

September 19, 2014

The Honorable Fred Upton  
Chairman  
Committee on Energy and Commerce  
US House of Representatives  
2125 Rayburn House Office Building  
Washington, DC 20515

The Honorable Henry Waxman  
Ranking Member  
Committee on Energy and Commerce  
US House of Representatives  
2125 Rayburn House Office Building  
Washington, DC 20515

The Honorable Greg Walden  
Chairman  
Subcommittee on Communications and  
Technology  
Committee on Energy and Commerce  
US House of Representatives  
2125 Rayburn House Office Building  
Washington, DC 20515

The Honorable Anna Eshoo  
Ranking Member  
Subcommittee on Communications and  
Technology  
Committee on Energy and Commerce  
US House of Representatives  
2125 Rayburn House Office Building  
Washington, DC 20515

Dear Chairmen and Ranking Members:

Thank you for the opportunity to submit comments as you examine the communications industry and the Communications Act in the #CommActUpdate effort. The National Rural Electric Cooperative Association (NRECA) is the national service organization for more than 900 not-for-profit rural electric utilities that provide electric energy to over 42 million people in 47 states or 12 percent of electric customers. Electric cooperatives are private, independent electric utilities, owned by the members they serve. Electric cooperatives own and maintain 2.5 million miles or 42 percent of the nation's electric distribution lines, covering 75 percent of the U.S. landmass. Co-ops serve an average of 7.4 consumers per mile of line and employ 70,000 people in the United States. In Congressional Districts served by members of the Committee on Energy and Commerce, electric cooperatives serve over 6.2 million consumer owners and employ 17,308 people.

The Universal Service Fund (USF) was created to bring telephone service to all corners of the country. Today, we must ensure that the guiding principles of USF apply to bridging the digital divide that separates rural America from urban America. Consumers in rural America deserve to have access to the same levels of advanced telecommunications services that their urban counterparts have. To achieve universal access to advanced telecommunications services all providers should still be required to make equitable and non-discriminatory contributions to preserve the fund and we must continue to have specific, predictable and sufficient federal and state mechanisms in place to bring this vital service to all consumers regardless of income or location. In addition, all forms of support must remain competitively neutral to allow all willing providers the opportunity to put forth effective solutions to bridge the digital divide.

Significant gaps in the availability of broadband in rural America strand NRECA's members on the wrong side of the digital divide. Without robust access to broadband, these Americans cannot take advantage of the educational opportunities or employment prospects that most Americans now take for granted. Our members are clamoring for access to the same level of broadband access as urban Americans. Rural electric cooperatives serve the lowest population density by mile.<sup>1</sup> Electric cooperatives grew out of a need to serve communities where no other utilities saw adequate financial incentive. We are closely connected to our members and we leverage that relationship to be as responsive as possible to their needs. Today, our members tell us that need is broadband.

Many electric cooperatives are pursuing and implementing plans to deploy broadband to rural America. The FCC is poised to finalize phase II of the Connect America Fund to support the high cost areas served by the price cap companies. This is a once in a generation opportunity to deploy broadband in rural communities who deserve to be full participants in our modern economy. We urge Congress to encourage the FCC to create an inclusive environment where all eligible providers have an opportunity to compete for support with the goal of closing the gap between broadband available in urban and rural areas.

The committee's white paper *Universal Service Policy and the Role of the Federal Communications Commission* raised several questions seeking stakeholder input. In response to those questions, we ask the Committee to keep the need for broadband access in rural areas as a top priority when considering reforms to the Communications Act.

