

RURAL

JANUARY-FEBRUARY 2015

The Magazine
of Rural Telco
Management

telecom

SPECIAL
PRODUCT
PREVIEW
PULLOUT

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FirstNet's TJ Kennedy: A Passion for Public Safety

By Christian Hamaker

TJ Kennedy has a long history with public safety, but it's the future of public safety that gives his work focus today. Kennedy, acting general manager of the First Responder Network Authority (FirstNet)—the group charged with establishing the first nationwide public-safety broadband network—combines the focused intensity of an emergency front-line first responder with the coordination skills of an Olympics organizer and the polish of a pitchman and seasoned advocate.

PHOTOGRAPHY BY SKIP BROWN

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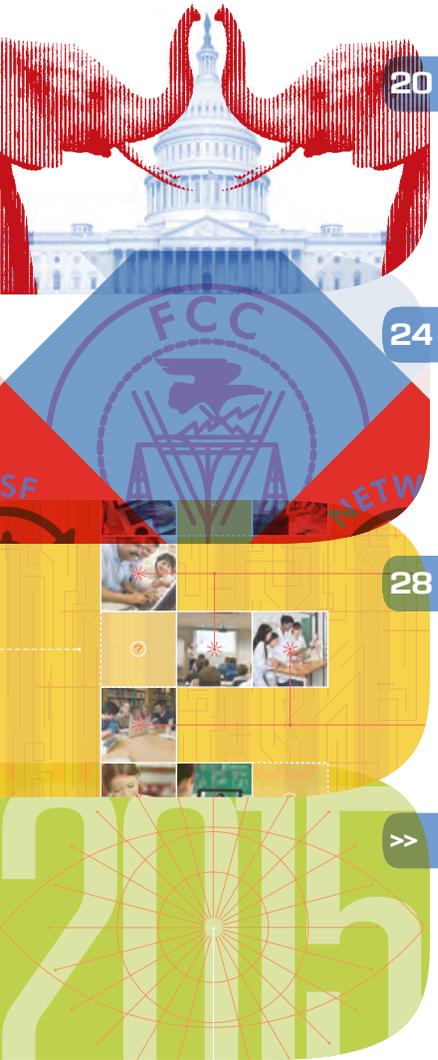
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NTCA represents nearly 900 small, rural, locally owned and operated telephone cooperatives and commercial companies in the United States and abroad, as well as state and regional telephone associations and companies that are the suppliers of products and services to the small and rural telephone industry. Our readers are the managers, directors, attorneys and key employees of these telephone companies as well as consultants, government officials and telecommunications experts.

Features



20 The GOP Senate Takeover and Telecom Policy

By David Hoover

With the Republicans in control of both the Senate and House after last year's elections, and with several longtime rural champions having lost their re-election bids, what are the prospects for rural telecom-friendly legislation in the new Congress? We look at the chances for progress on a number of key issues.

24 Regulatory Issues and Influence in 2015

By Tennille Shields

NTCA—The Rural Broadband Association continues to work to educate regulators about the concerns of the independent-telco industry. In 2015, the association plans to focus its efforts on video issues, USF reform, net neutrality, the IP evolution, rural call completion, wireless and cybersecurity.

28 The Challenge of a 21st Century E-Rate

By Masha Zager

E-Rate is being modernized for the 21st century. Find out what changes are in store for the program's funding and how money is distributed to rural institutions, and hear from NTCA members that are putting the funds to innovative use in their service territories.

>> Special Product Preview

Our special product preview highlights companies exhibiting at the Rural Telecom Industry Meeting & EXPO, March 8–11, in Phoenix, Ariz. Find out about the latest products and services that you can explore during the show, and keep the pullout guide as a resource for the rest of the year.

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Embracing the Social Side

Almost a year ago, we introduced a new feature in Rural Telecom called #RurallsSocial to highlight the many ways NTCA members are interacting with us, with one another, and certainly with their members of Congress and policymakers using social media. The idea was to bring the social interactions that happen in the digital world via tweets, Facebook updates and blog posts into the pages of the magazine to broaden their reach.



Although #RurallsSocial was my idea, I was reluctant to continue it if the social chatter among our members did not consistently unearth stories worth sharing more widely. In other words, I didn't know if we would have enough content to choose from to keep it going—and perhaps be forced instead to feature what little social updates we could find, instead of only the best.

Boy was I wrong! On so many occasions, NTCA members have blown us away with the positive contributions

you are making in your communities—and the many ways you are sharing those stories with your customers and lawmakers through social channels. In this issue, for example, we feature two updates about the Smart Rural Community initiative NTCA launched a few years ago. The first is a blog post written by staffers of the White House Rural Council on the heels of a very successful event co-hosted with NTCA in October. The second is perhaps the best selfie I've seen taken from inside a taxi (and that's saying a lot), submitted by a group of excited NTCA members on their way to the White House.

It brings me great joy to see our members embracing the social side of communication—online and now in print. With your help, we'll continue to share your stories and bring more attention to all you do.

Laura Withers
Director of Communications
lwithers@ntca.org

Notes in the New Year

Holidays in my household mean visits by out-of-town relatives, and that means house cleaning. As part of the cleaning this year, my wife encouraged me to purge old books and belongings taking up space on our overcrowded bookshelves, and she zeroed in on one of the bulkiest culprits: my college class notes.



I've always vowed to hang on to my class notes. Other than the books I was assigned to read in school, my notes are the only keepsakes I have of that period of my life. But bulging notebooks and three-ring binders sure look ugly.

From my own anecdotal evidence, this is a problem that most of today's students won't have to deal with. A recent visit to the school that provided my master's degree showed why: Nearly all of today's students take notes on their laptops rather than using pen and paper.

