

STAFF MEMORANDUM

To: Case File
Case No. TO-2023-0436

From: John Van Eschen, Regulatory Compliance Manager

Date: September 15, 2023

Subject: Report

Summary

The Missouri Public Service Commission Staff (Staff) filed a motion to investigate Aristotle Unified Communications' (Aristotle, Company or AUC) compliance with Connect America Fund II Auction funding broadband deployment obligations. Aristotle was directed by the Missouri Commission to respond to six questions and it filed responses on August 1, 2023. Overall Aristotle is making false statements and has not expanded broadband service in Missouri as claimed. Consequently, Staff recommends Aristotle not be included in this year's 54.314 certification so that its universal service funding stops January 1, 2024.

Background

Aristotle, through funding from the federal universal service fund, is annually receiving \$300,154 over a ten-year period (for a grand total of \$3,001,540) to deploy broadband service in three counties (Ozark, Howell and Oregon counties) along Missouri's south central border. Aristotle started receiving the funding in July 2019 after winning a special competitive bidding process.¹ The Company's winning bid is to deploy 25/3 Mbps broadband service using a fixed wireless technology to 788 targeted locations by December 31, 2025.²

Companies receiving federal USF funding to expand broadband service are required to report broadband deployments to the Universal Service Administrative Company (USAC) who administers the federal universal service fund. Winning bidders for funding are given some flexibility the first few years but required milestones start kicking-in the third year of funding. Aristotle's first required milestone was to make broadband service available to 40% of its targeted locations, which equates to 316 locations by December 31, 2022.

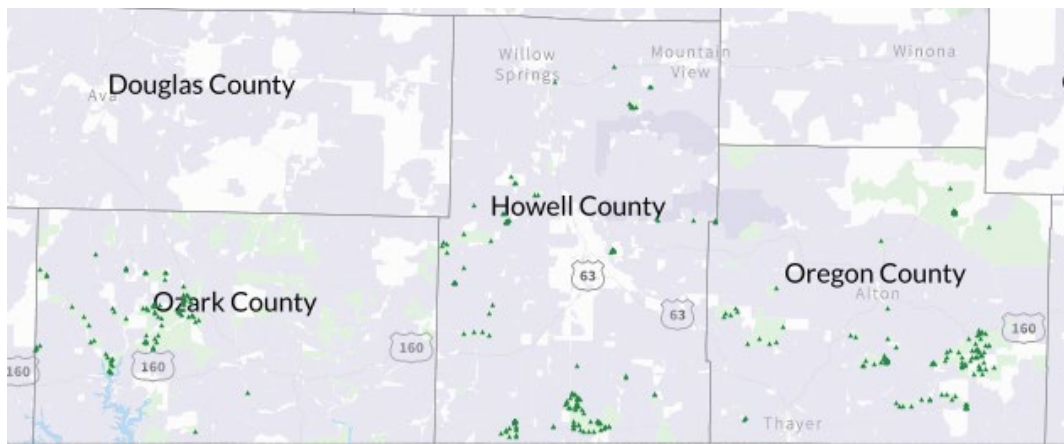
Aristotle was flagged by Staff and the FCC over a year ago for its lack of progress and failure to report any deployments the first two years. Staff flagged the information sheet

¹ The funding is Connect America Fund Phase II Auction funding which is a part of the federal universal service fund. For more information see [CAF Phase II Auction - Universal Service Administrative Company \(usac.org\)](https://www.usac.org/CAF-Phase-II-Auction)

² 25/3 Mbps (megabits per second) refers to the speed of the broadband service. In this instance 25 Mbps is the speed for downloading information from the internet while 3 Mbps is the speed for uploading information to the internet. The FCC has established 25/3 Mbps as the minimum speed for CAF II Auction funding.

maintained about the company last year.³ The FCC sent Aristotle a letter on April 7, 2022 expressing concern about Aristotle’s ability to meet its first upcoming required milestone.⁴ The FCC asked Aristotle to provide a response. The Company’s response reiterated information previously supplied to Missouri Staff for its information sheets. This information is a need for 14 towers of which the Company would have to construct 11 new towers and use three existing towers for co-location. Aristotle indicated in its response to the FCC on May 9, 2022, “...co-locations are underway and Aristotle has been engaged in site acquisition for the build locations. Site acquisition should be completed within 30 days....” The FCC’s letter and AUC’s response are provided in Attachments A and B, respectively.

In order to receive federal USF funding a company must be designated by a state commission as an Eligible Telecommunications Carrier (ETC).⁵ In turn, any ETC eligible for high-cost support must be annually certified by a state commission per FCC rule 54.314. ETCs receiving high-cost support for expanding broadband service were required to report to USAC by March 1, 2023 their broadband deployment locations made by December 31, 2022. Aristotle reported the deployment of broadband to 390 locations as reflected on the Connect America Fund Broadband map below:



Note: Green areas reflect targeted areas and green dots reflect broadband deployment locations reported by Aristotle on the Connect America Fund Broadband map maintained by USAC.

All 390 locations were reported as being installed on the same day, December 31, 2022, and have addresses from 18 cities within the 3 counties:

³ Information sheets are annually maintained for all companies receiving high-cost support. The information sheets contain a variety of information about the company including its broadband deployment progress. Information sheets are listed for last year (2021) and this year (2022).

⁴ The letter expresses concern about the company’s lack of progress in Missouri but also for two other states where Aristotle is being awarded the same type of funding (Mississippi and Oklahoma).

⁵ State commission ETC designation is described in Section 214(e)(2) of federal statutes. ETC application requirements are identified in Missouri PSC rule 20 CSR 4240-31.016.

