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**REDACTED – FOR PUBLIC INSPECTION**

February 14, 2014

ACCEPTED/FILED

FEB 14 2014

Federal Communications Commission  
Office of the Secretary

**Ex Parte Notice**

Ms. Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> 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***

Dear Ms. Dortch:

On behalf of Rural Telephone Service d/b/a Nex-Tech ("Nex-Tech"), pursuant to the procedures outlined in the Third Protective Order adopted in the above referenced proceedings, please find enclosed for filing an original and one copy of the Public version of an Ex Parte Notice and attached confidential materials provided by Nex-Tech in the aforementioned dockets. A version containing confidential information is also being filed separately under seal with the Secretary's Office via hand-delivery. Finally, a copy of the Ex Parte Notice and the Public version of the enclosures have been submitted via ECFS.

Should you have any questions concerning the foregoing request, please contact the undersigned.

Sincerely,

/s/ Rhonda S. Goddard  
Rhonda S. Goddard  
Chief Operating Officer, Regulated Services

Enclosures

P.O. Box 158  
145 North Main  
Lenora, KS 67645  
phone: 785.567.4281  
toll free: 877.567.7872  
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Dear Ms. Dortch:

On Wednesday, February 12, 2014, the undersigned, on behalf of Rural Telephone Service d/b/a/ Nex-Tech (“Nex-Tech”), along with Jimmy Todd, Chief Executive Officer and Mike Pollock, Chief Operating Officer, Competitive Services, met separately with: (1) Commissioner Ajit Pai, and his Legal Advisor, Nicholas Degani; (2) Commissioner Mike O’Rielly and his Senior Legal Advisor and Chief of Staff, Courtney Reinhard; and (2) Daniel Alvarez, Legal Advisor to Chairman Tom Wheeler, to discuss matters in the above-referenced proceedings. Nex-Tech provided the attached presentation in these meetings.

**Standalone Broadband Support – a “Connect America Fund” for all Rural Consumers.**

Nex-Tech discussed the need for technical fixes to the Commission’s long-standing “no barriers” policy to ensure that consumers in rural areas can obtain the affordable fixed broadband services that are in great demand and that also provide the essential foundation for other communications services, including over-the-top voice and wireless services. Specifically, we discussed how providing support for loops that are used to provide standalone broadband services would promote and accelerate the ongoing IP evolution, and finally provide the basis for a Connect America Fund that supports broadband-capable networks that enable advanced communications and enhanced consumer choice in *all* rural areas. We discussed the importance of finding a solution to this problem in particular for Nex-Tech’s consumers and its operations, as the company has tried to respond proactively to consumer demands and preferences for broadband only to suffer adverse consequences for doing so in the form of more unsupported network costs and lower voice loop counts (that drive up the company’s apparent cost-per-loop despite the fact that it is actually delivering more connections to consumers).

**Regulatory Uncertainty Concerns.** We discussed continuing concerns with respect to regression analysis-based caps pending further clarification of the Commission’s recent announcement to eliminate these caps and the underlying model. Nex-Tech explained the substantial efforts that it has made to cut costs as a result of the imposition of the caps, but expressed concern that such efforts would undermine its ability to deliver services for consumers.

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Ms. Marlene H. Dortch

Page 2

February 14, 2014

We explained Nex-Tech recently completed on-time and under budget the stimulus project that it had sought in response to the call of the administration to create jobs and deploy infrastructure – including, in some places, the replacement of decades-old lead cable that would not support quality broadband services. We further expressed concerns about the uncertainty that remains regarding how the model will be updated and/or replaced for 2014 and beyond, thereby further chilling investment in rural broadband. The meeting participants urged the Commissioners and their colleagues to ensure that greater visibility and predictability can be obtained as soon as possible.

**Retransmission and Programming Fees.** We explained that small rural companies such as Nex-Tech are being forced to pay exponentially increasing retransmission fees for broadcast television channels, and that is inhibiting the ability to provide affordable video service to consumers. Also, Nex-Tech's service area crosses multiple designated market areas which causes costs to be even higher in order to offer the consumer the channels they request.

