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March 6, 2015

Via ECFS

Marlene Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: *Ex Parte* Filing of the American Cable Association on the Connect America Fund, WC Docket No. 10-90

Dear Ms. Dortch:

On March 4, 2015, Trey Judy, Hargray Communications, Jimmy Copeland, Troy Cablevision, and the undersigned, Thomas Cohen, Kelley Drye & Warren LLP, Counsel to American Cable Association (ACA), met with Carol Matthey, Alex Minard, Katie King, Heidi Lankau, and Ian Forbes of the Wireline Competition Bureau and Jonathan Chambers of the Office of Strategic Planning and Policy Analysis. The purpose of the meeting was to discuss the experiences of Mssrs. Judy and Copeland in participating in the Rural Broadband Experiments (RBE) program and their views on the Connect America Fund (CAF) Phase II competitive bidding process. Mr. Cohen noted that Mssrs. Judy and Copeland, while ACA members, were expressing their own views and that ACA intends to survey its members as a whole on issues involved in the competitive bidding process and then will get back to the staff.

Mssrs. Judy and Copeland began the meeting by discussing the time and expense required to participate in the RBE competitive bidding process. Mr. Judy explained that he had out-of-pocket expenditures (i.e. not including the time spent by Hargray personnel) of about 10 percent of the amount of support sought (approximately \$300,000). These costs were in association with a variety of activities, including to access maps with census block information (since the company was unable to access the necessary information on the Commission's maps) and obtain certification from a Professional Engineer. Since some of these costs are fixed (or less dependent on the number of locations served), Mr. Judy explained that it drives applicants to bid on larger areas. Mr. Copeland noted even though Troy has its own mapping and construction crews, to obtain relatively precise calculations of the cost to build, he needed to send two people

Marlene H. Dortch
March 6, 2015
Page Two

into the field for two days to survey locations. In light of the time it took both companies to assess the cost to build in eligible areas, Mssrs. Judy and Copeland stated that the Commission should provide sufficient time for potential bidders to undertake their assessments once solicitations for bids are initiated. Both stated, that even with their preparation work to estimate costs for building out areas where they bid, from experience they knew that unexpected situations would arise (*e.g.* much longer drops over difficult terrain), which would increase the cost of the build. They accounted for this in their bids.

Mssrs. Judy and Copeland then discussed network deployment factors that drive their decisions whether to bid for an area and the amount of the bid. Mr. Judy began by noting that for the RBE process, Hargray could bid lower than the reserve price because it already had cable infrastructure in the area, which needed limited equipment and electronics upgrades to provide 100 Mbps broadband service. This precipitated a discussion by Mssrs. Judy and Copeland about the various factors related to the cost of the build that would affect whether they could bid below the reserve price established by the Commission's cost model in the Phase II process: proximity of other facilities, including fiber to cell towers and backhaul to points of aggregation; density and scale of the build; cost of pole attachments, which continues to be a significant concern; cost of construction (aerial versus buried). They also stated that it would be helpful to have some flexibility in the number of locations served, *e.g.* 95 percent, so they could deal with unexpected or unusual situations.

As for financial factors, Mssrs. Judy and Copeland do not view the three-year audited financials requirement as burdensome, because their companies undergo annual audits as a matter of practice. However, regarding the Letter of Credit, while both support the purpose of the requirement, they explained that it imposes a material cost, which could inhibit builds with fewer locations, and that it is not necessary once a provider meets the buildout targets.

Finally, in response to a staff inquiry about whether the Commission should use multi-round auctions, Mssrs. Judy and Copeland stated that they saw value in that approach, but if it is used, it should enable bidders to have time to adjust the geographic areas of their bids and should not otherwise impose significant administrative burdens. Both were concerned that it could add much complexity, which would discourage smaller providers from participating. They said they would get back to the Commission on this issue once they had more time to consider it.

This letter is being filed electronically pursuant to Section 1.1206 of the Commission's rules.

Sincerely,

KELLEY DRYE & WARREN LLP

Marlene H. Dortch
March 6, 2015
Page Three



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