Howell County		Oregon County		Ozark County	
City	Locations	City	Locations	City	Locations
Caulfield	1	Alton	89	Gainesville	32
Moody	25	Couch	41	Isabella	2
Mountain View	9	Koshkonong	8	Noble	9
Peace Valley	4	Myrtle	10	Theodosia	4
Pomona	14	Thayer	11	Thornfield	41
Pottersville	11	Total	159	Total	88
West Plains	77				
Willow Springs	2				
Total	143				

Staff is not convinced Aristotle has successfully extended broadband service to these locations. The Company has a constantly changing explanation of how it has brought broadband service to these locations. Specifically, Aristotle is not being truthful about securing towers. This report explains Staff’s concerns which include:

- Aristotle’s repeated failure to accurately explain tower progress,
- Aristotle’s inability to adequately explain how funding is being used,
- Aristotle’s failure to disclose lobbying efforts for broadband deployment relief, and
- Aristotle is not complying with ETC requirements to advertise the availability of service.

Staff has also corresponded with FCC staff and USAC whereby USAC has initiated an audit of the Company. Aristotle is trying to transfer its broadband funding and obligations to another company and that process will be briefly discussed.

Aristotle’s repeated Failure to Accurately Explain Tower Progress

Aristotle uses a fixed wireless technology and consequently has a need for towers to expand broadband service. As previously pointed out the Company stated a need for 14 towers on the company’s information sheet. Aristotle submitted its latest updates to the information sheet on June 1, 2023. This updated information sheet indicates a need for 14 towers but did not reflect what progress had been made. Staff attempted to find out through email and a June 9, 2023 phone call with Aristotle but the Company was unable to explain their tower progress.

Staff filed a motion to investigate Aristotle on June 22, 2023. On July 12, 2023, the Commission opened the case and directed Aristotle to fully explain the company’s broadband progress including the identification of specific towers, locations and date of installation. The Company filed a response on August 1, 2023 listing a total of 41 tower locations and claiming the company installed 22 towers. The claim of installing 22 towers consists of 10 temporary towers and the placement of equipment on 12 towers owned by another party. The response indicates all 22 towers were installed on the same day of December 31, 2022. AUC’s August 1, 2023 filing

contained conflicting and confusing information so Staff submitted several data requests to the company.

Aristotle subsequently admitted through data request responses that the tower information provided in the August 1, 2023 filing is incorrect. The Company should have reported deploying 14 towers rather than 22 towers. Aristotle provided a revised spreadsheet listing tower locations that have been activated and towers under consideration. In review of Aristotle's data request responses and revised spreadsheet, conflicting and confusing information remains. For example, Aristotle claims to have initiated the use of 14 towers but the spreadsheet identifies 16 towers with an install date of December 31, 2022. Likewise AUC's spreadsheet attempts to list all potential tower sites under consideration but AUC states "...the attached spreadsheet lists 46 locations...." but the spreadsheet actually lists 44 locations. In attempting to explain what facilities Aristotle installed on towers owned by another party, Aristotle identifies a tower, which according to the spreadsheet, is not yet built and will only be used as a backup location.⁶ The Company's continued inability to clearly define and explain the locations of towers that it owns and/or leases where it has installed the technology is troubling and inexcusable. Any company receiving funding to expand broadband service should be able to easily and fully explain its progress.

The 14 towers that Aristotle claims to be using to serve the 390 locations as of December 31, 2022 are all towers owned by US Cellular. Moreover, Aristotle did not place any equipment on these towers. Instead, Aristotle states, "Aristotle is utilizing pre-existing equipment on this tower belonging to U.S. Cellular to provide a minimum of 25/3 service to the locations under coverage of the tower...."⁷ Aristotle also claims to have deployed or is in the process of deploying four towers since January 1, 2023. Two towers are owned by other parties but two other towers are temporary towers. Aristotle is claiming the two temporary towers have already expanded broadband service to 35 and 46 locations; however, Aristotle's spreadsheet identifies an install date of "projected 12/31/2023". Curiously the spreadsheet provides the address for all active towers with the exception of the two temporary towers. U.S. Cellular is the owner of one of the two towers owned by other parties. In this regard, Aristotle is claiming using 15 towers owned by U.S. Cellular.

Staff's Data Request No. 5 specifically asks Aristotle to provide evidence of an agreement for use of any tower owned by another party. Aristotle ignored this portion of the request and did not provide any evidence of an agreement. Nevertheless Staff contacted officials with U.S. Cellular about Aristotle's claim of using 15 of its towers located in southern Missouri. Staff provided U.S. Cellular officials the FCC ID numbers and locations for the 15 towers. U.S. Cellular

⁶ The tower is identified as "MO_OZAR_08" and this tower is described in Data Request 5. Staff assumes the company's data request response should be referring to the tower labeled as "MO_OZAR_07" on the revised spreadsheet.

⁷ Response to Data Request No. 5. AUS provides this same wording for all 14 towers. Such an arrangement seems unusual in the sense AUS is claiming to be using these towers but did not install any facilities on them.

researched Staff's inquiry and responded, "Our tower team dug into this. We do not have any collocators on any of these towers, and one is a tower we actually lease...." Staff concludes Aristotle is not using these towers and consequently did not expand broadband service to any locations by December 31, 2022, as required.

Aristotle appears primarily focused on simply transferring its broadband funding and deployment obligations to another company rather than securing towers to meet its obligations. For example, the company has not sought approval with any government entity to erect a permanent tower.⁸ Although Staff believes Aristotle has secured few, if any, towers in Missouri, Aristotle is indicating the new company will likely use different towers. For example Aristotle states, "...AUC has put off some additional deployments to prevent wasteful duplicative installations..." and "...the new company has indicated that there are different and/or additional tower locations they prefer, meaning that some of the sites identified by AUD either will not be deployed or will be decommissioned...."⁹

Inability to Adequately Explain How Funding is Being Used

Aristotle has not clearly explained how funding is being used. For example AUC provided the following statement in updating its most recent information sheet, "Aristotle paid legal and financial costs related to the long-form application and maintaining ETC status in Missouri. The remaining money was set aside and is being used for network deployment." When pressed through data requests to quantify and further explain how Aristotle used its high-cost support for the prior calendar year Aristotle simply provided the following information without any additional explanation:¹⁰

- Long-form application - \$20,522.71.
- Maintaining ETC status in Missouri - \$33,060.83.
- Network deployment - \$308,842.26

These expenses do not make sense. The long-form application is a filing that winning bidders submit to the FCC to help the FCC determine whether to authorize funding to the company which for Aristotle occurred prior to July 2019. Likewise Staff doesn't understand what expenses are generated under "maintaining ETC status in Missouri." Aristotle's network deployment expenses do not make sense if Aristotle's network deployment consists of using U.S. Cellular towers and equipment, but according to U.S. Cellular there is no agreement with the company.

