



March 7, 2014

Ms. Marlene Dortch, Secretary  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

**Subject:** Expression of Interest - FCC Rural Broadband Experiments (WC Docket No. 10-90)

Dear Ms. Dortch:

Spruce Knob Seneca Rocks Telephone Company, Inc. (SKSRT) is very interested in the FCC Next Generation Rural Broadband Experiments proposed in WC Docket No. 10-90. SKSRT is a local exchange carrier that was incorporated in 1972 and has been providing services to areas within Pendleton County, West Virginia since 1977. In 2012, we completed the conversion of our entire network to Fiber-to-the-Home (FTTH). SKSRT is currently utilizing an \$8,529,310 BIP Grant to build out facilities in additional portions of Pendleton County and northern Pocahontas County, outside the ILEC Franchised Area.

Although our area is rural and sparsely populated, SKSRT's mission has always been to provide service at least equal to services available in more densely populated areas. We are actively expanding our optical fiber network to provide higher broadband speeds and advanced services. Because we are local to the area, we know the people and the territory better than any other potential providers. In fact, we have opened two new offices in the expanded service area and have hired local employees who know the area and the people to work in the offices. This approach will be continued as we expand beyond the current areas.

### **Proposed Service Area**

SKSRT proposes to extend our existing high-speed broadband network into currently unserved and underserved areas within several FCC-eligible census tracts (specific tracts are listed below). These areas are currently economically disadvantaged, and need the services that this proposed network will provide. The proposed service areas would potentially include portions of Pendleton, Pocahontas, Grant, Randolph and Tucker Counties in West Virginia. Since we are a Cooperative and a relatively small Rural Local Exchange Carrier we must manage the expansion of our network into surrounding areas to ensure on-going profitability. Therefore, we will have to further evaluate the areas surrounding our existing service areas in more detail prior to submitting an application later this year.

A large portion of the potential service area is included in the “Quiet Zone” surrounding the National Radio Astronomy Observatory in Green Bank. Because of the “Quiet Zone” wireless is not an option to serve many of the homes and businesses in the area. SKSRT has had numerous unsolicited requests from potential subscribers to extend our FTTH network to serve areas surrounding our service areas. Since wireless is not an option to serve or connect many pockets of homes in the area, fiber facilities will have to be constructed for several miles between “communities” without passing any homes or businesses.

In reviewing potential areas, SKSRT has determined that in many cases unserved blocks are on one side of the road and served blocks are on the other side. We believe that the blocks are considered served because service is available in another portion of the block. Especially in mountainous areas like West Virginia, portions of Census Blocks are served from completely different directions. If an experiment includes routes along a road, we believe support should be available for subscribers on both sides of the road, even if it means splitting Census Blocks.

SKSRT will be able to serve Census Blocks that are shown as unserved with facilities that are currently being installed with less support than the estimated support required. If SKSRT is allowed to include these Census Blocks, we can do so at a lower amount than the Incumbent Carrier might require when they accept Statewide Phase II Support and it would also reduce the support necessary to serve additional areas outside the existing service area.

SKSRT is also interested in including some Extremely High-Cost areas if the Experiment allows these areas to be included at an amount that will support the build-out of the network. As a Cooperative, we believe that all potential subscribers should be included; however, we may not be able to include them at the High-Cost support levels.

Applications should be allowed to be modified, and not disqualified, if the Incumbent Carrier has increased their served area from that shown on available broadband maps. Also, Incumbent Providers who have denied requests for service with the last six months should not be able to challenge the area where service has been denied.

**Proposed Census Tracts**

County (WV)	Census Tracts			
Pendleton	54071970400	54071970500	54071970600	
Pocahontas	54075960101	54075960102	54075960200	54075960300
Randolph	54083966300	54083966500		
Grant	54023969500	54023969600		
Tucker	54093965300			

There are a total of 8,672 Potentially Eligible High Cost locations and 1,329 Potentially Extremely Extreme High Cost locations in these Census Tracts. Some will be served with Phase I, Round 2 Support, so the number of potential locations will be reduced accordingly. SKSRT does not anticipate that we will be able to serve all of the remaining locations in these Census

Tracts. We believe that the support should be made available on a Census Block level for the Experiments so that small companies can participate.