It's been that way for many years, the school's dean advised me, and the school has accommodated the trend, moving to a new location that, unlike the trailers in which I took most of my classes, is equipped with power strips near each desk where students can plug in their laptops to take notes and access the Internet.

My former school isn't the only institution that has

modernized its facilities. Rural schools and libraries have been doing the same thing for years, and, as Masha Zager's reports in her article, "The Challenge of a 21st Century E-Rate," the FCC is now updating E-Rate—the program that funds connectivity at rural schools and libraries—in an effort to keep those institutions competitive with student and educator demands.

Nevertheless, I still have an attachment to my paper-and-ink notes. Since college, I've owned multiple computers and hard drives, while my notes have remained on my shelf, within easy reach whenever I've needed them. Yet, when I mention this preference to today's college students, they look at me with pity. They love the portability and convenience of computer note-taking, and the advantages of the modern campus classroom, while I worry about the perilous quality of anything stored on a computer or in "the cloud."

On the bright side, today's students have one less reason to worry about future arguments with their spouses over shelf space.

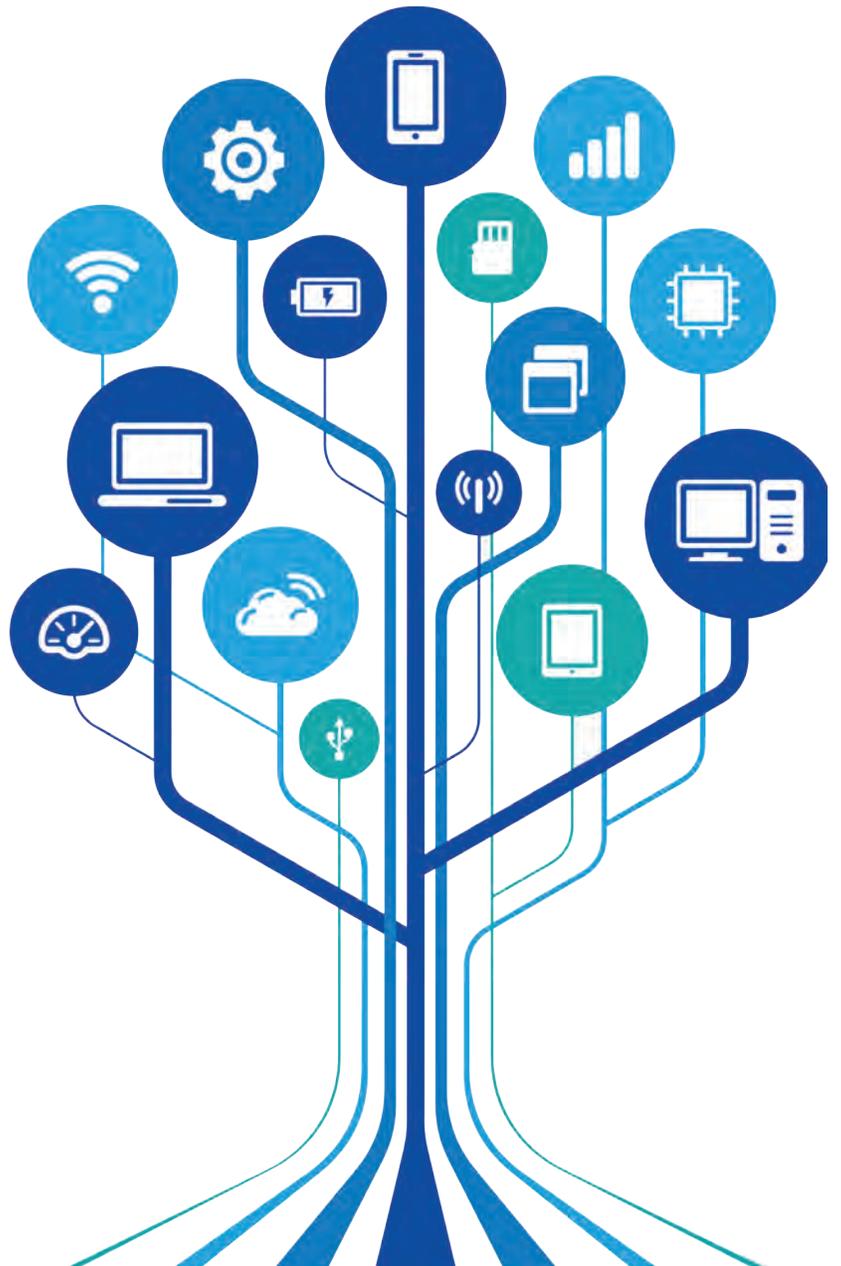
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NEED A MULTITASKER? HIRE A MUSICIAN

Today's workplace demands multitaskers, but psychologists say a better description of what's required is "task switching," or shifting between two types of mental tasks.

If you're looking to hire employees well suited to task switching, look to musicians. A group of York University psychologists has reported that musicians have "superior ability to maintain and manipulate competing information in memory, allowing for efficient global processing."

The researchers said that musicians' training "requires maintenance and manipulation of complex stimuli," which "may help them to develop superior control to respond efficiently to stimuli in an environment where both switching and nonswitching components exist."

►Source: psmag.com

Why One CEO Isn't Hiring Veterans

Rural America is home to many returning veterans, and calls to hire those veterans have grown louder in recent years. However, James O'Brien, president and chief executive officer of Artemis Global Logistics and Solutions, isn't biting. Of the thousands of resumes he receives each month from veterans, most are from unqualified applicants who need assistance in retooling their resumes—and their expectations.