⁸ Response to Data Request No. 7.

⁹ Response to Question 1 in Aristotle's August 1, 2023 filing in this case. Question 1 is "Fully explain the company's broadband deployment progress, to date, in Missouri."

¹⁰ Response to Data Request No. 14.

Aristotle's Failure to Disclose Lobbying Efforts for Broadband Deployment Relief

Another troubling issue is Aristotle's failure to disclose communications with the FCC about its ability or inability to meet its broadband deployment obligations. Aristotle denies having any such communications.¹¹ Perhaps it is an inadvertent oversight on Aristotle's behalf to fail to identify the previously described May 9, 2022, letter to the FCC responding to the FCC's April 7, 2022, letter of concern. Despite this oversight, Aristotle also did not reveal its repeated attempts to lobby the FCC to provide relief. The FCC's official record has at least four notices of ex parte presentations/communications in 2023 involving Aristotle. These ex parte notices discuss how construction costs have skyrocketed and are seeking the FCC to consider such help as supplementary funding and/or an amnesty window. Attachment C contains copies of this correspondence.¹²

Requirements Placed on ETCs Receiving Federal USF Support

Certain requirements are placed on any ETC receiving federal USF support to expand broadband service. Specifically an ETC is allowed to report a location towards meeting its broadband deployment obligations "...if the carrier provides it to a location or could provide it within ten (10) business days upon request..."¹³ Likewise an ETC must, "Advertise the availability of such services and the charges therefore using media of general distribution"¹⁴ and "Publicize the availability of Lifeline service in a manner reasonably designed to reach those likely to qualify for the service."¹⁵

Aristotle is Not Advertising Service Availability

Aristotle is not complying with any advertising requirements. Aristotle admits to not conducting any advertising to Missouri consumers by stating, "...AUC is currently able to provide service to some Missouri consumers but is not advertising for the reasons stated above..."¹⁶ Aristotle's rationale for not advertising is that essentially another company is expected to take-over Aristotle's funding obligations and this other company uses a different technology.

Although Staff questions if Aristotle has any capability to actually provide broadband service in Missouri, Aristotle does not appear to want a Missouri consumer to apply for service.

¹¹ Response to Data Request No. 30. This data request asks, "Please provide any documentation or correspondence since January 1, 2022 between the company and the FCC regarding the company's ability or inability to meet its broadband deployment obligations."

¹² Ex Parte letters are filed with the FCC in WC Docket No. 10-90. Aristotle is part of a coalition represented by the Klein Law Group. Three such letters are dated July 31, 2023; July 14, 2023; and June 20, 2023. Aristotle also filed an ex parte on March 6, 2023 with TekWav and AW Broadband.

¹³ FCC Public Notice "Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding their Broadband Location Reporting Obligations" DA 16-1363; WC Docket No. 10-90; released December 8, 2016; page 4.

¹⁴ FCC rule § 54.201(d)(2).

¹⁵ FCC rule § 54.405(b).

¹⁶ Company's response to Question No. 5 as filed in its August 1, 2023 filing in this case.

As previously indicated, the Company has not advertised or made any indication service is available. More specifically the Company has not provided any information to consumers at the 390 locations where the Company claims to have service available and only recently has the Company's website been updated to suggest service may be available in Missouri. Aristotle has no employees or equipment in Missouri that is needed to install service to a customer. Instead AUC claims it will handle service requests from Missouri consumers by dispatching employees and equipment out of Little Rock, Arkansas.¹⁷ Aristotle has also not yet attempted to confirm broadband speeds for Missouri locations.¹⁸

Staff Interaction with FCC and USAC

Staff has reached out to the FCC and USAC staff about Aristotle. FCC staff discussed how USAC can conduct an audit referred to as a Deployment Verification Review that helps determine if a company is compliant.¹⁹ Staff contacted USAC about conducting such an audit who in turn indicated it will consult with FCC staff on how best to proceed. At this time, Staff has not heard further from USAC but according to AUC's recent data request responses, USAC has initiated the audit. Staff anticipates USAC's audit will eventually determine if Aristotle's location reporting complies with program requirements. Staff expects USAC's audit will find Aristotle is not compliant and if so then the FCC will likely initiate action against Aristotle following guidelines identified in FCC rules.²⁰

Aristotle provided to Missouri Staff a copy of its recent confidential responses to USAC's initial audit inquiry. In Staff's view, this audit may have triggered Aristotle to update its website to reflect broadband service availability in Missouri. Aristotle's website failed to reflect any such availability as late as August 2023. The Company's updated website simply indicates service may be available in three counties and does not reflect the specific Missouri towns as the company's website does for Arkansas. AUC's response to USAC includes generic flyers about service availability that could be used in any of Aristotle's states; however, Staff is unaware that any of the supplied flyers were used in Missouri.

Transferring Broadband Funding Obligations to another Company

Aristotle's August 1, 2023 response states AUC has signed an agreement with a company to transfer its broadband funding and obligations with an expected transfer date of 90 to 120 days from August 1st.²¹ The FCC has a process commonly referred to as "Section 214" for transferring

¹⁷ According to company officials, Aristotle will need to install an antenna and radio on the consumer's roof and provide a router for use inside the home that is connected by Ethernet to the radio on the roof.

¹⁸ Company's response to Data Request No. 13, which states the company has not done broadband speed testing for Missouri locations because it does not yet have active customers.

¹⁹ [Deployment Verification Reviews - Universal Service Administrative Company \(usac.org\)](https://www.usac.org/Deployment-Verification-Reviews-Universal-Service-Administrative-Company)

²⁰ FCC rule §54.320 Compliance and Recordkeeping for the High Cost Program.