### **Critical Community Facilities**

The State of West Virginia was awarded a BTOP Grant to serve the Critical Community Facilities (CCFs) in the State; therefore, we believe that they should have received the level of service specified in the BTOP Grant. Also, we have not identified any unserved CCFs in the target areas; however, SKSRT will serve any that are identified during the application process.

Although not classified as CCFs, we have been contacted by some large businesses about providing service so they can continue to operate their businesses with the increased bandwidth demands.

### **Proposed Service Offerings**

SKSRT offers a broad selection of services, including voice, data, and video. These are available in various combinations, with broadband speed offerings in multiple tiers ranging from 1.5 Mbps/768 Mbps Internet and a basic channel line-up, up to 1Gig Internet and a full HD programming channel line-up. At this time, we are in the process on increasing the bandwidth speeds and re-pricing all of our packages; therefore, we have not included our proposed rates. We anticipate that our lowest offering will be increased to 5 Mbps/1 Mbps by the time we prepare our application. SKSRT's pricing will be competitive with other providers; however, our ability to offer any speed up to at least 1Gbps will make our products more attractive to the customers. All of our packages will be offered throughout the new service area.

### **Proposed Technologies**

SKSRT proposes to utilize Fiber-To-The-Premise (FTTP) for all last mile deployments adjacent to our existing fiber optic backbone routes. To future-proof the installation, we will utilize GPON technology. When bandwidths above those supported by GPON are required by a customer, SKSRT will provide service of 1Gbps or faster over dedicated fibers from electronic sites. This will provide a robust and scalable network that will meet the area's broadband needs now and well into the future. If more subscribers require service beyond the spare fiber capacity, the network is designed to allow the placement of an additional electronics cabinet to enable up to 1Gbps service to every subscriber in the area served by a PON cabinet. We have standardized on Calix access equipment, and will continue to utilize their product line for the new network. This will allow us to concentrate our efforts on the network build-out and not on working out bugs with a new equipment vendor.

If feasible, SKSRT will consider utilizing "wireless local loop" technology; however, we do not anticipate this being a significant portion of the project. This will be similar to our existing deployments in our certificated areas where we can provide FTTH to all businesses and residences, but also offer "hot spots" in certain areas. Because a large portion of the proposed service area is included in the "Quiet Zone" surrounding the National Radio Astronomy Observatory (NRAO) in Green Bank, wireless is not an option in a large portion of the unserved areas surrounding the NRAO.

## **Local Support**

SKSRT has received numerous formal requests, both solicited and unsolicited from citizens and community leaders in the project area to bring high speed broadband to their homes and businesses, including one that was sent to the FCC on February 18, 2014 by the Pocahontas County Commission. There is a great deal of interest and pent-up demand that we are eager to address. Once the network is deployed, SKSRT plans to hold community meetings to introduce the services to the residents, as well as provide resources for adult education, free Internet training classes, and other programs. We have received commitments from community leaders that they will support SKSRT's efforts to continue our FTTH expansion.

## **Team**

Our plans include partnering with other entities to jointly leverage our existing infrastructure, capabilities, and financial resources to efficiently and cost-effectively provide services to the Critical Community Facilities and residents within these areas. Our intent is to coordinate with the communities to enable efficient use of community resources, such as existing rights-of-way.

SKSRT is working with several other Cooperatives and small and Mid-Sized Investor-Owner ILECs to jointly expand our Middle Mile networks, which will increase capacity and decrease cost for backbone facilities. SKSRT and another Cooperative are working together to share head-ends to reduce the cost of supplying IPTV content. In addition, The State of West Virginia constructed fiber utilizing a BTOP Grant and we intend to leverage those fiber facilities whenever possible.

SKSRT is working with other CLECs that already have Interconnection and Number Portability in the proposed areas to eliminate the requirement and time required to establish new interconnection arrangements. SKSRT will be deploying service using another CLEC's service within the next few months and can continue this process in the additional areas.

SKSRT utilizes Mid-State Consultants, Inc. as our Engineering and Project Management partner. Mid-State's experience working with FTTH in rural areas, including West Virginia, enables us to design our network that allows for expansion without major rebuilding of our backbone infrastructure. Additionally, we consider the municipalities and even the residents as members of our team, and we will work with community members and local government personnel in the project areas to minimize the impact of construction activities on the residents.