**Reporting Requirements.** Nex-Tech highlighted the cumulative effect of reporting requirements on small service providers, noting that it was subject to *several hundred reports each year* between telecommunications regulatory reports at the federal and state levels and other federal and state governmental compliance and monitoring reports. We noted specifically that at a time when rural, rate-of-return local exchange carriers such as Nex-Tech face significant uncertainty and are being asked to “do more with much less,” and given that such carriers are already subject to significant levels of oversight unmatched elsewhere in the industry, it is incongruous to adopt and implement numerous new reporting requirements that effectively require companies to redeploy significant employee resources toward administrative reporting rather than service delivery. We acknowledged the need to ensure reasonable accountability in the use of universal service support, but we urged some rationalization of all of the various reports, audits, and other compliance requirements – especially in a time of tightening budgets and as yet even more reporting requirements come online.

Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter and a redacted copy of the enclosures are being filed via ECFS, while hard copies of this letter and redacted and Confidential versions of the enclosures are also being submitted to your office in accordance with the Third Protective Order in the above-referenced proceedings.

Sincerely,

/s/ Rhonda S. Goddard

Rhonda S. Goddard

Chief Operating Officer, Regulated Services

Enclosures

cc: Commissioner Ajit Pai  
Nicholas Degani  
Commissioner Mike O'Rielly  
Courtney Reinhard  
Daniel Alvarez

# Organizational Quick Facts

## **Nex-Tech**

CEO/General Manager: Jimmy Todd

Chief Operating Officer, Regulated Services: Rhonda S. Goddard

Chief Operating Officer, Competitive Services: Mike Pollock

## **Parent Company:**

**Rural Telephone Service Co., Inc., dba Nex-Tech**

Incorporated: February 13, 1951

- A cooperative, owned by its members, with an elected seven-member Board, serving 39 exchange areas
- Owns 100% of Nex-Tech

## **Subsidiary: Nex-Tech, Inc.**

Incorporated: July 7, 1989

## **Offices:**

Parent Company Headquarters:

145 N. Main,

PO Box 158, Lenora, KS 67645

Telephone: 877.567.7872 or 785.567.4281

Fax: 785.567.4401

## **Subsidiary Headquarters:**

2418 Vine, PO Box 339,

Hays, KS 67601

Telephone: 877.625.7872 or 785.625.7070

Fax: 785.625.4479

**Additional Offices:** Courtland, Dodge City, Downs, Great Bend, Hill City, Hoxie, Norton, Phillipsburg, Plainville, Osborne, Quinter, Russell, Salina, Smith Center, Stockton, WaKeeney

**Web Site:** [www.nex-tech.com](http://www.nex-tech.com)

**300+ full-time employees**

## **Services:**

Provides a full line of voice, video, data and other communication services to 30,000 residential and business customers in more than 88 communities in 19 Kansas counties covering 9,300 square miles.

- Local Telephone Service
- Long Distance
- High-Speed Internet
- Digital TV
- Internet Service Provider for two companies
- Nex-Tech Directory Services - Publishes 4 Directories
- Multimedia Production
- Business Technology Solutions
  - Business Telephone Systems
  - Video Surveillance
  - Security Systems
  - Network Infrastructure and Monitoring
  - Cable & Wireless Networks
  - Data Security Services
  - Online Data Back-up
  - Cloud Services
  - Mobile Radio Services
  - Tower Construction & Maintenance