²¹ AUC indicates the company accepting the transfer was awarded over \$100 million in CAFII auction funding to deploy broadband to 60,000+ location in Missouri.

broadband funding and associated deployment obligations.²² The time frame for the FCC to review a Section 214 application is at least several months and Aristotle agrees FCC approval may take as long as six months. According to FCC staff, the general public and outside parties will be given an opportunity to submit comments before a decision is reached to approve or not approve the proposed transfer. In turn, the new company will likely need to apply with the Missouri Commission to expand its ETC area to include the area affected by the Section 214 application. Aristotle does not have a specific date of when they hope the transfer will be complete. Staff asked for a copy of the signed agreement and the Company obliged but provided a copy solely signed by Aristotle.²³ Consequently, it remains unclear if Aristotle truly has a signed agreement to transfer its broadband funding obligations to another company.

In general, once the transfer is approved, the new company will immediately be responsible for meeting all future broadband deployment obligations.²⁴ The next broadband deployment obligation is December 31, 2023, whereby 60% of locations targeted by CAF II funding must have broadband service available. In Aristotle's case, this means expanding broadband to a total 473 locations which is 83 locations more than the 390 locations claimed by the company at the end of 2022. Although Staff remains skeptical, Aristotle claims to have deployed broadband service to an additional 121 locations bringing their current total to 511 locations.²⁵

Recommendation

The only issue for the Missouri Commission to decide is whether to include Aristotle in the upcoming 54.314 certification. FCC rule 54.314 states:

Certification. States that desire eligible telecommunications carriers to receive support pursuant to the high-cost program must file an annual certification with the Administrator and the Commission stating that all federal high-cost support provided to such carriers within that State was used in the preceding calendar year and will be used in the coming calendar year only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. High-cost support shall only be provided to the extent that the State has filed the requisite certification pursuant to this section.

This annual certification is due by October 2, 2023. Failure to obtain certification will stop a company's high cost support on January 1, 2024. For Aristotle this amount is \$300,154 per year. If Aristotle is successful in transferring its broadband funding and obligations to another company

²² FCC Public Notice; Wireline Competition Bureau Lists Best Practices for Addressing Universal Service Fund Information in Section 214 Transfer of Control Applications; DA 22-436; released April 19, 2022.

²³ Company response to Staff Data Request No. 28.

²⁴ According to FCC staff the new company could seek a waiver and try to seek some sort of relief from the requirement to immediately comply with broadband deployment obligations: however, such requests are rare and not guaranteed to be granted.

²⁵ Company response to Staff Data Request No. 4. These additional locations appear to be served by four towers Aristotle has deployed or is in the process of deploying. One of the towers is a U.S. Cellular tower which is obviously false for reasons cited earlier in this report.

then the new company will immediately begin to receive Aristotle's CAF II funding regardless of whether Aristotle receives 54.314 certification from the Missouri Commission. In other words, if the Missouri Commission does not certify Aristotle then Aristotle's CAF II funding ceases on January 1, 2024, and will not resume until the Section 214 application is approved.

Staff recommends the Missouri Commission not certify Aristotle for reasons cited in this report. In addition, Staff recommends the Commission authorize the release of all case documentation, including data request responses and Aristotle's confidential company information sheets to the FCC and USAC officials.

Attachment A: April 7, 2022 letter from FCC to Aristotle expressing concern.

Attachment B: May 9, 2022 letter from Aristotle's response to the FCC.

Attachment C: Four ex parte letters filed with FCC in 2023 seeking deployment relief.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

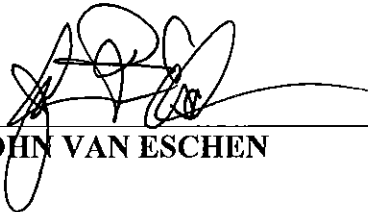
In the Matter of the Investigation of)
Aristotle Unified Communications, LLC) File No. TO-2023-0436
Related to the Connect America Fund)
Phase II Auction)

AFFIDAVIT OF JOHN VAN ESCHEN

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW JOHN VAN ESCHEN and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Report*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

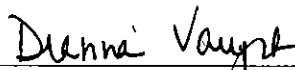


JOHN VAN ESCHEN

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 15th day of September, 2023.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2027
Commission Number: 15207377



Notary Public



Federal Communications Commission
Washington, D.C. 20554

April 7, 2022

Ms. Jill Schumacher
Aristotle Unified Communications
2100 Broadway St
Little Rock, AR 72206
jschumacher@aristotle.net

Dear Jill Schumacher:

As a recipient of Connect America Fund Phase II (CAF II) Auction support, Aristotle Unified Communications is required to deploy broadband service to at least 40% of the total required locations for which you receive auction funding by December 31, 2022.¹

For your filing due by March 1, 2022, reflecting broadband location deployment as of December 31, 2021, you certified in the USAC High Cost Universal Broadband (HUBB) portal to deploying to zero locations in the following SAC(s), 289037 (MS), 429044 (MO), 439076 (OK), for which you have been authorized to receive CAF II Auction funding. We note that support recipients are not required to wait until the end of a specific support year to meet their deployment milestones, recipients may request that USAC complete their verification process at any time, and that we encourage reporting of deployment data on an ongoing basis.²

Accordingly, we are concerned about your ability to meet the first required milestone in light of the remaining time this year for reaching compliance. As part of monitoring compliance with the program's obligations, we require that you explain how you will meet your initial deployment commitment.³ Specifically, please provide us with a description of the areas and the number of locations you have deployed to in these SACs since December 31, 2021, and explain the efforts you will take between now and December 31, 2022 to reach the 40% milestone applicable to your authorized areas.

You are directed to file your response within 30 calendar days of the date of the letter in WC Docket No. 10-90 and AU Docket 17-182 through the Commission's Electronic Comment Filing System (ECFS).⁴ Commission staff will review your response to determine if additional information requests, verification, and/or an audit is appropriate. Finally, we remind you that failing to satisfy high-cost program deployment obligations will result in withholding and/or recovery of support.⁵

¹ 47 CFR § 54.310(c); see *Connect America Fund, Connect America Fund Phase II Auction*, WC Docket Nos. 10-90, 17-187, Order, 35 FCC Rcd 109, 109, para. 1 (WCB 2020).

