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May 12, 2015

Via ECFS

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

Re: EX PARTE NOTICE

WC Docket No. 10-90, *Connect America Fund*
WC Docket No. 05-337, *High-Cost Universal Service Support*
CC Docket No. 96-45, *Federal-State Joint Board on Universal Service*

Dear Ms. Dortch:

On May 8, 2015, Catherine Moyer, CEO of Pioneer Communications ("Pioneer"), and the undersigned met with Carol Mattey, Alex Minard, and Suzanne Yellen (via telephone) of the Federal Communications Commission's ("FCC" or "Commission") Wireline Competition Bureau ("Bureau") to discuss issues related to the creation and adoption of a cost model to distribute universal service fund support to rate-of-return incumbent local exchange carriers ("ILECs").

To start the meeting, Pioneer briefly explained the characteristics of its 4,700 square mile service territory in Western Kansas. Of that certificated ILEC service area, 15 square miles are described as "towns" or "population centers," while the other 4685 square miles are aptly described as "very rural." Roughly 81 percent of the total population served by Pioneer is located in the 15 square miles that are considered population centers, while the other 19 percent is dispersed throughout the other 4685 square miles. Those subscribers that are located in population centers use roughly 14 percent of Pioneer's fiber route miles, while Pioneer's rural subscribers use roughly 86 percent of Pioneer's fiber route miles.

Next, Pioneer discussed the high-cost support it would receive under various scenarios or "model runs" of the FCC's Alternative Connect America Cost Model ("A-CAM"), and how certain levels of support could enable Pioneer to bring increased speeds to more of its subscribers over various periods of time. Pioneer also noted that during its internal evaluations of A-CAM scenarios, Pioneer has discovered that there are a number of census blocks in its service area that have been declared ineligible for support by the model because of the presence of an unsubsidized competitor, even though that competitor ceased providing service within Pioneer's service area over a year ago. Pioneer explained that this type of situation is not uncommon, and that the Bureau should not treat FCC Form 477 data as gospel.

Because of the existence of extremely high-cost locations within Pioneer's service area, Pioneer cautioned the Bureau from adopting broadband service obligations that would require that service be provided to greater than 90 to 95 percent of locations in an ILEC's service area. If an ILEC chooses to serve extremely high-cost locations, applicable broadband service obligations should be relaxed. To emphasize the need for flexibility in service obligations, Pioneer provided a real world example of how it was able to recently provide service to an extremely high-cost location within its service area. The location is a newly constructed residence that is remote in terms of distance from the nearest Pioneer network digital loop carrier ("DLC"). If Pioneer were to place a new DLC near the home and connect that DLC to Pioneer's existing network using fiber, the cost would be $75,000. In contrast, connecting the telephone service via copper from the existing DLC, while providing the broadband connection via wireless P2P, would cost $25,000. Pioneer opted to place a new copper cable for telephone service and then provide broadband connectivity to the home utilizing a fixed wireless solution (via unlicensed spectrum). Pioneer recognizes, however, that broadband service provided by fixed wireless technology may not always be an option to serve extremely high-cost locations. In such cases, other options should be explored.

Pioneer discussed other key factors that it would have to consider before deciding whether to voluntarily move to a cost model system. For Pioneer, of equal importance to its annual support amount under the model and accompanying broadband service obligations is the term of support that the A-CAM would provide to electing carriers. When Pioneer makes business decisions, they are partly based on 20-year loan repayment periods and other terms contained in private lending agreements. Pioneer questioned why most cost model proposals generally utilize a 10-year support period. Pioneer suggested that the Bureau consider extending the A-CAM term of support to 15 or even 20 years, and adopting corresponding service benchmarks along the way at years 10, 15, and 20.

Pioneer noted that it understands that the Commission expects the A-CAM to be completed by the end of 2015 and is determined to push forward to make that deadline. Pioneer asked the Bureau about the timeframe for electing cost model support. Pioneer stressed that rate-of-return ILECs must be given a sufficient amount of time in which to perform due diligence on the A-CAM and consider all regulatory obligations that would be a part of any voluntary cost model system. If it were to elect to move to the cost model, Pioneer would prefer that support disbursements begin on January 1 rather than at the mid-year point because Pioneer, like most ILECs, generally works off of a calendar year planning schedule.

Finally, Pioneer briefly questioned whether the Bureau was considering any sort of letter of credit requirement for ILECs that elect to receive cost model support. Bureau staff replied that such a requirement would more than likely only be applicable in the competitive bidding stage that will occur in the event a price cap carrier declines to accept its offer of Connect America Phase II support.

Pursuant to Section 1.1206 of the FCC's rules, this ex parte is being filed electronically with the Commission using the electronic comment filing system.

Respectfully submitted,

/s/ Anthony K. Veach

By: ____________________

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