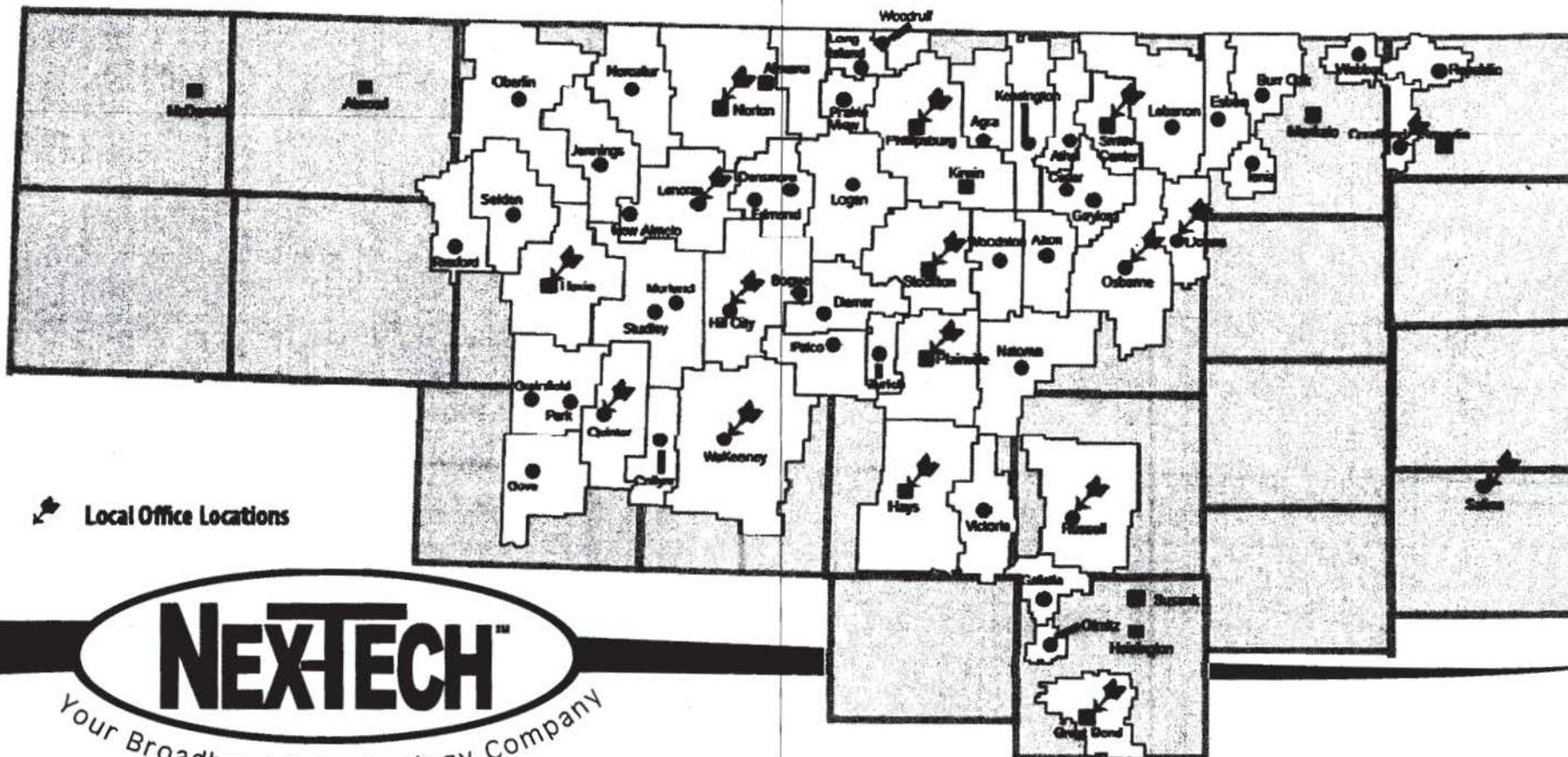
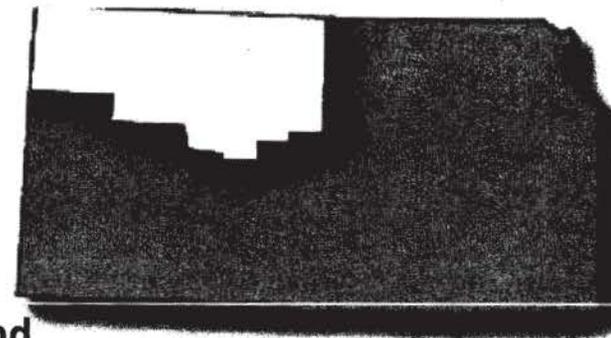


### Exhibit A

- Rural Telephone incorporated in 1951; subsidiary operation, Nex-Tech, Inc., incorporated in 1989; collectively doing business as Nex-Tech.
- Nex-Tech currently employs 338 employees – 317 full-time and 21 part-time.
- Nex-Tech has 23,566 telephone access lines, and 24,985 broadband customers serving residents, businesses and community anchor institutions.
- Nex-Tech has built broadband infrastructure in more than a 9,300 square mile area in western Kansas, which is roughly the size of the State of Maryland. The service area extends 171 miles west to east and 118 miles north to south.