² See *Connect America Fund et al*, WC Docket No. 10-90 et al, Report and Order and Further Notice of Proposed Rulemaking, 31 FCC Rcd 5949, 6011 (2016), para. 173 n.156 ("[I]t would be a 'best practice' to submit location information 'no later than 30 days after service is initially offered to locations in satisfaction of deployment obligations.'"); see also *Rural Digital Opportunity Fund Order*, 35 FCC Rcd at 712, para. 56 n.156 (encouraging filing deployment data on a rolling basis).

³ See 47 CFR § 54.320.

⁴ If your response will include business confidential information, contact staff in advance regarding the process for submitting this information.

⁵ See 47 CFR § 54.320(d).

Please contact Jesse Jachman (jesse.jachman@fcc.gov) Assistant Division Chief,
Telecommunications Access Policy Division, Wireline Competition Bureau, with any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "T B Harkrader".

Trent B. Harkrader
Chief
Wireline Competition Bureau

ATTACHMENT B
HAS BEEN DEEMED
CONFIDENTIAL
IN ITS ENTIRETY

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July 31, 2023

VIA ECFS

Ms. Marlene Dortch
Secretary
Federal Communications Commission
45 L Street, NE
Washington, D.C. 20554

Re: Notice of Ex Parte Presentation
Rural Digital Opportunity Fund Auction (Auction 904), AU Docket No. 20-34;
Rural Digital Opportunity Fund, WC Docket No. 19-126; and
Connect America Fund, WC Docket No. 10-90

Dear Ms. Dortch:

Pursuant to Section 1.1206 of the Commission's rules, 47 C.F.R. § 1.1206, this letter provides notice that on July 27, 2023, Philip Macres and Gary Gallant of the Klein Law Group, PLLC on behalf of the Coalition of RDOF Winners ("Coalition"), along with Elizabeth Bowles, President and CEO of Aristotle Unified Communications, LLC ("Aristotle") (who is, among others, a member of the Coalition) had a meeting via Teams with Lauren Garry, Legal Advisor, and Greg Watson, Policy Advisor, to Commissioner Carr concerning the above-referenced proceedings.

During this meeting, the Coalition's June 20, 2023 Notice of *Ex Parte* Meeting Letter¹ (especially Attachment 2 to this letter) and the Coalition's July 14, 2023 Notice of *Ex Parte* Meeting Letter² along with the Chairwoman's June 26, 2023 Letters to Honorable Roger F. Wicker

¹ See Letter from Philip Macres, Counsel to the Coalition of RDOF Winners, to Marlene H. Dortch, Secretary, FCC (filed June 20, 2023) ("Coalition's June 20, 2023 Notice of *Ex Parte* Meeting Letter"), available at <https://www.fcc.gov/ecfs/document/1062096825996/1>.

² See Letter from Philip Macres, Counsel to the Coalition of RDOF Winners, to Marlene H. Dortch, Secretary, FCC (filed July 14, 2023) ("Coalition's July 14, 2023 Notice of *Ex Parte* Meeting Letter"), available at <https://www.fcc.gov/ecfs/document/1071492177981/1>.

*et al.*³ were discussed.

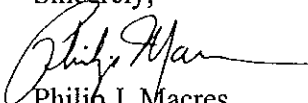
The meeting's focus was on various forms of relief the Commission could conceivably make available, via its own motion or a petition for relief and/or waiver, to address the massive and unprecedented increases in broadband deployment construction costs RDOF winners are facing—that could never have been anticipated at the time RDOF winners placed reverse bids during the RDOF auction, which include providing:

- (a) Supplementary funding to RDOF winners that have affirmatively requested such funding;
- (b) A short “amnesty window” that allows RDOF winners to relinquish all or part of their RDOF winning areas without forfeitures or other penalties if the Commission chooses not to make supplemental funds available or if the amount of supplemental funds the Commission does make available does not cover an RDOF Winner’s costs that exceed reasonable inflation, so that such unserved areas are included in the BEAD program;
- (c) RDOF payments in years 7-10 in earlier years;
- (d) An extra year of funding;
- (e) Relief from all, or certain aspects of, the letter of credit requirements on an expedited basis; and/or
- (f) Realignment of RDOF support provided to an RDOF winner that relinquishes certain areas pursuant to an amnesty window, so that RDOF funding in such areas is redirected to RDOF areas that the RDOF winner keeps so as to offset the significant broadband deployment construction cost increases in such areas.

While not discussed in detail during the meeting, other forms of relief could include making low-interest loans available to RDOF winners, among other things.

If you have questions or need additional information, please let me know.

Sincerely,



Philip J. Macres

Counsel for the Coalition of RDOF Winners

cc: Lauren Garry (all via email)
Greg Watson

³ See Letters from the Honorable Jessica Rosenworcel, Chairwoman, FCC to the Honorable Roger F. Wicker, Hyde-Smith, and Vance, United States Senators (dated June 26, 2023) (“Chairwoman’s June 26, 2023 Letters to Honorable Roger F. Wicker *et al.*”), available at <https://docs.fcc.gov/public/attachments/DOC-395063A2.pdf>.

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July 14, 2023

VIA ECFS

Ms. Marlene Dortch
Secretary
Federal Communications Commission
45 L Street, NE
Washington, D.C. 20554

Re: Notice of Ex Parte Presentation
Rural Digital Opportunity Fund Auction (Auction 904), AU Docket No. 20-34;
Rural Digital Opportunity Fund, WC Docket No. 19-126; and
Connect America Fund, WC Docket No. 10-90

Dear Ms. Dortch:

Pursuant to Section 1.1206 of the Commission's rules, 47 C.F.R. § 1.1206, this letter provides notice that on July 13, 2023, Philip Macres, Gary Gallant, and Matthew Seeber of the Klein Law Group, PLLC on behalf of the Coalition of RDOF Winners ("Coalition"), along with Elizabeth Bowles, President and CEO of Aristotle Unified Communications, LLC ("Aristotle") and JJ McGrath, President and CEO of Texoma Communications, LLC d/b/a TekWav ("TekWav") (who both are, among others, members of the Coalition) had a meeting via Teams with Giulia McHenry, Chief of Economics and Analytics ("OEA"), Suzanne Yelen, Associate Chief of the Wireline Competition Bureau ("WCB"), Jodie Griffin, Division Chief of the Telecommunications Access Policy Division of the WCB, Jesse Jachman, Deputy Division Chief, Telecommunications Access Policy Division of the WCB, Audra Hale-Maddox, Chief of Staff of the Rural Broadband Auctions Task Force, Eric Ralph, Associate Chief of OEA, and Staff members Mark Montano and Kelly Quinn. concerning the above-referenced proceedings.