Among the resumes O'Brien says he has received from veterans:

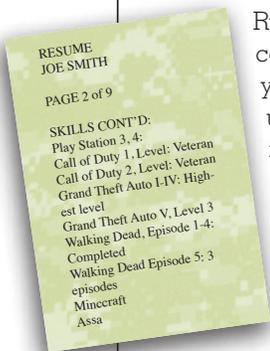
> One was nine pages long.

> One listed the applicant's technical expertise as "plays PlayStation 3."

> One requested a \$70,000 salary for a job that pays \$35,000 a year.

O'Brien said veterans' resumes are also "chock-a-block with catch phrases appropriate to all veterans: 'organized,' 'self-motivated,' 'driven,' 'attention to detail,' etc.," but he added that "taglines cannot replace skills."

►Source: LinkedIn.com



THOSE DARN DEVICES—Part 1

Shoulder Strain From Tablet Typing

The number of stories about computer-related ailments keeps growing. New research from Northern Illinois University says chronic shoulder problems could result from typing on tablet computers. The finger position required of tablet users—hovering above the virtual keyboard—can involve a type of muscle exertion that can accumulate over time and lead to problems.

►Source: wsj.com/wellness



THOSE DARN DEVICES—Part 2

Quantifying the Pain of 'Text Neck'

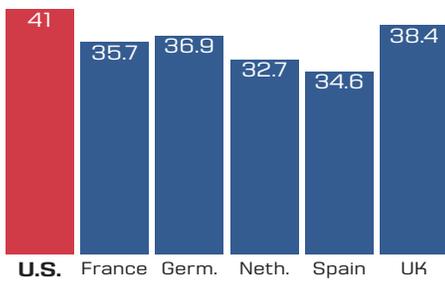
Forget about what texting might be doing to our brains: Think of what it's doing to our necks.

The journal *Surgical Technology International* reported that the force exerted on an adult human head looking at his phone is 60 pounds—the equivalent of an 8-year-old child, or four adult-sized bowling balls.

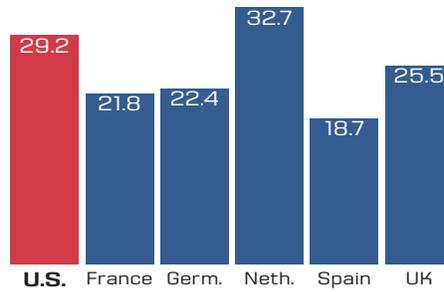
To avoid such strain, train yourself to stare straight ahead into your cellphone. Then you'll only have to worry about the effect of texts on our neural pathways and attention spans.

►Source: theatlantic.com

Average workweek hours



% of employees working weekends



21st Century Work/Life 'Balance' Tilts Toward Work

"IF YOU DON'T COME TO WORK ON SATURDAY, DON'T EVEN THINK ABOUT COMING TO WORK ON SUNDAY!"

That's the punchline of an old joke about hard-driving bosses and demanding workplaces, but increasingly, Americans are complying—although the reasons for our long hours aren't necessarily because weeknight and weekend work is required by employers.

Economists Daniel Hamermesh and Elena Stancanelli have shown that Americans are more likely than employees in other countries to work nights and weekends, but the researchers aren't sure why. "It might be a cultural issue," suggests Jordan Weissmann, who summarized the report. "It might be because we have fewer laws governing when people can and can't be on the clock. Though it feels unlikely, there might be a happy story here about enlightened American companies allowing their employees to use flexible schedules to accommodate their personal needs. Whatever the reason, Americans structure their workweeks differently than Europeans. We're night owls and weekend MS Office warriors—which, in the eyes of the rest of the world, probably looks pretty nuts."

►Source: slate.com

A New Word for

'RETIREMENT'

The literal definition of "retirement" is "to withdraw, to go away, to retreat." But for today's retirees—and tomorrow's—that's far from an accurate description of one's post-career years.

"If we were choosing a word today for what life looks like as we hit our mid-60s, 70s and 80s, it seems unlikely that we'd land on 'retirement,'" wrote Arianna Huffington. "Retirement is now mostly about change. And it may not look all that different from what immediately precedes it."

A productive, meaningful and purposeful retirement depends on what we put into it, Huffington wrote.

►Source: linkedin.com

Using Your Smartphone During a Meeting Is a Dumb Move

Smartphone use during meetings is increasingly common, but most co-workers frown upon the practice. That's the finding from researchers at USC's Marshall School of Business who surveyed 554 full-time working professionals earning at least \$30,000 at workplaces with more than 50 employees. They found:

- > 86% said answering phone calls during meetings is inappropriate.
- > 84% said writing texts or emails during meetings is inappropriate.
- > 66% said writing texts or emails during off-site lunches is inappropriate.
- > The more money people make, the greater their disapproval of smartphone use during meetings.

►Source: Inc.com



WHEN YOUR BOSS MAKES YOU SICK

Bad bosses can lead to bad health.

Harvard Medical School instructor Jonathan D. Quick said research shows that bad bosses can increase an employee's risk of heart attack, high blood pressure, anxiety and sleep disorders. The stress from working with a bad boss is also associated with smoking, drinking to excess and overeating.

A 2009 study showed that men who said they had good managers at work lowered by 20% or more their risk of developing heart disease compared with those who rated their managers as poor.

If you're unhappy with your boss, the best solution may be to change jobs sooner rather than later. "The longer you have worked at a workplace, the better or worse the situation becomes," said Anna Nyberg, lead author of the 2009 study. "So if you are working under a boss who stresses you in a destructive manner, and your possibilities or chances to change the situation are limited, you should try to change jobs as soon as possible."

►Source: washingtonpost.com



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@JeremyZollo

Thank you @whitehouse #rural council and @NTCAconnect for inviting @FirstNetGov to hear how broadband is being brought to rural America.



