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June 24, 2014

**Ex Parte Notice**

Accepted/Files

JUN 25 2014

Federal Communications Commission

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; Rural Call Completion, WC Docket No. 13-39; Media Bureau Seeks Comment on a Petition for Rulemaking to Amend the Commission's Rules Governing Retransmission Consent, MD Docket No. 10-71; Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming, MB Docket No. 12-203.***

Dear Ms. Dortch:

On Tuesday, June 24, 2014, Jimmy Todd, CEO of Rural Telephone Service d/b/a Nex-Tech ("Nex-Tech"), met with Daniel Alvarez, Legal Advisor, and Phil Verveer, Sr. Counsel, to Chairman Tom Wheeler; Commissioner Ajit Pai and his Legal Advisor, Nicholas Degani; Commissioner Jessica Rosenworcel (briefly attended) and her Legal Advisor, Priscilla Delgado Argeris; Rebekah Goodheart, Legal Advisor to Commissioner Mignon Clyburn; and Commissioner Michael O'Rielly and his Sr. Legal Advisor and Chief of Staff, Courtney Reinhard, to discuss matters in the above-referenced proceedings. Nex-Tech provided the attached presentation in these meetings.

**Local Rate Floor Increase.** Nex-Tech outlined concerns regarding the increase of the Local Rate Floor to \$20.46. Nex-Tech anticipates that this increase, coupled with lack of comparability of rates to urban areas, income levels of land line customers, and the increases customers have already experienced due to Kansas' rate floor based on the state-wide average rate, will result in increased land-line disconnects, increasing pressure on stand-alone broadband rates. Customers simply cannot afford these continuous rate hikes. Nex-Tech proposed the Local Rate Floor increase be delayed indefinitely.

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

Nex-Tech documented customer need for increased broadband speeds and the growth in customer stand-alone broadband customers. The need for a recovery program for broadband customers, whether or not they choose to keep their telephone service, was discussed. 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

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Ms. Marlene H. Dortch  
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*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).

**Call Completion Issues.** Nex-Tech reported on continued customer concerns with call termination and routing issues that originate outside Nex-Tech's network. Long distance carriers are often not interested in trouble shooting unless Nex-Tech's customer implores the calling party to file a complaint with the FCC. Examples of current problems Nex-Tech's customers are experiencing were provided.

**Retransmission and Programming Fees.** Nex-Tech explained that small rural companies 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.

Sincerely,

/s/ Rhonda S. Goddard  
Rhonda S. Goddard  
COO, Regulated Services

Enclosures

cc: Daniel Alvarez  
Phil Verveer  
Commissioner Jessica Rosenworcel  
Priscilla Delgado Argeris  
Commissioner Ajit Pai  
Nicholas Degani  
Commissioner Michael O'Rielly  
Courtney Reinhard  
Rebekah Goodheart

# Organizational Quick Facts

## **Nex-Tech**

CEO/General Manager: Jimmy Todd  
Chief Financial Officer: Rhonda S. Goddard  
Chief Operating Officer: 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:  
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PO Box 158, Lenora, KS 67645  
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**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 86 communities, of which 17 are unincorporated, in 19 Kansas counties covering 9,300 square miles.

- Local Telephone Service
- Long Distance
- High-Speed Internet
- Digital TV
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- Nex-Tech Directory Services - Publishes 4 Directories
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  - Cloud Services
  - Mobile Radio Services
  - Tower Construction & Maintenance





**Local Rate Floor Increase (ILEC Exchanges)**

The Issue: Local Rate Floor Increase to \$20.46.

Historical Exchanges	Current	Increase	% Increase
Local Rate	\$16.75		
KUSF Line Charge	\$ 1.45		
<b>Total</b>	<b>\$18.20</b>	<b>\$2.26</b>	<b>12.4%</b>
With EAS	\$18.70	\$1.76	9.4%

Acquired Exchanges	Current	Increase	% Increase
Local Rate	\$17.80		
KUSF Line Charge	\$ 1.45		
<b>Total</b>	<b>\$19.25</b>	<b>\$1.21</b>	<b>6.3%</b>

- We anticipate accelerated disconnects with the Local Rate Floor Increase.
- Our customers cannot afford these continuous rate hikes.