# Nex-Tech Service Area

- 9,300 square miles; 6,000 + fiber miles
- 24,985 broadband customers
- 23,566 voice customers
- 88 communities & surrounding areas
- Provide service to anchor institutions in 19 counties and 54 communities
- Service area: 11% of Kansas and comparable in size to Maryland



# Nex-Tech Service Area - Comparison





### **Exhibit B**

- Nex-Tech provides 271 circuits to more than 110 wireless towers, serving 120 cell sites, utilized by all of the major nationwide wireless carriers. At the end of 2013, 31 tower sites have 100 Mbps connectivity. Wireless service will not work in much of central and western Kansas without Nex-Tech's fiber network.

# Nex-Tech Service Area Including 10 Gig Transport Network and Cell Towers

Redacted Map



### Exhibit C

- Since 2005, Nex-Tech has invested more than \$250 million in central and western Kansas.
- Nex-Tech's monumental investments in its broadband network have enabled residents, schools, libraries, hospitals, clinics, law enforcement agencies and senior/disability centers in central and western Kansas to tap the power of cutting-edge broadband technology.
  - Redacted bullet.
- In 2006, Nex-Tech's regulated operation acquired 10 rural exchanges from Sprint:
  - These exchanges were 99% unserved with broadband.
  - Borrowed funding from RUS, as well as utilized internal equity funds, to build 100% broadband-capable plant.
  - Achieved a 70% broadband take rate, which created economic development opportunities, jobs and brought young people back to central and western Kansas.
- In 2009, President Barack Obama announced the ARRA Broadband Initiatives Program:
  - Redacted bullet.

- Achieved a 70% broadband take rate in the communities and rural areas built with stimulus funding.
- Upon completion of the stimulus build, broadband services are now available to more than 9,300 square miles in remote, rural, central and western Kansas.
- To ensure everyone has access to the Internet, Nex-Tech provides free broadband and Wi-Fi services to every library in its footprint.
- Followed the President's initiative creating 50 jobs and bringing broadband to unserved and underserved rural areas.
- Listed as #38 out of '100 Recovery Act Projects That Are Changing America' in a September 2010 report published by Vice President Joe Biden.





**Exhibit D**

➤ **Broadband Speeds:**

- Redacted bullet.
- Redacted bullet.
- Fort Hays State University in Hays, Kansas, is taking 2 Gbps service.
- Redacted bullet.