@SenatorFischer

Had a great meeting w/ @NTCAconnect today. Always glad to see Loren Duerksen of Diller Telephone Co. in Diller, Neb.



@ahahospitals

Today is National Rural Health Day—A reminder to advocate for the health of #rural America + protect rural #hospital services #RuralHealth



@dswolf

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@theboones

Great opportunity yesterday to share Iowa's only Smart Rural Community Award with @BusinessIOWA and @IADGIOWA. #ruraliscool @NTCAconnect



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Article from @TheAtlantic highlights the challenges of teaching the #STEM fields in rural America.

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Nurturing Telecom Advocates



Millions of Americans headed to the polls in November to cast their ballots in the 2014 midterm elections, leading to what is always an interesting and challenging time in Washington, D.C., as we say goodbye to some longtime allies and get ready to meet new players. While many political pundits love to analyze the election results at length and predict outcomes of future elections before they've even begun, I mostly use this time to get energized by the new faces heading to Capitol Hill and the opportunities for rural telecom advocacy that await us in the new Congress. No matter which side of the aisle you sit on, the election's results are a tremendous advocacy opportunity for NTCA—The Rural Broadband Association—a chance to solidify relationships with former allies and reach out to new partners.

The results brought about big changes for the 114th Congress as Republicans secured control of both the U.S. Senate and the House of Representatives. While I was sad to see the departure of rural champs Sens. Mark Begich (D-Alaska) and Mark Pryor (D-Ark.) and the retirements of Rep. Henry Waxman (D-Calif.) and Sen. Jay Rockefeller (D-W. Va.), the Republican takeover will lead to new leadership on committees with telecom jurisdiction that could be beneficial to rural telecom providers.

As new representatives head to Washington, D.C., for the first time and veterans settle back in, a long list of big-ticket items are on the docket this session. Chief among those is the politically charged net neutrality debate. Regulators and lawmakers alike are poised to see what action the FCC will take when it comes to its proposed framework to ensure an open Internet in light of President Barack Obama's proposal. Lawmakers are standing on both sides of the issue while NTCA has landed somewhere in the middle, proposing a hybrid approach to regulation. It's been a highly polarizing issue, and we are looking forward to a continuing conversation with both sides of the debate on how to achieve these important objectives while still promoting innovation and investment.

Another hot topic up for debate is the update to the Communications Act. Lawmakers spent 2014 doing a deep dive on everything from spectrum and competition policy to network interconnection and universal service. The House Energy and Commerce Committee put out several white papers, and NTCA, along with many other industry stakeholders, submitted comments allowing Congress to compile a rich record of

what is working in the legislation and what needs to get revamped. We encouraged lawmakers to make sure that any update supports the core principles of universal service, consumer protection and competition.

With a number of additional crucial issues on the table—like video legislation, the rate floor for voice services, call completion and FCC process reform—members of Congress have no easy job at hand. But these new leaders will bring a fresh perspective to the table that I think will be very invigorating. Over the years, we have seen bipartisan support for telecommunications issues. Representatives from both parties see both the economic and quality of life benefits of bringing broadband to rural America and ensuring that their constituents see the very real benefits of access to the global marketplace. Now is the time for NTCA members to do what they do best: Tell your stories and show these leaders—new and old—that you are also committed to making sure that every American has access to reliable, high-quality broadband services. ■

Shirley Bloomfield is chief executive officer of NTCA—The Rural Broadband Association. She can be reached at sbloomfield@ntca.org. You can also follow her blog at ntca.org/ceoblog.



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Reaching Out on Behalf of Rural America

Most telecom associations have two general approaches to advocacy: boots on the ground on Capitol Hill and knocking on doors at the FCC.

A few years ago, NTCA recognized that a third branch of advocacy was missing: third-party outreach. The inspiration for that third branch was based on the fact that the world of telecommunications touches just about every industry imaginable: agriculture, education, health care, public safety, utilities, government, economic development, small business and so on. Without a quality, affordable broadband connection, how could rural schools, hospitals, libraries, utilities, small businesses, farms and public safety officials possibly expect to keep up with an ever-evolving global market? If NTCA was going to fight for its members, it needed to build relationships with folks whose very existence in rural America depends upon quality, sustainable broadband. As members of rural communities, you probably already have relationships with local entities: from school board superintendents to the librarians. The more folks we can get talking about the importance of broadband to rural communities, both on a local and national level, the better.

The decisions that policymakers implement affect us all.

Today, Capitol Hill has a historically low number of members of Congress from rural America. The FCC hears from our advocates, but they are also hearing from larger associations with more extensive staffs and urban-centric interests. Rural advocates must rely on our grassroots initiatives to get ahead of the game and to make sure our voices are heard.

In 2012, NTCA coordinated a letter to the FCC on the potentially devastating impact of the commission's initial Connect America Fund (CAF) proposal. Fifteen rural-focused organizations ranging from the American Farm Bureau Federation to the Independent Community Bankers of America signed onto that letter. A year later, NTCA headed-up two additional letters to the FCC on CAF issues signed by 21 and 35 national organizations, respectively. These were groups that did not traditionally communicate with the FCC yet whose members depend upon quality, sustainable broadband connections in rural communities.

The fact that the FCC is now hearing from these well-known (yet traditionally quiet on the telecom front) organizations on rural telecom issues is making a big impact. If rural communities are going to push forward and thrive, we are all going to have to work together to make that happen. Communicating with the FCC and Capitol Hill collaboratively is one way of achieving this unified message. Another is by showcasing all of the incredibly innovative, forward-thinking, collaborative initiatives taking place in our rural communities.