## **Questions for Stakeholder Comment**

- 1. How should Congress define the goals of the Universal Service Fund? Should Congress alter or eliminate any of the six statutory principles, codify either of the principles adopted by the FCC, or add any new principles in response to changes in technology and consumer behavior?***

We recommend that Congress add one goal for the Universal Fund to achieve. In our experience, as the FCC and other agencies work to close the digital divide, the divide is not truly being closed. As performance improves for urban areas of high population density, rural areas continue to lag behind. At a recent broadband summit in Idaho, several presenters commented that rural populations should be "happy" when they receive service at 4 Mbps, when most of urban America is experiencing much higher speeds and the FCC is considering raising the minimum speed to qualify for Connect America Funding. Unfortunately, this viewpoint is heard too often in the discussion of appropriate speed levels moving forward. If the minimum required broadband speed for rural America remains at 4 Mbps it will

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<sup>1</sup> Cooperatives serve an average of 7.4 members per mile compared to Municipal electric companies who serve 48 customers per mile and Investor-Owned Utilities that serve an average of 34 customers per mile.

perpetuate the current digital divide and serve to relegate consumers in rural areas to second class service.

Therefore an additional goal should be to provide quality services and advanced telecommunications at the same rate of development and improvements to all areas of the country.

***2. Universal service was created to fund buildout in areas incapable of economically supporting network investment. How should our policies address the existence of multiple privately funded networks in many parts of the country that currently receive support?***

In general we oppose providing duplicative support. But we suggest that, before Congress takes on this issue in legislation, it consider correcting and updating the maps on which providers and the FCC rely to determine where service exists, and where it is supported. Our experience, though anecdotal at the moment, shows that current service providers may claim to serve areas where we know service does not exist. In addition, there are instances when very few locations in a census block have access to service but the census block is considered served on the map. We are not suggesting that the providers are being dishonest in their reporting, but the issues with the map are well known. With an accurate map, duplicative support can be avoided. In areas where duplicative support does exist, we suggest a process of backing out of the duplication in phases so that supported providers are not exposed to regulatory and investment risk.

***5. The Universal Service Fund is one of several federal programs that support buildout of communications facilities. Are current programs at other federal agencies, like the National Telecommunications and Information Administration (which oversaw the Broadband Technology Opportunities Program) or the Rural Utility(sic) Service (which oversees lending programs and oversaw the Broadband Initiatives Program) necessary?***

While initially the concept of one source of funding is appealing, the programs listed in the question all serve different purposes but all support the goal of providing universal service. The Rural Utilities Service has well recognized expertise in managing loan programs that support the programs and communities in rural America. Low interest loans are a very different form of support than Universal Service or Connect America subsidy programs. We would observe that RUS does not today have expertise in running reverse auctions and that the FCC today does not have expertise in managing loan programs. A goal that Congress should consider is to encourage the agencies that are involved in building out rural broadband continue to coordinate and communicate.

***6. How can we ensure that the Universal Service Fund is sufficiently funded to meet its stated goals without growing the fund beyond fiscally responsible levels of spending?***

One way that Congress can ensure that universal service goals are met is to continue to support not only direct subsidies (universal service and Connect America Fund) but also loan programs such as those offered by the Rural Utilities Service. We also urge Congress to support the concept that all telecommunications providers should continue to pay into the fund.

***7. Are all of the funds and mechanisms of the current Universal Service Fund necessary in the modern communications marketplace?***

NRECA generally believes that the funds and mechanisms in the current Universal Service Fund are still necessary in the modern communications marketplace. In particular the High-Cost Program, the Schools and Libraries program and the rural healthcare program help rural America access needed services. Access to advanced telecommunications services can provide rural school districts and healthcare providers a wealth of opportunities that would not otherwise be available to them.

The right of first refusal provided to incumbent price-cap carriers is a feature of the Connect America Fund process that raises some concern for our members. We believe that a more inclusive competitive process could serve to more effectively allocate limited CAF II funds. By removing the right of first refusal, the Commission would enable multiple participants to participate in the competitive bidding process for model-based support for that area. This process should drive down cost, making the most effective use of scarce universal service funds. Competing for a chance to provide voice and broadband services in unserved and underserved locations is a once in a generation opportunity for entities such as electric cooperatives to close the digital divide. A more inclusive approach to solving this issue will allow for a better allocation of scarce universal serve funds at relatively higher broadband service performance levels.

Very truly yours,



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