Nex-Tech Access Lines  
ILEC Areas

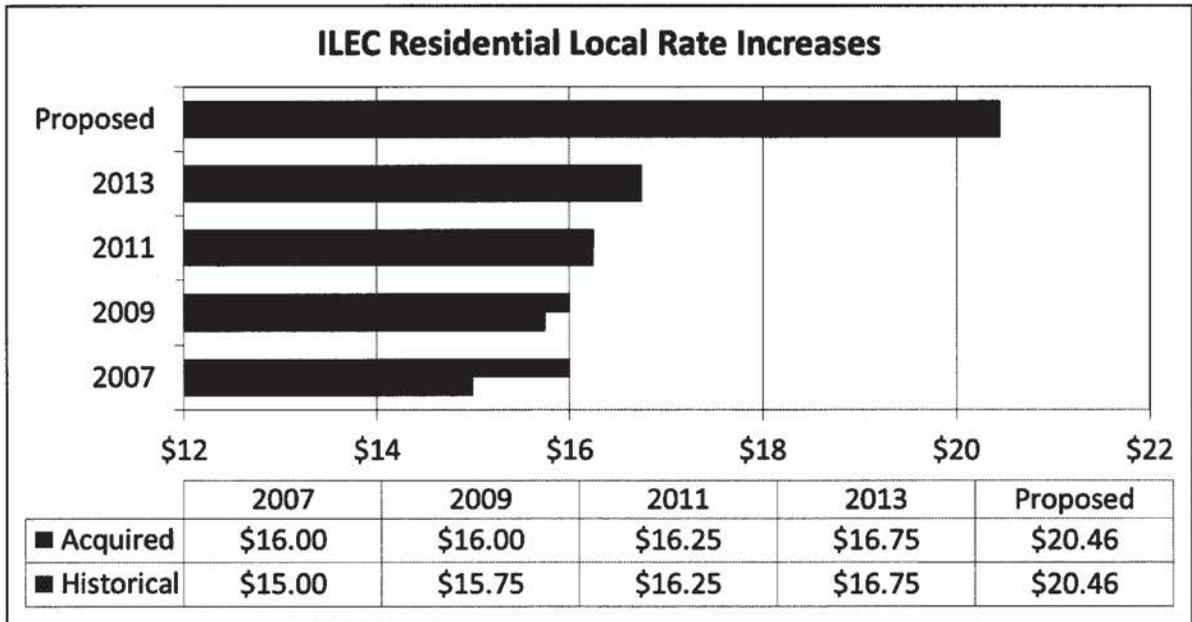
REDACTED GRAPH

Nex-Tech Access Lines  
CLEC Areas

REDACTED GRAPH

**Kansas Local Rate Floor**

- The Kansas Corporation Commission implemented a Local Rate Floor on March 1, 2007, based on the state-wide average; these local rate increases have resulted in disconnects.



- We propose the Local Rate Floor Increase be delayed indefinitely due to:
  - Lack of comparability of rates to urban areas; i.e. our customers have a much smaller local calling circle.
  - Demographics and income levels of Nex-Tech customers show that rate increases may make land line service unaffordable for many.
  - Raising local rates will inevitably cause more customers to disconnect for broadband only, increasing the pressure on stand-alone broadband rates.

Economic Data for Service Area				
Total Population	Median Age	National Median Age	Median Income	National Median Income
109,146	46.5	37.2	\$42,753	\$53,046



**Broadband**

- Redacted bullet.
- Redacted bullet.

**Nex-Tech Broadband Customers By Speed**

REDACTED GRAPH

## **Stand-Alone Broadband**

**The Issue:** The rural telecom industry needs a cost recovery program for broadband customers, whether or not they choose to keep their telephone service.

- Redacted bullet.
- Redacted bullet.

### **Nex-Tech Consolidated Stand-Alone Broadband and Access Line Comparison**

REDACTED GRAPH

## NECA Wholesale Stand-Alone DSL Rate

- Since 2012, Nex-Tech's stand-alone wholesale DSL rate has increased more than 200%.

NECA Stand-Alone Wholesale DSL	Rate
January 1, 2012	\$34.14
July 1, 2012	\$35.99
January 1, 2013	\$61.09
July 1, 2013	\$75.44
July 1, 2014	\$102.94
Overall Increase	\$68.80
Percentage Increase	202%



## Call Completion Issues

The Issue: Nex-Tech's customers continue to be harmed by call termination and routing issues that originate outside Nex-Tech's network. LD carriers, who are the bad actors, are often not interested in trouble shooting unless Nex-Tech's customer implores the calling party to file a complaint with the FCC. Even after a complaint has been filed and routing changes are made by the offending carriers allowing calls to complete to our customers, many times within a few weeks the problem reoccurs.

- Our customers continue to experience call completion issues, despite the FCC's current efforts to penalize offending carriers. The issues seem to subside for a while and then come back with a vengeance. We are not sure what drives the ebb and flow of this harmful issue.
- We have attached some real life examples from our small business customers for your review.

**Business customers who have experienced LD trouble (and reported it).**

**REDACTED SPREADSHEET**

**REDACTED - FOR PUBLIC INSPECTION**



### Retransmission/Programming Fees and Must Carry

The Issue: Small rural companies are being forced to pay exponentially increasing fees for broadcast television channels available for free over the airwaves in urban areas.