NTCA encourages its members to "tell your stories." For some, this is a challenge. Not wanting to sound like you're "bragging" when talking about all you have accomplished is difficult. Through NTCA's Smart Rural Community (SRC) program, however, we've developed a way to share your stories in a manner that is less like bragging and more like pride—rural pride. Our 20 SRC award-ees and trailblazers have told incredible stories of how they have worked with their local libraries, hospitals, educational facilities, small businesses and so on to ensure their needs are being met. SRC effectively ties our third-party efforts with national organizations to the on-the-ground collaborative efforts of our members. SRC is an extremely effective way of communicating why rural is worth investing in to the FCC, to Capitol Hill and to all of the third parties that we work with.

Gone are the days when rural was seen as backward or stuck in the past. Moving forward, let's embrace all of the communities that are going above and beyond, investing in smart agriculture, distance education, telemedicine, telework and so on. Innovative, resourceful and forward-thinking—these should be the words used by policymakers to describe rural America. ■



Jessica Golden is strategic outreach manager at NTCA—The Rural Broadband Association. Contact her at jjgolden@ntca.org.

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FIRSTNET'S TJ KENNEDY

A Passion for Public Safety

BY CHRISTIAN HAMAKER

TJ Kennedy has a long history with public safety, but it's the future of public safety that gives his work focus today. Kennedy, acting general manager of the First Responder Network Authority (FirstNet)—the group charged with establishing the first nationwide public safety broadband network—combines the focused intensity of an emergency front-line first responder with the coordination skills of an Olympics organizer and the polish of a pitchman and seasoned advocate.

As the pieces of the new network come together, Kennedy is in the right place to ensure that FirstNet delivers on the promise of a dedicated network for first responders. The need for such a network became evident during the chaos that followed the terrorist

attacks of September 11, 2001, but it's continued to be seen in smaller-scale events that nevertheless have had major impacts on communications systems. Think of something like the East Coast earthquake from the summer of 2011 or the Northern California earthquake last year. Structural damage from those events was minimal, but several people were hospitalized and one died from earthquake-related injuries. What if the earthquake magnitude had been greater?

"What if that was a 6.0 or 7.0?" Kennedy asked. "It would've been a little different. Those kinds of incidents show where the need for that [nationwide public safety broadband network] would be."

From Volunteer to Pioneer

Kennedy recognizes a need for the national public safety network based on his many years of experience in the public safety arena, going as far back as his days as a police officer and firefighter in Utah. 



After time as an emergency medical technician, Kennedy advanced to become a paramedic, as well as a firefighter. He became a Utah state trooper after college.

Living in the intermountain West, Kennedy was able to continue to work part time as a firefighter and paramedic after he became a state trooper. His responsibilities grew again when, in 1996, Salt Lake City won the rights to host the Winter Olympics in 2002, and Kennedy became coordinator for Wasatch Back—a region in the Rocky Mountains that includes Park City and Summit and Wasatch Counties. As part of the Utah Olympic Public Safety Command, Kennedy was tasked with planning for all public safety operations in the region.

Each state or territory has designated a single point of contact for FirstNet queries. To find your state or territory representative, go to http://www.firstnet.gov/sites/default/files/SPOC_list_10162014.pdf.

“It was a great example of planning for an event you knew was going to last for 17 days, was going to bring in over 10,000 media and was going to have a large international presence,” Kennedy remembered.

His work began soon after the Centennial Olympic Park bombing

in Atlanta in 1996, leading to greater security scrutiny for the 2002 games in Salt Lake City. “It was a great way for me to really dive into all the communications technology, the public safety operations and the integration that’s needed between multiple layers of government to work well together on those kind of big events,” Kennedy said.

Kennedy leveraged his success working on the Salt Lake City Olympics to help SAIC with system integration of public safety systems at the Athens Olympics in 2004. After helping to build out 30 different systems that comprised the public safety infrastructure in Greece, Kennedy rose through the company’s ranks, helping to lead homeland security and public safety projects. His final role before joining FirstNet was as leader of Raytheon Co.’s public safety and security division.

A Call for a National Network

Although the bombing at Centennial Olympic Park unnerved the nation, nothing prepared the country for the trauma of the September 11, 2001, terrorist attacks in New York, Washington, D.C., and Pennsylvania. As part of the response to those events and the need for coordinated communications among local, state and federal authorities that day, the 9/11 Commission recommended the establishment of a nationwide public safety network. After a decade of work among public safety, politicians, and state and federal government officials, President Barack Obama signed the Middle Class Tax Relief and Job

From 4 to 100 ... and Counting

The launch of a nationwide public safety broadband network requires the involvement not only of state, local and government officials but of a rapidly expanding number of staffers at FirstNet itself to help with the organization’s many communication vehicles—chief among them, a website, www.firstnet.gov, to communicate with stakeholders.

“When I joined FirstNet there were four employees, and I was one of those four,” recalled FirstNet Acting General Manager TJ Kennedy. “Today we’re nearly 100. We’ve set up a website for communication with our stakeholders, and that website is updated daily. We put out blogs, we put out updated information on social media, we post our information for board meetings and other key data points on that website. It’s a great source of information for anybody who wants to learn more about FirstNet.”

Creation Act of 2012, which included provisions for funding and governing a nationwide public safety broadband network for first responders.

But who, exactly, counts as a first responder? And how important is the part that rural America will play in ensuring nationwide coverage for FirstNet?

“A first responder is police, fire and emergency medical services, but there are a lot of nuances to that,” Kennedy said. “Even in the act, you’ll see that it calls out two different definitions to help guide that. One is the Communications Act of 1934 and the second is the Homeland Security Act of 2002. There are some varying broad definitions in those meanings. We will continue to try to formalize that in a way that makes it digestible for everybody.”