## **Project Timeline and Cost**

Over the past several years, SKSRT and Mid-State have worked together to identify future expansion opportunities in the surrounding areas. Since most of our construction utilizes existing pole lines, the main deterrent to rapid deployment of the network is the make-ready process. We believe that the FCC would be able to gain first-hand experience with the types of delays that small companies are experiencing when dealing with the deployment of FTTH outside of their Franchised Service Area. We recommend that the FCC consider withholding support from Price-Cap companies that delay competitive broadband providers from deploying

their networks in a timely manner by failing to meet the FCC mandated timelines at least 90% of the time. Perhaps support could even be made portable to the competing company when make-ready delays impact their ability to deploy a competing service in an area.

SKSRT's application will include areas that can be served without large investments in backbone equipment. Many of the areas can be served from recently placed Calix equipment connected by 10Gbps rings with the addition of plug-in GPON cards and optics only. Other areas can be added to existing rings by the placement of single GPON electronics cabinets. By the time we submit the final application, we will have already completed the basic route and environmental analyses and anticipate commencement of engineering work as soon as authorization is received. Our BIP project will be nearing completion and we can allocate resources to continue expanding our network without delay. Assuming that the FCC mandated dates for make-ready are met by the pole owners for this project, SKSRT should be able to begin construction within 12 months, or less, from the execution of the agreements with the FCC. Our goal is to begin fiber route construction no later than the building season of 2015.

A high-level estimate of funds required to build out the network would be \$3,000,000 to \$10,000,000 based on the ability of SKSRT to coordinate RUS financing with the FCC process. Of these amounts, SKSRT estimates that we would request between 10 to 20 percent of the cost in up-front one-time support and an additional monthly support amount that would be less than the Present Value of the model-calculated support minus the up-front amount. We have not finalized the areas that we will include in our application. SKSRT will determine the amount of financing that we can reasonably add to our existing debt and will then determine what areas we can serve with that level of debt. At that time, we will be able to determine the break-down between one-time and on-going support that will be necessary to support the planned build-out. Based on previous grant applications prepared for the WV Broadband Deployment Council, the cost to serve some of the areas ranged from \$4,000 to almost \$7,000 per house/business passed. This was based on utilizing Davis-Bacon rates which increased the cost over anticipated RUS costs without Davis-Bacon rates. We believe that we can leverage the new build-outs to increase overall revenue so that we can reduce the amount of support needed.

The cost of the project will depend in a large part on the rules that the FCC places on the recipients of the funding. The requirement that BIP and BTOP grant recipients use Davis-Bacon rules and rates for those projects has increased the labor costs associated with the construction by approximately 50% or more in West Virginia over the prices that were paid on an RUS funded FTTH project that overlapped our BIP project. Recently issued Davis-Bacon rates would increase the cost of labor for the contractors by 46% to 78% over the rates that were approved in the original BIP contracts. In addition, SKSRT has been unable to utilize local contractors in most cases because they are not equipped to handle Davis-Bacon procedures. We have even had to turn down offers from HOAs to open ditches for our cable because of conflicting requirements.

For most small companies that utilize RUS loans, it is critical to have assets and revenue to support their loan applications. In many cases, the company is unable to coordinate various grant sources, as a potential contribution of capital, with a RUS loan application because of the time restraints placed on both the grant and RUS loan application processes. As part of the

experiment, SKSRT would like to work with USDA RUS and the FCC to determine if the FCC CAF one-time payment could provide the ten percent equity contribution required for a RUS Broadband Loan, while also including a smaller on-going support amount into the Projected Revenue for the project. SKSRT would also like to determine if the WV Broadband Deployment Council's grants could be coordinated with the RUS Loan and FCC Experiment. In the past, the inability to coordinate multiple sources of funds has hampered SKSRT's ability to expand service into additional unserved areas. With the FCC's support, SKSRT believes that several funding sources can be leveraged to expand broadband coverage into areas surrounding our existing service areas.

We have the capacity, experience, and capabilities to provide high speed broadband in these areas. We appreciate the opportunity provided by this program, and are eager to get started.

Sincerely,

A handwritten signature in black ink, appearing to read "Vickie L. Colaw". The signature is fluid and cursive, with the first name "Vickie" being the most prominent part.

Vickie L. Colaw  
General Manager