During this meeting, the Coalition's June 20, 2023 Notice of *Ex Parte* Meeting Letter.¹ (especially Attachment 2 to this letter) and the Chairwoman's June 26, 2023 Letters to Honorable

¹ See Letter from Philip Macres, Counsel to the Coalition of RDOF Winners, to Marlene H. Dortch, Secretary, FCC (filed June 20, 2023) ("Coalition's June 20, 2023 Notice of *Ex Parte* Meeting Letter"), available at <https://www.fcc.gov/ecfs/document/1062096825996/1>.

Roger F. Wicker *et al.*² were discussed.

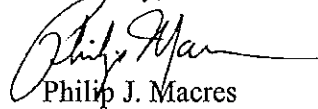
The meeting's focus was on various forms of relief the Commission could conceivably take in response to the massive and unprecedented increases in broadband deployment construction costs RDOF winners are facing—that could never have been anticipated at the time RDOF winners placed reverse bids during the RDOF auction, which include providing:

- (a) Supplementary funding to RDOF winners that have affirmatively requested such funding;
- (b) A short “amnesty window” that allows RDOF winners to relinquish all or part of their RDOF winning areas without forfeitures or other penalties if the Commission chooses not to make supplemental funds available or if the amount of supplemental funds the Commission does make available does not cover an RDOF Winner’s costs that exceed reasonable inflation, so that such unserved areas are included in the BEAD program;
- (c) RDOF payments in years 7-10 in earlier years;
- (d) An extra year of funding; and/or
- (e) Relief from all, or certain aspects of, the letter of credit requirements on an expedited basis.

While not discussed during the meeting, other forms of relief could include making low-interest loans available to RDOF winners, among other things.

If you have questions or need additional information, please let me know.

Sincerely,



Philip J. Macres
Counsel for the Coalition of RDOF Winners

cc: Giulia McHenry (all via email)
Suzanne Yelen
Jodie Griffin
Audra Hale-Maddox
Eric Ralph
Mark Montano
Kelly Quinn

² See Letters from the Honorable Jessica Rosenworcel, Chairwoman, FCC to the Honorable Roger F. Wicker, Hyde-Smith, and Vance, United States Senators (dated June 26, 2023) (“Chairwoman’s June 26, 2023 Letters to Honorable Roger F. Wicker *et al.*”), available at <https://docs.fcc.gov/public/attachments/DOC-395063A2.pdf>.

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June 20, 2023

VIA ECFS

Ms. Marlene Dortch
Secretary
Federal Communications Commission
45 L Street, NE
Washington, D.C. 20554

Re: Notice of Ex Parte Presentation
Rural Digital Opportunity Fund Auction (Auction 904), AU Docket No. 20-34;
Rural Digital Opportunity Fund, WC Docket No. 19-126; and
Connect America Fund, WC Docket No. 10-90

Dear Ms. Dortch:

Pursuant to Section 1.1206 of the Commission's rules, 47 C.F.R. § 1.1206, this letter provides notice that on June 20, 2023, Philip Macres and Gary Gallant of the Klen Law Group, PLLC on behalf of the Coalition of RDOF Winners ("Coalition"), along with Elizabeth Bowles, President and CEO of Aristotle Unified Communications, LLC ("Aristotle") and JJ McGrath, President and CEO of Texoma Communications, LLC d/b/a TekWav ("TekWav") (who both are, among others, members of the Coalition) had a meeting via Teams with Chairwoman Rosenworcel's Wireline Legal Advisor Ramesh Nagarajan concerning the above-referenced proceedings.

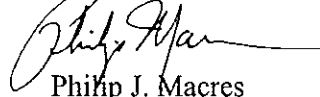
During this meeting, the attached June 12, 2023 letter from Senators Wicker, Anderson and Cindy Hyde-Smith to Chairwoman Rosenworcel (attached hereto as Attachment 1),¹ the attached document entitled "Coalition of RDOF Winners Plea for Commission Assistance via Supplemental RDOF Funding" (attached hereto as Attachment 2), and various points within the March 6, 2023 *ex parte* letter filed by Aristotle, TekWav, and Innovative Financial Technologies, LLC d/b/a AW Broadband ("AW Broadband") in these proceedings were discussed.²

¹ See Letter from Honorable Roger F. Wicker, J.D. Vance, and Cindy Hyde-Smith, Senators, to Honorable Jessica Rosenworcel, Chairwoman, FCC (dated June 12, 2023).

² See Letter from Elizabeth Bowles, President and CEO, Aristotle; JJ McGrath, President and CEO, TekWav; and Matthew Carpenter, President and CEO, AW Broadband to Marlene H. Dortch,

If you have questions or need additional information, please let me know.

Sincerely,



Philip J. Macres

Counsel for the Coalition of RDOF Winners

Attachments

cc: Ramesh Nagarajan, FCC (via email)

Secretary, FCC, AU Docket No. 20-34, WC Docket Nos. 19-126 & 10-90 (dated Mar. 6, 2023),
available at <https://www.fcc.gov/ecfs/document/103070413610567/1>.