As for Kennedy’s definition of a first responder, he said, “Those who respond day in and day out to emergency 911 incidents are the key targets, so we want to make sure they have the priority features that they need to operate.”

That applies no matter where in the country first responders must act. The legislation that initiated FirstNet spelled out different phases of rural deployment, along with milestones in the construction and deployment of the network. (See box, “Rural Coverage Milestones.”)

“Our goal is to meet those kind of key rural-coverage milestones as we build out this network,” Kennedy said. He also underlined how the act specifies that FirstNet must leverage commercial facilities and infrastructure to the “maximum extent economically desirable.” Kennedy fleshed out that terminology by noting that FirstNet is looking to partner with rural telcos and other commercial partners that can help speed deployment of the network in rural areas and “help make sure that the rural areas also benefit from public safety broadband.”

How Telcos Can Help

Independent telcos can be part of that process by working with key people in each state to make sure FirstNet knows where the telcos’ infrastructure is and how it can help support FirstNet. From there, telcos can partner with

FirstNet in ways that compensate them for use of their infrastructure and assets monetarily or through capacity sharing spectrum lease agreements.

“To cover great portions of the country, we want to make sure we do it in a very cost-effective manner,” Kennedy said. “Part of that cost effectiveness will be in leveraging relationships that help get the network built in a cost-effective way. If somebody already has infrastructure that could be leased to FirstNet at a lower cost so that we can deploy further, that would be a terrific thing. We want to leverage what’s out there. The ease of contracting is also something that would be important for us to be able to make that happen quickly. We really encourage rural telecom providers to bid on the network and to support that kind of key deployment as we go out across the country.”

As part of the legislation enacting FirstNet, the National Telecommunications & Information Administration’s State and Local Implementation Grant Program provided \$116.5 million in grants to 54 U.S. states and territories. This funding provides recipients with the resources to work with stakeholders throughout the state or territory to identify needs, gaps and priorities for public safety wireless broadband. This work will also help recipients prepare for consultation with FirstNet.

FirstNet is consulting with regional, state, tribal and local jurisdictions, as well as federal agencies, to ensure that the network meets the needs of their first responders. FirstNet started the formal consultation process in Maryland in July 2014. By December 2014, FirstNet had initiated nine consultation processes with states and territories, including Minnesota, Oregon, Washington, Montana and Puerto Rico. Kennedy is enthusiastic about future consultations in every state and territory; last December, FirstNet had tentatively scheduled the initiation of 11 more state and territory consultation processes by

April 2015. These iterative meetings will result in FirstNet’s development of 56 unique state deployment plans.

Last year FirstNet sent out checklists for completion to all 56 states and territories. As of last November, 33 of the 56 checklists FirstNet sent out had been returned. Due to the varying complexities in different states, FirstNet set no timeline for return of the checklists, which FirstNet has been addressing as they come in.

“We have a smaller staff and we’re doing all we can,” Kennedy said. “Right now it’s coming in in a fashion where we can address it. So we haven’t put any hard deadlines.”

At the same time, each state and territory’s governance, organization and size present separate challenges. “There are some states that have hundreds of counties, and there are some states that have three counties or less,” Kennedy said.

“Delaware’s a lot different than, say, Texas, as far as the complexity and the scope and the number of people that they’re communicating with. When you look at that, they’re each going to take a little bit of a different time to pull everybody together and to communicate.”

Watch T.J. Kennedy Talk With NTCA Chief Executive Officer Shirley Bloomfield at www.ntca.org/broadbandbeat.

Response to RFPs

Such communication applies to all parties interested in the new network—including, of course, rural telcos that face the prospect of having their networks overbuilt by FirstNet. As part of its road map, FirstNet initiated in September 2014 a public notice and comment process on its procedures, policies and statutory interpretations, and a request for information to develop a comprehensive network strategy. At press time, those responses were being used to refine FirstNet’s acquisition approach and to draft a comprehensive request for proposal (RFP).

“The key is for your organizations to look at the RFPs as they come out and to respond to those RFPs,” Kennedy said of NTCA—The Rural Broadband Association and its member telcos. “It’s the best way for us to know how they can help support FirstNet being built out. Our goal at the end of the day is to make police officers, firefighters and paramedics safer and more effective in their jobs because they have the tools to help keep them safe. We should never lose sight of that.”

Once the network is up and running, it will be a testament to Kennedy’s passion for public service, and to the telcos—both rural and urban—that helped make it a reality. ■

Christian Hamaker is editor of Rural Telecom. Contact him at chamaker@ntca.org.

Rural Coverage Milestones

The Middle Class Tax Relief and Job Creation Act of 2012—the legislation enabling FirstNet—includes the following stipulations about rural coverage:

“RURAL COVERAGE.—In carrying out the duties and responsibilities of this subsection, including issuing requests for proposals, the nationwide, interoperable public safety broadband network, consistent with the license granted under section 6201, shall require deployment phases with substantial rural coverage milestones as part of each phase of the construction and deployment of the network. To the maximum extent economically desirable, such proposals shall include partnerships with existing commercial mobile providers to utilize cost-effective opportunities to speed deployment in rural areas.”

Will a GOP Senate Takeover Spell Changes for Telecom Policy?

