Advocates for Rural Broadband
Mark M. Gailey
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July 31, 2014

Filed Via ECFS
Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Washington, DC 20554

RE: WC Docket Nos. 10-90, 14-58 and 07-135; CC Docket No. 01-92; and WT Docket No. 10-208

Dear Ms. Dortch:

On Wednesday, July 30, 2014, Jerry Piper of Cambridge Telephone Co. in Cambridge, ID; Dick Sellers of Pine Drive Telephone in Beulah, CO; John Stuart of MTE Communications in Midvale, ID; Brad Veis of 3 Rivers Communications in Fairfield, MT; Kip Wilson of Direct Communications in Eagle Mountain, UT; Dan Ralphs of New Florence Telephone Co. in New Florence, MO; Roy Choates of Rural Broadband Services Corporation, Inc. of Tahlequah, OK; Ken McClure representing the Idaho Telecom Alliance; and Derrick Owens and Gerry Duffy representing WTA – Advocates for Rural Broadband ("WTA") met with Priscilla Delgado Argeris, Legal Advisor to Commissioner Jessica Rosenworcel, to discuss rate floor, public interest obligation, and stand-alone broadband issues arising out of the Commission's April 23, 2014 *Omnibus Universal Service Order*.[1]

WTA expressed its appreciation for the Commission's delay of the implementation of the $20.46 rate floor and its adoption of a multi-year transition to rates of that level. However, WTA noted that there are other unresolved problems with respect to the rate floor, including the fact that rural local exchange carriers ("RLECs") in some states are caught in conflicts with state law and procedures. For example, Mr. Sellers noted that a 1995 Colorado statute has frozen monthly local exchange service rates since that time at levels in a range between $14.00 and $17.05 that will soon run afoul of the scheduled rate floor increases. Whereas there are efforts under way to get the Colorado legislature to revise the statute, even if the legislature acts expeditiously, the 28 affected Colorado RLECs will still have to prepare and prosecute costly and time-consuming rate cases before the Colorado Public Utilities Commission (and perhaps multiple rate cases if the Colorado Commission does not or cannot authorize all of the rate increases necessary to comply with the Commission's ultimate rate floor). Mr. Wilson indicated that the 13 Utah RLECs have a similar problem in that their current monthly local service rates are set at $16.50 ($18.50 where certain companies are subject to extended area service mandates) and will have to prepare and prosecute individual company rate cases before the Utah Public Service Commission before they can raise their rates above these levels during the rate floor transition. Given that the Utah Commission has substantial electricity, gas and water regulatory obligations, Mr. Wilson indicated that 13 RLEC rate cases are likely to take several years to complete.

[1] *Connect America Fund, et al.*, Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, WC Docket No. 10-90 *et al.*, FCC 14-54, adopted April 23, 2014, released June 10, 2014

Mr. Wilson also noted that the $14.00 monthly service rate (formerly $6.50) of his company's Missouri exchange was misleading because the customers there could reach only 299 other customers without paying toll charges. For example, customers have to pay toll charges to reach the local schools attended by their children. In light of the differences in calling scopes and the differing role of toll charges, "all distance" rates or local-toll calling packages would provide a much more accurate and equitable comparison of rural and urban rates for rate floor purposes.

WTA supports the evolution of the public telecommunications network into the public broadband network, including the Commission's pending proposal to increase the minimum broadband speed that it seeks to achieve with universal service funding from 4 Megabits per second ("Mbps") downstream to 10 Mbps downstream. However, WTA is concerned that the 10 Mbps standard not become an unfunded mandate, and that sufficient and predictable high-cost support be available to enable its RLEC members to obtain and repay the loans necessary for the required infrastructure upgrades and extensions.

Going further, WTA believes that facility or infrastructure targets would be more effective and efficient than broadband speed targets. It is not a secret to anyone involved in the industry that the 10 Mbps downstream / 1 Mbps upstream standard is a temporary guidepost that is unlikely to have a significantly longer shelf life than its predecessor 4/1 standard or its successor standards. As a rough rule of thumb, it is estimated that fiber must extend within approximately 10,000 feet of a subscriber's home in order to provide that subscriber with 4/1 digital subscriber line ("DSL") broadband service, and within approximately 3,000 feet of a subscriber's home in order to provide that subscriber with 10/1 broadband service. It would appear much more efficient and less expensive in the long run to extend fiber all the way to the home, curb or pedestal at one time than to bring in construction crews every few years to extend fiber-copper DSL facilities toward homes in multiple steps.

Looked at from another perspective, the Commission needs to keep in mind that environmental and federal land permitting issues will greatly prolong the time necessary to extend fiber facilities to provide 10/1 service in significant numbers of rural areas. For example, in rural Idaho, there are customer clusters in areas surrounded by national forests and salmon spawning areas and where there is no commercial power for fiber terminations. Mr. Stuart indicated that, years ago when his company installed copper lines, it took more than two years to obtain the requisite environmental approvals and federal land rights-of-way. He expects the environmental and right-of-way proceedings to be longer and more complicated for an upgrade to broadband, and still has to deal with the additional problems of approvals for the generator, solar or other power sources needed at the customer end of a broadband line.

Finally, WTA indicated that it continues to support the Data-Only Broadband Plan proposed by the Rural Associations, and that it was working with the other rural associations to respond to the Commission's questions and concerns regarding it. Mr. Wilson spoke of the experience of his Company's Utah RLEC that serves an area comprised predominately of young, upwardly mobile families in starter homes. Given that these families have limited disposable income and prefer cell phones for voice service, his RLEC has lost significant numbers of customers that it could have kept if it was able to provide them with a supported stand-alone broadband service. Whereas these young families rebel at the idea of buying a wireline voice service when they prefer cellular, Mr. Wilson has ascertained from many of these families that they greatly prefer wireline broadband service over fixed wireless or mobile wireless broadband service (for reasons including greater reliability during wind and snow storms, superior video streaming, and the absence of data caps and overage charges), and would purchase wireline broadband if the monthly rates were within $10 or so of the fixed wireless rates.

Pursuant to Section 1.1206(b) of the Commission's Rules, this submission is being filed for inclusion in the public record of the referenced proceedings.

Respectfully submitted,

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