Attachment 1

ROGER F. WICKER
MISSISSIPPI

ARMED SERVICES
COMMERCE, SCIENCE, AND TRANSPORTATION
ENVIRONMENT AND PUBLIC WORKS
RULES AND ADMINISTRATION
COMMISSION ON SECURITY
AND COOPERATION IN EUROPE

United States Senate
WASHINGTON, DC 20510

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RUSSELL SENATE OFFICE BUILDING
WASHINGTON, DC 20510
(202) 224-6253

www.wicker.senate.gov

June 12, 2023

The Honorable Jessica Rosenworcel
Chairwoman
Federal Communications Commission
45 L Street NE
Washington, D.C. 20554

Dear Chairwoman Rosenworcel,

On November 25, 2020, the Federal Communications Commission (FCC) concluded Phase I of the \$20.4 billion Rural Digital Opportunity Fund (RDOF) program, which will help deploy high-speed broadband networks to unserved areas of the United States. Phase I of the RDOF program included a reverse auction in which, generally speaking, those that submitted the lowest bids with the fastest broadband speeds were chosen as auction winners. The FCC initially planned to distribute \$16 billion during Phase I but authorized funding of only \$6.062 billion, leaving \$14.3 billion in the RDOF program.

Since Phase I of the RDOF program concluded, it has become more expensive to deploy broadband due to rampant. Increases in construction materials, equipment, and labor costs all are contributing, with fiber costs being a poster child at least a 70 percent increase. These costs are expected to rise even more with the National Telecommunications and Information Administration (NTIA) Broadband Equity, Access, and Deployment (BEAD) program's preference for fiber over other technologies.

Given the challenges, RDOF Phase I winners – especially smaller providers – are facing, what options are available to address funding shortfalls as we work on the important task of closing the digital divide? Specifically, we appreciate your review of the following options:

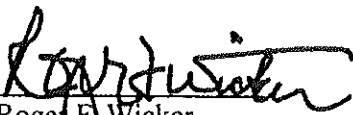
- 1) For RDOF Phase I winners, the FCC could make supplemental funding available from the initial amount obligated for the RDOF Phase I auction. If so, this supplemental funding might be limited to RDOF Phase I winners with less than 250,000 current broadband subscribers.
- 2) If supplemental funding is not made available, the FCC could permit RDOF Phase I winners to relinquish their RDOF Phase I obligations without exposure to forfeitures or other penalties, so that these areas can be funded through BEAD and other programs.


Notably, USDA's Reconnect program already makes such complementary funding available to RDOF winners and has provided supplemental funding to Reconnect Rounds 1 and 2 grant recipients due to the increases in broadband construction costs.

If the FCC wants the RDOF program to be implemented as originally intended – without penalizing RDOF winners with broadband deployment cost increases – further investment from the FCC is required to provide high-speed broadband access to unserved areas of the United States.

We look forward to your response no later than June 23, 2023. Thank you for working with us as we address the challenges of deploying broadband throughout rural America.

Sincerely,


Roger F. Wicker
United States Senator


Cindy Hyde-Smith
United States Senator


J. D. Vance
United States Senator

Attachment 2

**Coalition of RDOF Winners Plea for Commission Assistance
via Supplemental RDOF Funding**

I. Summary

Just months after COVID hit, the Commission concluded Phase I of its \$20.4 billion Rural Digital Opportunity Fund (RDOF) auction to assist in the deployment of high-speed broadband networks in various unserved areas of the United States. This program involved a reverse auction that was based on pre-pandemic construction costs for equipment, labor, and materials. However, as a result of COVID-19 along with new billion-dollar federal and pandemic-prompted broadband deployment funding programs, construction costs have skyrocketed - some by 100-300 percent. The Coalition of RDOF Winners seeks Commission assistance for relief that is available under its existing and already funded RDOF program to address these huge cost increases—expenses that could never have been anticipated by the Commission and RDOF winners prior to the auction.

II. After the RDOF Auction Took Place, Costs to Deploy High-Speed Broadband Networks Skyrocketed Due to Federal Government Broadband Funding Initiatives and Fiscal Policies that Were Prompted By the Pandemic

Following the RDOF reverse auction that took place in the fall of 2020, Congress faced the pandemic and addressed related economic issues by initiating federal broadband funding programs, such as the Consolidated Appropriations Act, 2021, the American Rescue Plan Act of 2021 (ARPA), and the Infrastructure Investment and Jobs Act (IIJA), among others, to ensure that all Americans have access to high-speed broadband services. These federal programs—which were not in existence at the time of the RDOF auction—provided billions of dollars towards funding broadband construction in rural unserved and underserved areas of the United States.

As a result of these post-RDOF and pandemic-prompted federal funding programs, the costs to deploy broadband networks to the RDOF locations have skyrocketed due to massive increases in the demand for broadband construction materials, equipment, and labor. Other factors driving the cost increases include significant supply chain issues and spiraling inflation caused by pandemic-prompted fiscal policies and other factors. *Overall, since the 2020 RDOF reverse auction, broadband deployment costs have significantly increased, some by 100 to 300 percent.* These construction costs are expected to spike upwards even further once NTIA's BEAD and Middle Mile programs start awarding grants.

Below are some examples of enormous increases in broadband construction costs that certain RDOF winners said they are facing:

- In the span of 2 years, the total costs to build have risen almost 4x!
- Cost of materials have quadrupled in some cases; splice cases tripled; and interest rates on the cost of money have increased 62.5% compounding the increases in freight and material costs.
- Overall costs have at least doubled if not tripled. Costs of fiber construction have risen from a blended rate of \$9 per foot to upwards of \$18. Cost of labor has risen as well.

- Costs of everything have increased: underground vaults have increased by almost 200%; drop fiber has increased by 100%; and innerduct (conduit) has increased by 44%.
- The cost of fiber more than doubled, and the cost of pipe, handholes, and splice cases more than tripled since we started construction.
- Cost of materials have increased 100% from 2021 to 2022. Delivery times have increased 6-18 months. In-stock on the shelf items are a thing of the past. Labor/contractors/machines are very difficult, and often impossible, to find. Small HDD machines are not available; large machines are \$250k and don't fit FTTH projects.
- The costs for supplies, labor, equipment, etc. all have gone up 30-300%.¹

RDOF winners took the initiative to be leaders in providing high-speed broadband services to unserved rural areas of the United States before the other federal programs were established. These winners should not now be penalized or otherwise seriously financially disadvantaged for being leaders via tremendous cost increases prompted by the new federal programs and fiscal policies in the wake of the pandemic, especially when these cost increases could never have been anticipated at the time they placed reverse bids during the RDOF auction.

