
- Reducing the rate of return diminishes the ability to acquire new loans for capital requirements to facilitate network investment to ensure customers are not left behind in the IP transition.
- Reducing the rate of return causes more uncertainty in an already uncertain environment. Compounding effects of previous reform and projected effects of ROR reduction make predictability of future planning an unprecedented challenge.
- Obligations to build and maintain advanced telecommunications facilities and services at quality and price reasonably comparable to urban areas will be more difficult to meet, and customers will suffer.
- Higher risk should be offset by a higher rate of return.

Big Bend has analyzed the projected impacts of reducing the rate of return to the range recommended in the Staff Report, and the results could be financially devastating for the company.

- The reality of reducing the rate of return is that service and customers in rural, remote, and high-cost areas like Big Bend's service area will suffer due to lack of ability to maintain and invest in new network.
- Big Bend urges the FCC to undertake a thorough analysis of the impacts of the USF/ICC Transformation Order and consider evidence provided by rate-of-return carriers before implementing further major reforms like reducing the rate of return.

Recommendations for Remote Areas Served by Rate-of-Return Carriers

Providing support for extremely high-cost customers through the Remote Areas Fund is critical, but the support should be targeted to carriers and based on realistic costs of providing service. Customers will receive a reduced quality of service as compared to BBTC's remote customers for both voice and broadband services who, through their satellite solution, are still tied to BBTC's robust network.

- Use of satellite service for competitors that are not POLR through Remote Areas Fund is not appropriate for rate-of-return carriers that are already providing voice and broadband service to remote areas.
- If the Remote Areas Fund is available to rate-of-return carriers, funding should be distributed to the carriers for their use in continuing to provide quality voice and broadband services to their customers as the POLR, rather than a subsidy for the customers to switch to an inferior service provided by a satellite provider.



Anchor Institutions served by Big Bend Telephone Network

Federal Facilities

Department Homeland Security (DHS) Highway Check Points

DHS International Border Crossings—Boquillas and Presidio

DHS Port of Entry (1)

DHS Administrative Facilities

DHS Housing Facilities

Department of Immigration, Customs and Enforcement

Department of Defense – Air Force Radar Surveillance Balloon Site

Department of the Interior – Big Bend National Park

Federal Aviation Administration

Federal Motor Carrier Safety Administration

U. S. Weather Service

Texas Facilities

Texas Department of Public Safety including Highway Patrol and Texas Rangers

Texas Department of Corrections – Lynaugh Unit, Sheffield Detention Center

Texas Department of Parks and Wildlife including Game Wardens

Texas Department of Transportation

County Judges, County Administration, Fire Departments, Sheriffs' Departments and Police Departments of Brewster, Presidio, Terrell, Jeff Davis, Pecos, Pecos, Crane, and Val Verde counties

911 Facilities

Public Schools

Comstock Independent School District ("ISD")

McCamey ISD

Terrell County ISD

Crane ISD

Big Bend National Park San Vicente CSD

Valentine ISD

Terlingua ISD

Marathon ISD

Alpine ISD

Marfa ISD

Fort Davis ISD

Fort Stockton ISD

Presidio ISD

Iraan Sheffield ISD

Texas Region 18 Education Service Center

Colleges and Universities

Sul Ross State University

Local Businesses

Banks and Credit Unions

Public Libraries

Hospitals and Health Clinics

Public Housing Authorities



Potential Cost Recovery Impact due to FCC Rate of Return Represcription
Per Public Notice DA 13-1110, Release date 5/16/2013

Big Bend Telephone Company, Inc.
1/21/2014

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 @ \$681.65			
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 \$681.65			
13	High Cost Loop Fund Support - NACPL \$641.65			
14	High Cost Loop Fund Support - NACPL \$628.65			
15	HCLF Recycled Support Impact due to Rate of Return Change			

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 (est 12/31/14)		
20	Impact per Access Line		

NOTES	
1	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.
2	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 \$681.65 and the updated NACPL reflecting the recycled support at an estimated \$641.65 when the Rate of Return is at 8.72% and \$628.65 when the Rate of Return is at 8.06%.
3	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".
4	Baseline data: 2014 Forecast and 2015-1 HCLF projection.