



April 10, 2014

**VIA ECFS**

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, DC 20554

**RE: EX PARTE PRESENTATION**

*GN Docket No. 12-268, Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions*  
*WT Docket No. 12-269, Policies Regarding Mobile Spectrum Holdings*

Dear Ms. Dortch:

As the framework for the upcoming 600 MHz incentive auction develops, Bluegrass Cellular, Inc. (Bluegrass) urges the Commission to revise its aggregation rules to reflect the unique financial and technical benefits of low-band spectrum.<sup>1</sup> To expand competition and provide certainty to the marketplace, now is the time for the Commission to adopt reasonable, low-band spectrum aggregation rules.<sup>2</sup>

Bluegrass has been providing service to rural parts of Kentucky since 1990. Bluegrass's current network covers approximately 1.2 million residents, and Bluegrass currently serves approximately 180,000 subscribers. Bluegrass uses Cellular, Broadband PCS and 700 MHz spectrum to provide service to its subscribers. Most recently in Auction 73, Bluegrass bid on and won 700 MHz licenses in five Cellular Market Areas (CMAs), paying over \$3.2 million at auction for these licenses.

Bluegrass provides the highest quality service to its subscribers, who would otherwise be unserved. The FCC must ensure that Bluegrass has a fair and reasonable opportunity to acquire 600 MHz spectrum in the incentive auction, because this low-band spectrum comes with technological advantages that make it highly desirable for deploying advanced wireless services to rural areas.

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<sup>1</sup> *Policies Regarding Mobile Spectrum Holdings*, Notice of Proposed Rulemaking, 27 FCC Rcd 11710 (2012) (MSH NPRM).

<sup>2</sup> *Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions*, Notice of Proposed Rulemaking, 27 FCC Rcd 12357 (2012) (Incentive Auctions NPRM).

Bluegrass is eager to invest in its network,<sup>3</sup> but Bluegrass may be foreclosed from participating in the incentive auction if the FCC does not establish a reasonable, up-front spectrum aggregation limit for the auction. To invest capital in infrastructure, operating entities must be able to justify cash expenditures to their shareholders or take on additional debt financing. Further, it takes an initial investment of time and effort to raise capital to participate in spectrum auctions.<sup>4</sup> Bluegrass may choose not to participate in the incentive auction absent reasonable, up-front spectrum aggregation limits.

Reasonable, up-front aggregation limits for the 600 MHz auction will also help ensure that a variety of wireless carriers can get access to the 600 MHz Band, which in turn will lead to a more heterogeneous ecosystem. Following Auction 73, \$2 billion in investment in beachfront, 700 MHz spectrum sat on the sidelines for several years because one operator dominated a particular block of spectrum in that band.<sup>5</sup> A fully functioning aggregation limit will help to deter the balkanization of the 600 MHz band by any one or two carriers.

Adopting reasonable, up-front spectrum aggregation limits for the upcoming incentive auction will give rural and regional carriers like Bluegrass opportunities to bid, increasing competition in the auction and throughout the wireless industry. Bluegrass urges the Commission to update its mobile spectrum holdings policies to reflect the unique benefits of low-band spectrum and limit the amount of spectrum any one carrier can acquire.

This *ex parte* notification is being filed electronically with your office pursuant to Section 1.1206 of the Commission's Rules.

Sincerely,



Ron Smith  
President  
Bluegrass Cellular, Inc.

cc (via email): Mr. Gary Epstein  
Ms. Ruth Milkman  
Mr. Jim Schlichting  
Mr. John Leibovitz

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<sup>3</sup> For example, the third through tenth largest wireless providers in the U.S. invested a combined \$5.5 billion in capital expenditures in 2012. See Summit Ridge Group, *Right-sizing Spectrum Auction Licenses: The Case for Smaller Geographic License Areas in the TV Broadcast Incentive Auction* at 6 (Nov. 20, 2013), attached to Letter of Steven K. Berry, President & CEO. CCA to The Hon. Tom Wheeler, Chairman, Federal Communications Commission, GN Docket No. 12-268 (filed Nov. 20, 2013). This figure obviously doesn't account for the capital expenditures of the other +90 wireless operators throughout America.

<sup>4</sup> It has been shown previously that smaller firms are prone to initially face more limited financing options and consequently confront higher capital costs. See, e.g., Joe Peek, Office of Advocacy, U.S. Small Bus. Admin., *THE IMPACT OF CREDIT AVAILABILITY ON SMALL BUSINESS EXPORTERS 7-8* (Apr. 2013), available at [http://www.sba.gov/sites/default/files/files/rs-404tot\(3\).pdf](http://www.sba.gov/sites/default/files/files/rs-404tot(3).pdf).

Ms. Susan Singer  
Mr. Tom Peters  
Mr. Brett Tarnutzer  
Mr. Joel Taubenblatt