**Nex-Tech Broadband Customers By Speed**

Redacted Graph



## Nex-Tech ILEC Access Lines

Exhibit D

Redacted Graph



## Nex-Tech CLEC Access Lines

Redacted Graph



**Nex-Tech Stand-Alone Broadband Customers  
ILEC Areas**

Redacted Graph

**Nex-Tech Stand-Alone Broadband Customers  
CLEC Areas**

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Redacted Graph



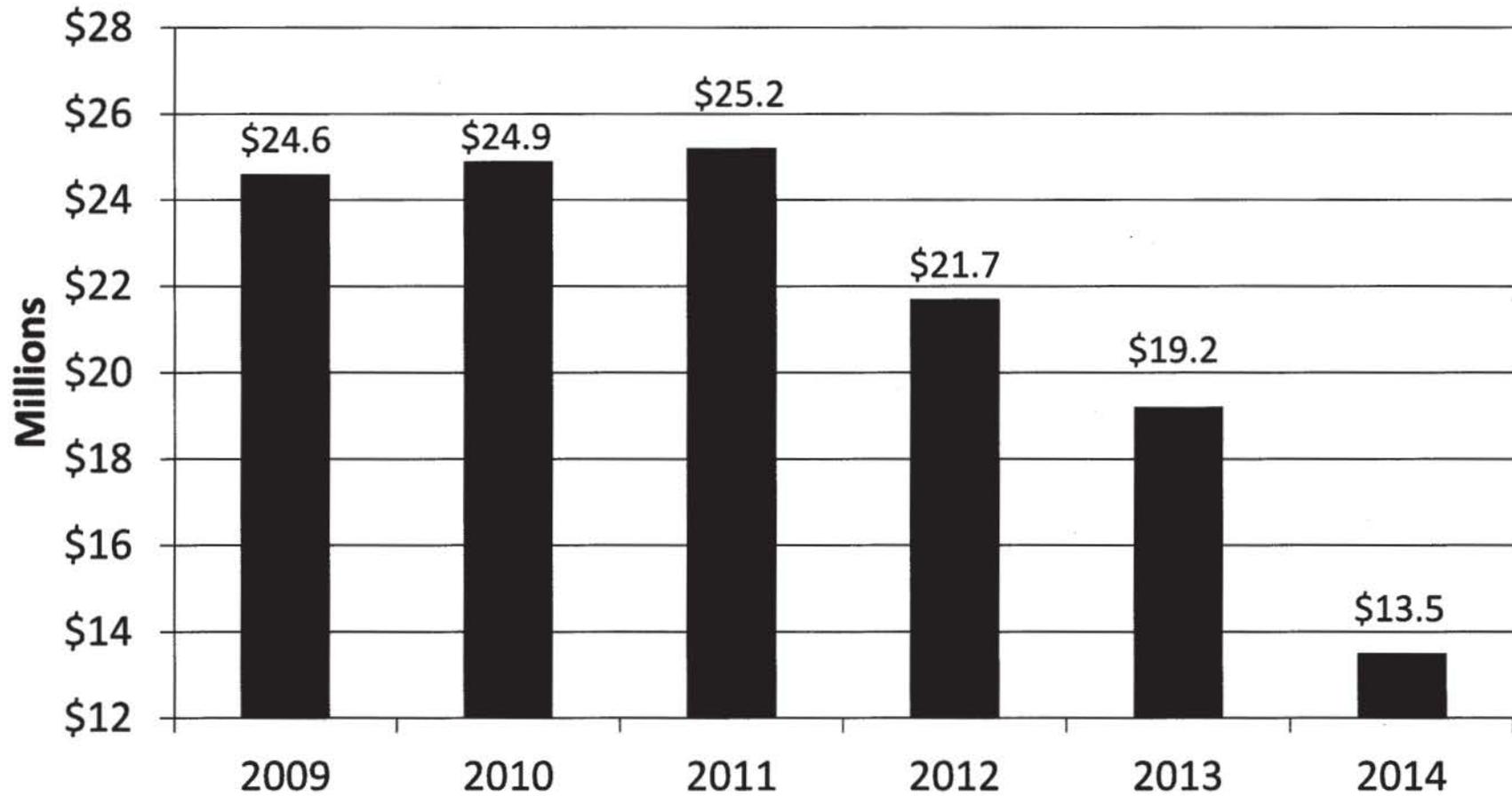
### Exhibit E

#### ➤ Recent Regulatory Issues:

- In March 2010, the FCC released the National Broadband Plan, which has resulted in a subsequent series of regulatory orders and rulemaking. These regulatory orders and rules have caused significant adverse impacts to the rural telecommunications industry.
- Universal Service revenue has been drastically reduced for Nex-Tech.
- The above changes will impact Nex-Tech's ability to provide affordable service in the rural areas of central and western Kansas.

# Nex-Tech ILEC USF Revenues

Exhibit E



**NEX-TECH™**

Your Broadband & Technology Company



## Exhibit F

- Community and economic development initiatives have always been a cornerstone at Nex-Tech, resulting in multiple awards and recognition including:
  - Nex-Tech: Chosen for the Calix Decade of Excellence Award in October 2013; recognized as a pioneer in new services and network technologies over the past ten years.
  - Hays: Served by Nex-Tech Fiber-to-the-Premise, Hays was awarded “Smart Rural Community” in September 2013 by NTCA – The Rural Broadband Association.
  - Nex-Tech: Winner of the 2012 Governor’s Award of Excellence (given to the top business in the State of Kansas annually).
  - Osborne Industries: Winner of the 2010 Governor’s Exporter of the Year award in part due to the 75 Mbps bandwidth service provided to this enterprise by Nex-Tech.
  - Nex-Tech: Listed as #38 out of ‘100 Recovery Act Projects That Are Changing America’ in a September 2010 report published by Vice President Joe Biden.
  - Nex-Tech: Winner of the 2002 Economic Developer of the Year by the National Rural Economic Developers Association.

