John Staurulakis Incorporated 50th Anniversary
7852 Walker Drive, Suite 200
Greenbelt, Maryland 20770
phone: 301-459-7590, fax: 301-577-5575
internet: www.jsitel.com, e-mail: jsi@jsitel.com

March 20, 2012

Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Re: WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208
Notice of *Ex Parte* Presentation

Dear Ms. Dortch:

On March 16, 2012, John Strode of Ritter Communications ("Ritter"), and Steve Meltzer and John Kuykendall of John Staurulakis, Inc. ("JSI representatives") met with Amy Bender, Gary Seigel, Katie King, Wesley Platt and Rodger Woock of the Wireline Competition Bureau. The subject of discussion was use of the regression analysis to implement the Commission's policy in the Universal Service Reform proceeding to place carrier-specific limits on capital and operating costs for rate-of-return carriers receiving High-Cost Loop Support and Interstate Common Line Support.[1] Comments in which Ritter participated that set forth the Company's position in this matter were also discussed.[2]

Mr. Strode explained that the data used in the regression analysis, in particular the use of access lines per square mile of service territory, gives the appearance of cost similarities between companies when in fact a more in-depth view reveals significant differences. Specifically, Ritter subsidiary companies, E. Ritter Telephone Company ("E. Ritter") and Tri-County Telephone Company ("Tri-County"), would appear similar with 5.81 and 5.64 access lines per square mile, respectively. However, the differences in terrain and elevation of these two companies make for vastly different costs in the provision of service and facilities. For example, E. Ritter uses 11 DSLAMs (1 for every 50 square miles of service territory) to provide broadband service to 95% of its customers, while Tri-County has 88

[1] *Connect America Fund*, WC Docket No. 10-90, *A National Broadband Plan for Our Future*, GN Docket No. 09-51, *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135, *High-Cost Universal Service Support*, WC Docket No. 05-337, *Developing an Unified Intercarrier Compensation Regime*, CC Docket No. 01-92, *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Lifeline and Link-Up*, WC Docket No. 03-109, *Universal Service Reform – Mobility Fund*, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011) ("*Order and Further Notice* ").
[2] *See* Comments of Section E Rural Carriers, WC Docket No. 10-90 et al. filed Jan. 18, 2012.

DSLAMs (1 for every 13.28 square miles of service territory) to reach 95% of its customers. E. Ritter has approximately 510 sheath miles of cable to serve its customers (5.86 access lines per mile of cable), while Tri-County has about 9,100 sheath miles of cable (.6 access lines per sheath mile). The E. Ritter Mississippi River delta service territory of flat land and good soil makes for easy placement of buried cable, while the Tri-County service territory of the Boston Mountains is very rocky and dynamite is often required to install a pole. In addition the total elevation change is about 2,000 feet.

Mr. Strode also demonstrated that the data used in the analysis is inaccurate and gave as an example the fact that engineers found that there are approximately 120 more square miles in Tri-County's service area than is shown in the regression analysis. The discussion then focused on other criticisms of the analysis which were enumerated by Paroma Sanyal, an economist in the Office of Strategic Planning and Policy Analysis.[3] One of these criticisms was that "applying the quantile regression to the individual cost components may miss some high cost carriers, or mislabel others as high cost." [4] Another criticism was that "several important factors that may explain loop cost have not been included in the regression."[5]

In concluding, Mr. Strode emphasized that the lack of predictability has resulted in chilling investment. For example, it is impossible to predict how the companies that are considered to be similarly situated peers to Ritter are going to change their behavior if the regression analysis is adopted, so Ritter may be "clipped" in categories next year that it would not be "clipped" in this year. Further, although there was some uncertainty under the previous high cost support due to the increase in the National Average Cost per Loop, one could still make projections as to future support based on trends. With the regression analysis, however, there is absolutely no way to predict how the regression analysis will impact a carrier's support from year to year.

Please contact the undersigned with any questions.

Respectfully submitted,

John Kuykendall
Vice President

cc: Amy Bender
Gary Seigel
Katie King
Wesley Platt
Rodger Woock

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[3] *See* Letter from Patrick Halley, Legal Counsel, Wireline Competiton Bureau, to Marlene Dortch, Secretary, WC Docket No. 10-90 *et al.* (dated Mar. 9, 2012), Appendix B.
[4] *Id.*
[5] *Id.*