III. Prompt Commission Assistance is Requested and Needed

The Coalition of RDOF Winners urges the Commission to quickly address these significant broadband deployment cost increases that the new billion-dollar federal and pandemic-initiated programs and policies prompted. The Commission can do so by providing relief to RDOF winners under its existing and already funded RDOF program. In particular, the Commission should provide supplemental funding—to come out of the over \$14 billion that currently remains in the RDOF program (including \$3 billion in accessible funds from RDOF defaults to date)—to RDOF winners to cover the cost increases.

If the Commission wants to confirm these skyrocketing cost increases, it can promptly do so by having *CostQuest* rerun its cost model that was used to determine the reserve prices for the 2020 RDOF auction with current broadband deployment costs. While RDOF winners were understandably responsible for including pre-COVID-19 cost increases to cover reasonable inflation expected prior to COVID-19 during the 10-year program, they should not have to shoulder exponential cost increases prompted by the pandemic and government programs and fiscal policies that caused broadband construction costs to astronomically increase as they have.

Moreover, the Commission is acutely well aware of these “unprecedented” cost increases

¹ These bullets reflect various individual statements from certain members of the Coalition of RDOF Winners. For this list, each of them has provided examples of certain levels and types of cost increases it is specifically facing, which may be different among Coalition members. Overall, this bullet list is simply designed to show that based on various feedback from Coalition members, broadband construction costs have dramatically increased across the board since the RDOF auction in 2020.

and the “economic challenges that carriers face as they emerge from the pandemic.”² To address such concerns, the Commission has already provided relief to rate-of-return carriers in 2021, 2022, 2023, and 2024 that receive USF support, given the “importance of providing broadband services during this unprecedented time.”³ For the same reason, the Commission should provide relief to RDOF winners.

Because cost increases have impacted all RDOF winners—both small and large, supplemental funds should not be limited to those RDOF winners with less than 250,000 current broadband subscribers. If any limitation is to be imposed, the Commission should only make supplemental funds available to those RDOF Phase I winners that affirmatively seek such funds from the Commission, as the Coalition of RDOF Winners has done. No limitations on the size of the RDOF Phase I winner should prevent it from doing so.

As indicated in Senator Wicker’s letter, USDA’s Reconnect program already makes complementary funding available to RDOF winners and already offered *sua sponte* supplemental funding to Reconnect Rounds 1 and 2 grant recipients due to the increases in broadband construction costs. The Commission should likewise make supplemental funding available *sua sponte* or otherwise do so without imposing time-consuming procedural burdens on RDOF winners, as supplemental funding is *needed now* to further broadband deployment in unserved RDOF areas of the United States—*not years from now*.⁴

² See *Connect America Fund*, WC Docket No. 10-90, Order, FCC 23-40, at para. 10-12 (rel. May 23, 2023) (the Commission waived the budget control mechanism for 2023 to 2024 tariff year) (“*2023 BCM Order*”); *Connect America Fund*, WC Docket No. 10- 90, Order, FCC 22-32, at para. 5, 10 (rel. May 10, 2022) (the Commission waived the budget control mechanism for both the 2021 and 2022 tariff years).

³ *2023 BCM Order*, at para. 12.

⁴ The Coalition of RDOF Winners emphasizes that this request for supplemental funding should not be interpreted as an indication or suggestion of possible default on their obligations to serve unserved locations in their winning RDOF areas, but rather as a request for fair and appropriate treatment. However, if the Commission chooses not to make supplemental funds available or if the amount of supplemental funds the Commission does make available does not cover an RDOF Winner’s costs that exceed reasonable inflation, then the RDOF Winner should not be penalized and forced to absorb such additional cost increases. Rather, in such circumstances, the RDOF Winner should be allowed to relinquish all or part of its RDOF winning areas without exposure to forfeitures or other penalties. In addition, RDOF Winners whose RDOF areas are subject to being overbuilt by other ISPs, who are being funded by ARAP or other grants (which has become more and more prevalent), should also have the same option.



March 6, 2023

VIA ELECTRONIC FILING

Marlene H. Dortch, Secretary
Federal Communications Commission
45 L Street, N.E.
Washington, DC 20554

**RE: *Ex Parte* Communication
Rural Digital Opportunity Fund Auction, AU Docket No. 20-34;
Rural Digital Opportunity Fund, WC Docket No. 19-126;
Connect America Fund, WC Docket No. 10-90**

Dear Ms. Dortch:

On Thursday, March 2, 2023, JJ McGrath of Texoma Communications, LLC dba TekWav, Matthew Carpenter of Innovative Financial Technologies, LLC dba AW Broadband, and Elizabeth Bowles of Aristotle Unified Communications, LLC (collectively, the "Participants") met with Wireline Competition Bureau staff, including Suzanne Yelen, Heidi Lankau, Audra Hale-Maddox, Nathan Eagan, Lauren Garry, and Katie King, to discuss challenges associated with the Rural Digital Opportunity Fund ("RDOF") Program.

The Participants, all rural internet service providers ("ISPs"), summarized some of the challenges each entity has faced since being announced as a winning bidder in the RDOF auction that have been compounded by the COVID-19 pandemic, resulting in significantly enhanced costs for materials and labor. Since the Participants filed their respective RDOF long-form applications, their RDOF deployment costs have increased from 30%-300%. At the time of the auction at the end of 2020, no one anticipated that inflation due to the pandemic would result in such dramatic cost increases across the board, not to mention extreme delays in equipment and materials delivery, some of which now take more than a year from order to receipt.

The Participants emphasized their intention to meet their respective RDOF buildout obligations but wanted Commission staff to be aware of these challenges.

Respectfully Submitted,

/s/ Elizabeth Bowles
President and CEO
Aristotle Unified Communications, LLC

/s/ JJ McGrath
President and CEO
Texoma Communications, LLC dba TekWav

/s/ Matthew Carpenter
President and CEO
AW Broadband

cc (via email):
Suzanne Yelen
Heidi Lankau
Audra Hale-Maddox
Nathan Eagan
Lauren Garry
Katie King