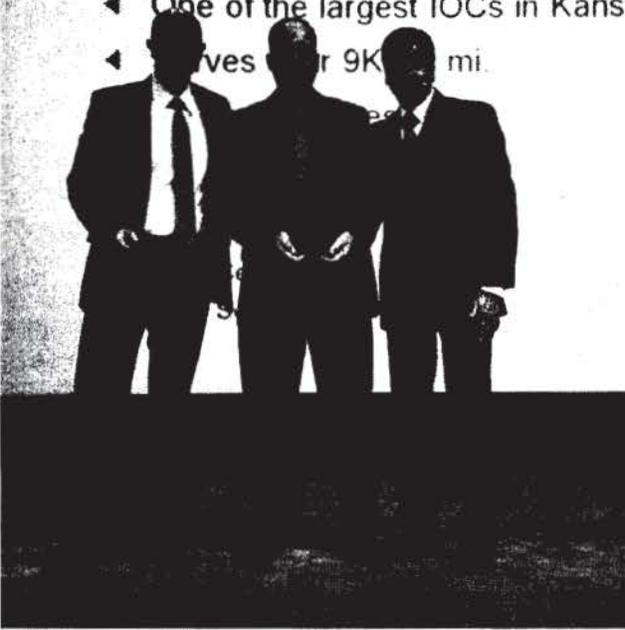
# CONNECTIONS

NEWS & INFORMATION FOR NEX-TECH CUSTOMERS

- ◀ Location: Northwestern Kansas
- ◀ Founded: 1951

## Today's statistics

- ◀ One of the largest IOCs in Kansas
- ◀ Serves over 9K mi.



## Nex-Tech Honored During Recent User Group Conference

Nex-Tech was one of four communications services providers chosen for the Calix Decade of Excellence Award, during the 10th Annual Calix User Group Conference last October in Las Vegas. The award recognized Nex-Tech as a pioneer in new services and network technologies during the past ten years.

"As we looked to honor a select set of service provider customers with our first ever Calix Decade of Excellence awards, Nex-Tech was one of the clear winners in our eyes," said John Colvin, Calix Senior Vice President of North American Sales and Marketing. "Nex-Tech has truly been a pioneer in IP and Ethernet throughout the last decade, and has been instrumental in extending the reach of world-class broadband in Kansas. We congratulate Nex-Tech on not only its own excellence in network and business transformation, but the transformation that it has driven throughout its region, and we look forward to seeing what the company will achieve in the next 10 years."

*Pictured from left to right: Geoff Burke, Calix Senior Director of Corporate Marketing, Ron Ellis, Nex-Tech Director of Operations and John Colvin, Calix Senior Vice-President of North American Sales and Marketing.*



FOR IMMEDIATE RELEASE

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**Kansas Broadband Providers Earn National Recognition**

**ARLINGTON, Va. (November 5, 2013)**—Three Kansas broadband providers were among seven recognized nationally by NTCA—The Rural Broadband Association for their role in deploying advanced technologies as part of the NTCA Smart Rural Community initiative. Honored were Blue Valley Tele-Communications, Inc. (BVTC); Home, Kan.; Mutual Telephone Co. (MTC); Little River, Kan.; and Nex-Tech; Hays, Kan. In addition to the sunflower state award winners, broadband providers in four other communities in Minnesota, North Dakota, Florida and Indiana also were recognized. The awards were announced September 16 at the NTCA Fall Conference in Chicago.

NTCA cited advanced fiber optic and WiMAX communications services deployed by the three broadband providers, as well as collaboration with local leaders in education, public safety, manufacturing, economic development, agriculture, energy use and health care as keys to the Smart Rural Community designations.

“Blue Valley, Mutual and Nex-Tech are prime examples of the power of a broadband connection and a steadfast commitment to growth and prosperity,” said NTCA Chief Executive Officer (CEO) Shirley Bloomfield. “Not only are the communities served by these three leading broadband providers charting their own path to a more prosperous future, they are also creating a road map for many more communities across the country to follow suit.”