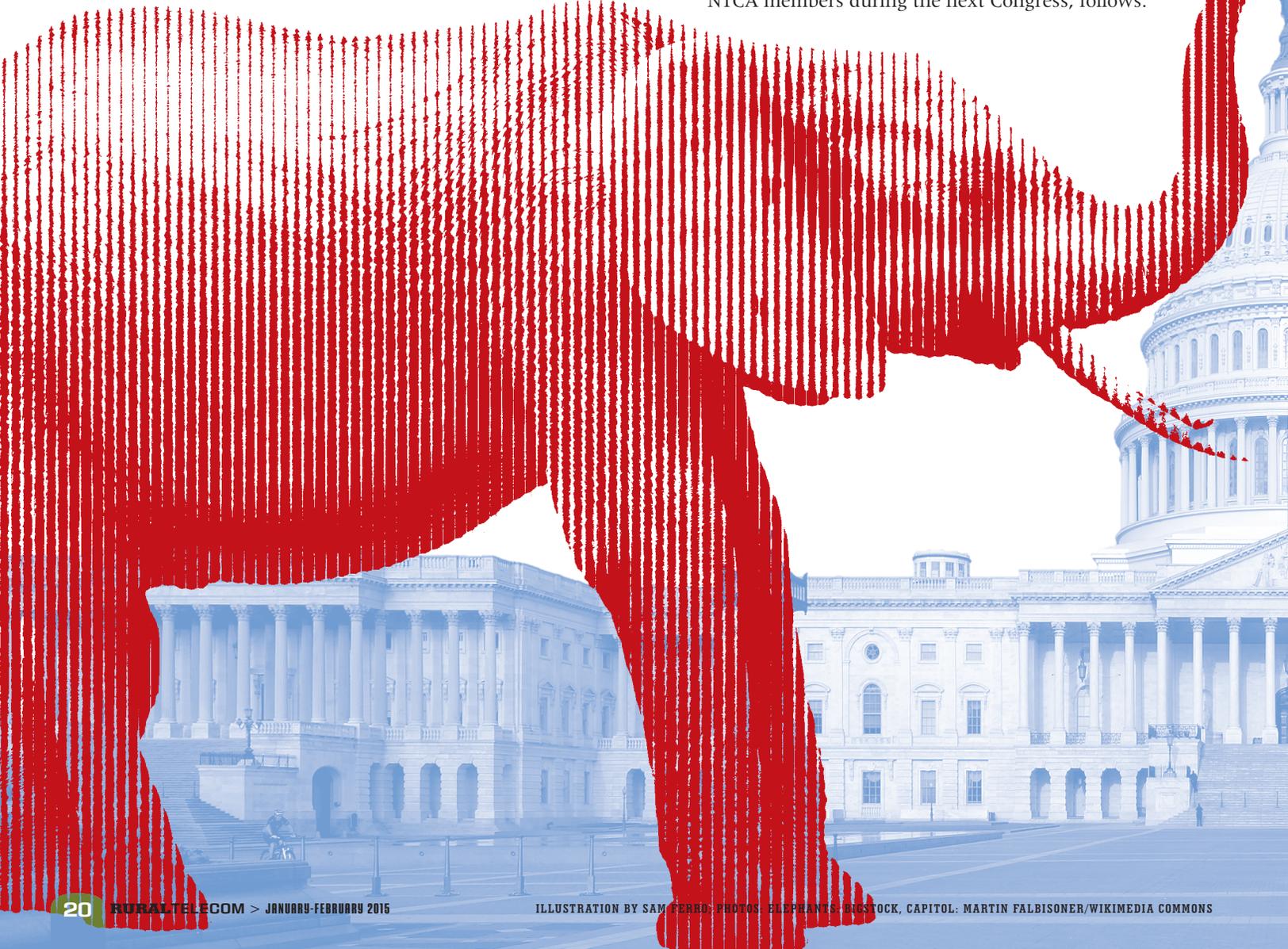
BY DAVID HOOVER

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LAST NOVEMBER'S MIDTERM ELECTION saw the Republican Party ride a wave of gains in both chambers of Congress that exceeded the expectations of most political analysts. Republicans expanded their majority in the House of Representatives to historic proportions, but fell short of their high-water mark of 270 seats in the 1928 election. In the Senate, Republicans gained nine seats previously held by Democrats to win control of the upper chamber.

With their control of Congress solidified, Republicans will need to show they can govern and pass some of their legislative priorities before the 2016 presidential campaign kicks into high gear.

What do these changes mean for telecom legislation, and for NTCA's efforts to ensure independent telcos receive the support they need? A breakdown of the changes in Congress and to key committees, as well as a discussion of the prospects for action on a number of issues important to NTCA members during the next Congress, follows.



