



June 24, 2015

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Room TW-A325
Washington, D.C. 20554

RE: **Ex parte filing** in WC Docket No. 10-90; GN Docket 13-5; PS Docket No. 14-174

Dear Ms. Dortch:

On June 22, Jeffrey H. Smith and the undersigned from GVNW Consulting, Inc. (GVNW)¹ conducted an ex parte meeting with Matthew DelNero from the Wireline Competition Bureau (WCB). The ex parte focused on the impact for non-model rate-of-return carriers from various options for funding USF increases for elective model adoption. Some of the scenarios frustrate the deployment of rural broadband that is needed to bring the benefit of this platform to the non-urban portions of the country.

We provided some information with respect to how different rural areas are to serve with broadband as compared to urban areas. Rural local exchange carriers do not have the economies of scale and scope as do urban carriers, they do not have the ability to average the costs of urban and rural markets, and they generally serve areas with various combinations of challenging geography, topography and climate. Examples of the challenges faced by RLECs include:

- Backup Power -- As discussed in recent *ex partes*² on battery backup with Bureau staff, RLECs are different from urban-centered carriers with respect to distance and density. For many rural carriers, the challenge of large distances and low densities, some below 1 person per square mile, make the provision of broadband service a more expensive endeavor than any average statistic can adequately capture. In the case of the battery backup debate, a “truck roll” for many customer locations would require several hours of elapsed time. Requiring truck rolls to each existing customer location to replace or upgrade the battery and/or related equipment would cause significant costs to be imposed

¹ GVNW Consulting, Inc. has been serving the rural carrier industry for over 40 years, providing communications, media and technology services to carriers in the western portion of the US, and serves companies that provide broadband in the highest cost and most challenging areas in the nation.

² See *ex parte* notice of Brian J. Ford, Regulatory Counsel to NTCA, on behalf of NTCA, GVNW Consulting, Inc. and Vantage Point Solutions in *Technology Transitions* (GN Docket No. 13-5) and *Ensuring Customer Premises Equipment Backup Power for Continuity of Communications* (PS Docket No. 14-174), filed June 8, 2015.

on RLECs without a corresponding benefit. If a backup power requirement is implemented, it should be applied to new installs following the order, and be limited to eight hours. Battery maintenance and replacement should be the customer's responsibility with suitable education, on an annual basis via flexible means from the carrier.

- Necessity of an Expedited Challenge Process -- Second, we discussed the challenge process related to the presence or lack thereof of competitive entrants in a RLECs territory for the purpose of determining federal universal service support eligibility. We submitted that it is important for the integrity of the process and to meet the Commission's goals to have a challenge process as opposed to relying solely on the Form 477 data. We believe a simplified challenge process with one round – a challenge by the RLEC and a response by the unsubsidized broadband and voice provider should be considered.
- Preservation of Rate-of-Return Option -- Third, because of the higher rate of broadband deployment by rate-of-return carriers in the past, the territory served by rural carriers is generally more of a brownfield build, not a greenfield such as many of the areas eligible for CAF II support for price cap carriers. Previous FCC USF policies for rural carriers, including rate-of-return regulation, have worked, and this history of success should not be abandoned based on economic theories and hypothetical cost models that are not uniformly applicable across the diverse circumstances in the 40 percent of America's land mass served by small rural local exchange carriers.
- Updating the Rate-of-Return Option for a Broadband World -- Fourth, we discussed the need for rural support mechanisms to be updated for the broadband platform in the very near term to either the Rural Association's Data Connection Service proposal³ or the Alternative DCS proposal that responds to WCB staff concerns and that would operate fully within current support mechanisms. Providing this DCS or Alternative-DCS path would achieve long overdue equity in the support sphere for carriers whose customers order only a data connection. We stressed the need for timely reform in 2015 for non-model based support for rural carriers.
- Consensus Alaska Plan -- Finally, we discussed the unique challenges faced by Alaskan carriers. Carriers in Alaska serve some of the most difficult service territory in the United States. From the Arctic Slope service territory in the north that would in and of itself be the tenth largest *state* in the country, to the Aleutian island chain, to difficult-to-reach areas on the thousands of miles of coastline, to the largely unpopulated regions around the state, Alaska Telephone Association members provide state-of-the-art communications in some of the most desolate and harshest geographic, topographic and climatic conditions anywhere on earth. As part of an order addressing universal service

³ See *ex parte* letter of Michael Romano on behalf of NTCA, WTA and NECA in *Connect America Fund*, (WC Docket No. 10-90), filed April 21, 2015.

support for high-cost rural exchange carriers, the Commission should adopt the “Consensus Alaska Plan.”⁴

As required by the Commission’s rules, this ex parte record is now filed in the above referenced dockets. If there are any questions, please call me on 202-236-3947.

Respectfully submitted,

Via ECFS 6/24/15

David B. Cohen
Senior Policy Advisor

Copy to
Matthew DelNero, FCC

⁴ *See, e.g.*, Letter from Christine O’Connor, Executive Director to Alaska Telephone Association, to Marlene H. Dortch, Secretary, Federal Communications Commission, WC Docket No. 10-90 (filed Feb. 20, 2015) (proposing Consensus Alaska Plan responding to request from Commission Chairman Thomas Wheeler).