The NTCA Smart Rural Community initiative recognizes and celebrates the efforts of rural telecommunications providers and their communities to deliver technologies that make rural communities vibrant places in which to live and do business. The goal of the initiative is to foster the development of

Smart Rural Communities throughout rural America by recognizing trailblazers and providing resources to assist broadband providers and connected industries.

"We are pleased and excited to accept this award," said Larry Sevier, Nex-Tech's CEO. "We have worked hard with our local leaders to ensure that our citizens have access to advanced communications and the many benefits those services enable. We look forward to building on our success for many years to come."

"I am very proud on behalf of our dedicated, hardworking employees here to share our concept of Smart Rural Community and the part we believe we are playing in that here in northeast Kansas," said BVTC General Manager/CEO Brian Thomason. "BVTC has been a strong cooperative, a progressive cooperative for many years here in this part of Kansas."

"The Smart Rural Community exemplifies the vision and effort of the MTC team to bring today's technology to rural central Kansas for the benefit of the residents, businesses and community we serve," said Jimmy Todd, president and general manager of MTC. "It is an honor to be recognized for the role MTC has played in becoming the technology partner for the health care, education, government and economic development organizations in our community."

More information about the Smart Rural Community initiative can be found at [www.ntca.org/smart](http://www.ntca.org/smart).

###

#### **About BVTC**

*Blue Valley Tele-Communications is a progressive, member-owned cooperative providing the highest quality, cost-effective services and dedicated to providing a superior customer experience using current technology for the communities we serve. BVTC provides local telephone service, high-speed Internet, BVtv, calling features, long distance, computer repair, and networking. BVTC recently upgraded all its LEC exchanges to fiber to the home, which is the greatest technology available today. For more information visit [www.bluevalley.net](http://www.bluevalley.net)*

#### **About MTC**

*At MTC, our customers are central to our mission, and to every decision we make. From providing a direct fiber connection to provide more Digital TV choices and faster Internet speed, to participating in local events and causes, we are committed to our customers and our community. For more information visit [www.mtc4me.com](http://www.mtc4me.com)*

#### **About Nex-Tech**

*Nex-Tech provides a full line of voice and data services to residential, government, education and commercial clients. In addition to its Competitive Local Exchange Carrier (CLEC) services, Nex-Tech also provides a host of other services including long distance, VoIP, Internet, Digital TV and home security. Nex-*

*Tech prides itself on bringing affordable, state-of-the-art technologies to central and western Kansas. For more information visit [www.nex-tech.com](http://www.nex-tech.com)*

**About NTCA–The Rural Broadband Association**

*NTCA–The Rural Broadband Association is the premier association representing nearly 900 independent, community-based telecommunications companies that are leading innovation in rural and small-town America. NTCA advocates on behalf of its members in the legislative and regulatory arenas, and it provides training and development; publications and industry events; and an array of employee benefit programs. In an era of exploding technology, deregulation and marketplace competition, NTCA's members are leading the IP evolution for rural consumers, delivering technologies that make rural communities vibrant places in which to live and do business. Because of their efforts, rural America is fertile ground for innovation in economic development and commerce, education, health care, government services, security and smart energy use. Visit us at [www.ntca.org](http://www.ntca.org).*

# Bringing Fiber to the Farm

By Mendi Alexander, Nex-Tech Economic Development/Networking Specialist

**McCarty Family Farms in Rexford, Kan., population 232, and the Dannon Co., headquartered in White Plains, N.Y., recently announced a new and unique collaboration between the companies that has resulted in milk from the McCarty Family Farms' dairy cows being exclusively used to make yogurt at Dannon's Fort Worth, Texas, plant.**

Dannon, the leading-selling yogurt maker in the United States, and McCarty were both seeking ways to reduce the impact of volatility in milk pricing and to continuously improve on environmental sustainability.

With assistance from the U.S. Department of Agriculture Rural Development, Kansas Department of Commerce, NetWork Kansas, Kansas Department of Transportation and local real-estate tax abatements, construction began on a milk condensing operation at the farm.