#### **Retransmission Fees: (per customer, per month)**

REDACTED TABLE

- Nex-Tech serves customers in both the Wichita, Kansas, Designated Market Area (DMA) and the Lincoln-Hastings-Kearney, Nebraska, DMA.
- The range in fees is because not all of the same channels are retransmitted in every town, as it depends on the market the community is located in.
- Retransmission Fees are directly passed through as a line item on customers' bills.
- Fees for off-air broadcast channels and rates are negotiated by Nex-Tech directly with each station or its ownership group.
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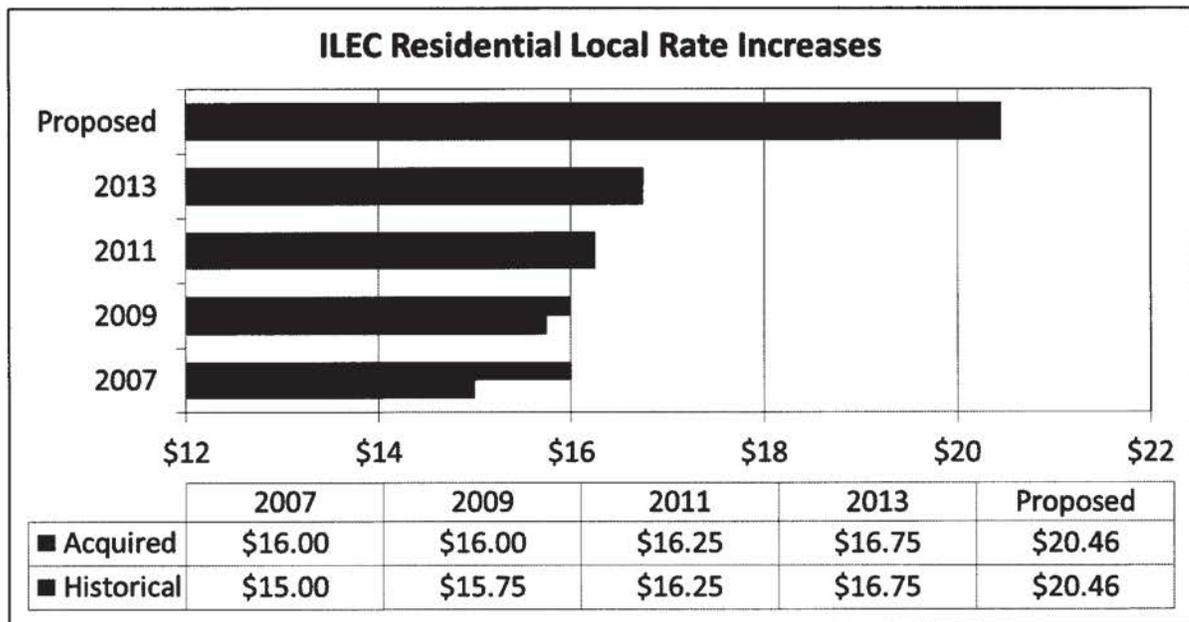
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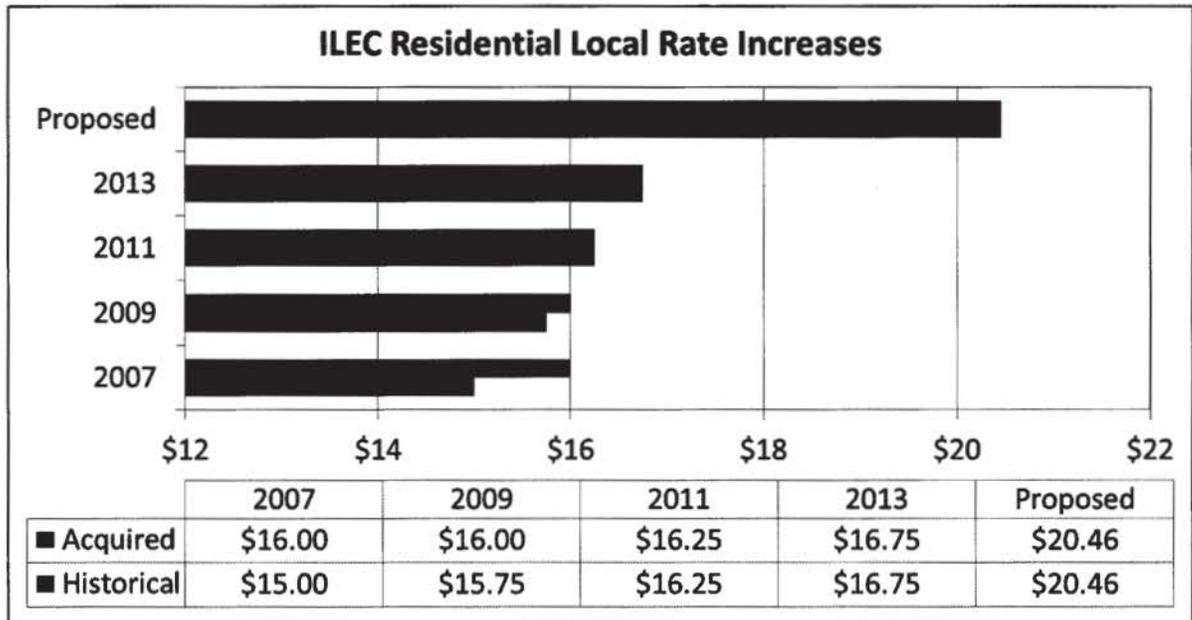
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