However, the project was at risk. A processing plant of this size which reduces the environmental impact of milk shipping and allows the farm to reuse the water that is removed during condensing of the milk, depends on technology to test and monitor all aspects of the process. The national local exchange carrier was

unwilling to provide the plant anything other than dial-up Internet service due to cost and distance from the central office. A local provider had been offering a 1 Mbps wireless connection, even though it was outside its service area, but neither technology provided the speed or reliability to meet the level of bandwidth required, throughout the farm's production process, leaving the project hanging in the balance.

At that point, the Northwest Kansas Planning and Development Commission contacted NTCA member company Nex-Tech (Hays, Kan.) to explain the situation and ask for assistance.

Although Nex-Tech's closest fiber was over three miles away and the farm was located outside

**Nex-Tech (Hays, Kan.) provided the critical advanced services required for the day-to-day operations of the McCarty Family Farms.**



## Bringing Fiber to the Farm *from page 47*

its service area, Nex-Tech understood the importance of the services to the business and the overall economic development impact this project would have on rural northwest Kansas.

**As a result of collaboration between Nex-Tech and the Northwest Kansas Planning and Development Commission, fiber was buried to the facility and installed in the processing plant and business office. This fiber technology meets all the technology and bandwidth needs of today and ensures the ability to increase speeds in the future as the company's business warrants.**

"Building a processing facility as technologically advanced as the plant at Rexford without access to high-speed reliable Internet would have been foolhardy," said Ken McCarty, manager at Rexford

Dairy. **"Without companies like Nex-Tech supporting this project, it likely would not have gone as smoothly or potentially may not have happened!"**

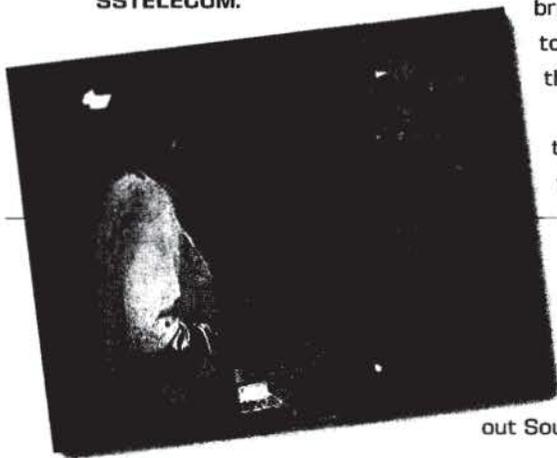
**McCarty Family Farms has created more than 50 jobs, doubling the size of the operation to more than 100 employees and bringing to realization Nex-Tech's hopes for economic development in northwest Kansas.**

"It is imperative for the survival of areas like northwest Kansas that companies come together to support one another, and hopefully our communities, by creating jobs, opportunities and a better way of life," McCarty stated.

The McCarty Family Farms was recently named the 2013 Innovative Dairy Farmer of the Year by the International Dairy Foods Association and Dairy Today magazine. ☐

## ITC Members Approve Merger *from page 45*

**ITC members vote to merge the cooperative with SST and SSTELECOM.**



Service (RUS) broadband loan with the intent of deploying fiber to the home (FTTH) technology to customers within the CLEC operating area. After acquiring the companies, ITC assumed the RUS

broadband loan and proceeded to build out the CLEC area with the new FTTH technology.

ITC currently provides local telephone service, digital video service and high-speed DSL to approximately 1,600 customers in those communities. With the merger, ITC will serve approximately 15,000 members in 30 different exchanges throughout South Dakota and Minnesota.

### Reaping the Rewards

Given the fast-paced, ever-changing telecommunications industry, this merger will allow ITC to be more efficient in all facets of the organization—

from board meetings to day-to-day tasks. Heiberger shared several key benefits: "Eliminating some of the intercompany accounting and reporting that was required with the operation of three companies will give our personnel additional time to focus on other priority issues. ITC's marketing personnel will only be required to produce one monthly newsletter, website, etc., versus three.

"They will eventually be able to advertise and market many of the same services and packages to all of our members versus the separation they have had to deal with in the past," he said.

"ITC's customer service representatives are looking forward to the day, in the future, when rates and services will be standardized so they will not have to be concerned about the area in which a member lives," Heiberger continued.

Another way ITC will become more efficient as one company is with the standardization of equipment over a period of time, making it easier for the company's central office and outside plant staff with both installation and maintenance. ☐