Looking for New Industry Advocates

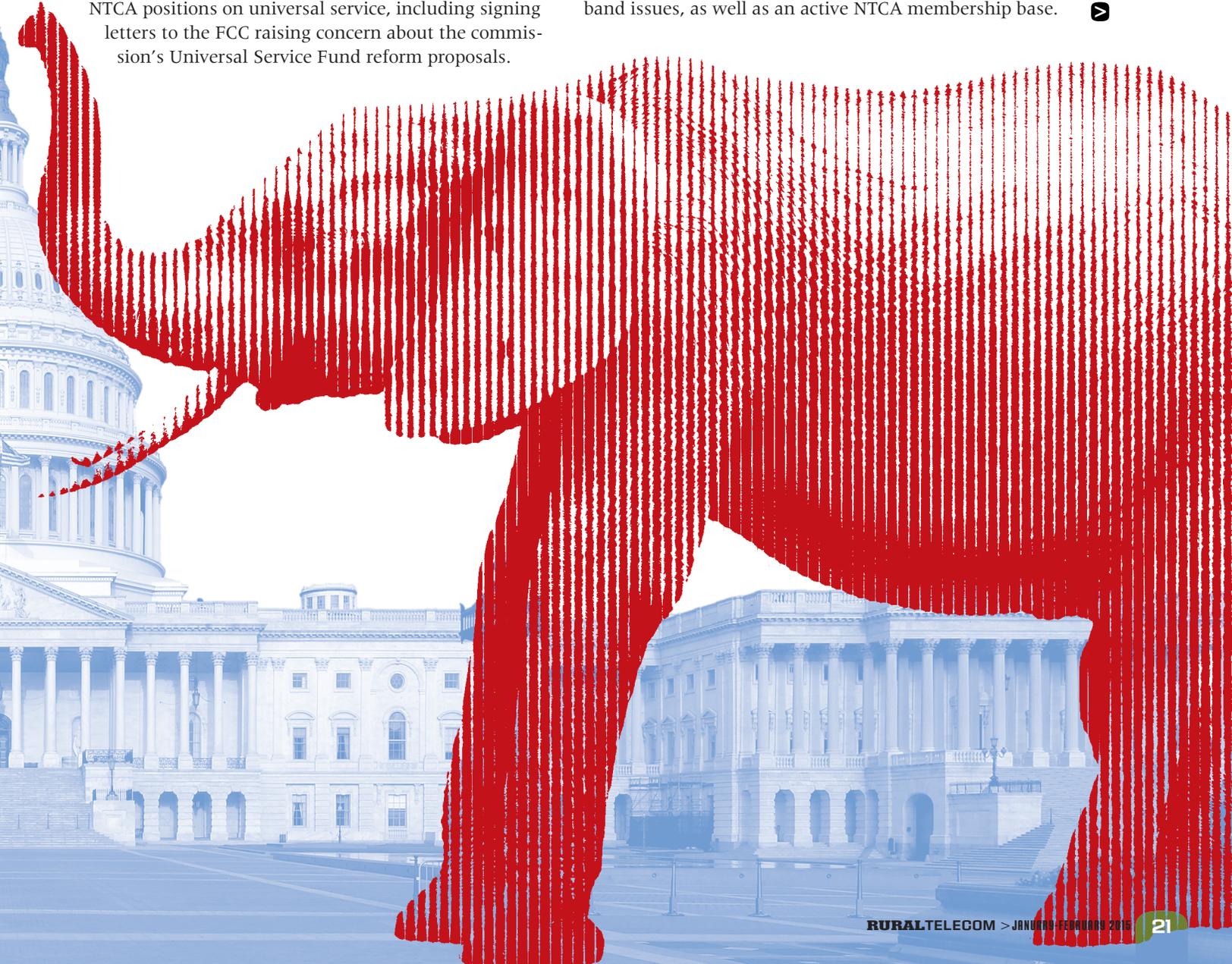
With control of both chambers, the Republican leadership could target a wide variety of policy issues for legislative action in the 114th Congress, the most important of which, for NTCA members, will be an update of the Telecommunications Act of 1996.

How will congressional leadership, senior lawmakers and newly elected members of Congress approach these issues, especially those related to telecommunications policy? The election and new Congress will bring many fresh faces to Washington, creating new opportunities to forge helpful relationships, while sending others, including some NTCA-The Rural Broadband Association allies, back home.

Sen. Mark Pryor (D-Ark.), former chairman of the Senate Commerce, Science and Transportation Subcommittee on Communications, Technology and the Internet, lost to freshman Rep. Tom Cotton. Cotton has been supportive of NTCA positions on universal service, including signing letters to the FCC raising concern about the commission's Universal Service Fund reform proposals.

South Dakota Gov. Mike Rounds, a Republican, was elected to the Senate and will succeed retiring Democratic Sen. Tim Johnson, who had been one of NTCA's most reliable supporters. Rounds wasn't as focused on telecom issues as governor, but he'll likely be helpful in the Senate since his colleague, John Thune (R-S.D.), will be the chairman of the Senate Commerce, Science & Transportation Committee.

In the race to fill retiring Sen. Tom Harkin's seat in Iowa, Rep. Bruce Braley (D) lost to state Sen. Joni Ernst (R). Braley, who served on the House Energy and Commerce Subcommittee on Communications and Technology, was an early supporter of the House Call Completion Resolution (H.R. 536) authored by Reps. Bob E. Latta (R-Ohio) and Peter F. Welch (D-Vt.). Though her platform didn't specifically mention telecommunications, Ernst hails from a state with a congressional delegation well-versed in rural broadband issues, as well as an active NTCA membership base.





“The original Communications Act was designed for an era of actual communications monopolies; the Telecom Act was designed for the transitional era that took us from monopoly to competition; and now, we need a new policy framework for today’s converged, competitive and Internet-powered world.”

—**Sen. John Thune**, Chairman of the Senate Commerce, Science and Transportation Committee

In Colorado, Rep. Cory Gardner (R)—a seasoned telecom policymaker—defeated Sen. Mark E. Udall (D). After his first election to Congress, Gardner immediately secured a spot on the House Energy and Commerce Committee and later joined the Communications and Technology Subcommittee. He led the highly successful rural local exchange carrier Connect America Fund letter in the House early last year and has been eager to meet NTCA members.

Alaska Attorney General Dan Sullivan (R) narrowly defeated Sen. Mark Begich (D) in a race that wasn’t decided until well after Election Day. Begich has been a tireless advocate on behalf of small rural providers, and he used his position on the Senate commerce committee to highlight many of the flaws in the FCC’s quantile regression analysis (QRA) and other universal service reform proposals. In his campaign platform, Sullivan listed infrastructure investment as a key issue facing rural Alaska.

In the House, Nebraska Democratic state Sen. Brad Ashford defeated Rep. Lee Terry (R), who served on the House Energy and Commerce Subcommittee on Communications and Technology and co-authored the Universal Service Reform Act of 2010 with former Rep. Rick Boucher (D) of Virginia. It’s unclear whether the newly elected Ashford will be as willing as Terry to advocate on behalf of rural telecom providers, especially since the district is a largely suburban area of Omaha.

#CommActUpdate

It has been a year since House Energy and Commerce Committee Chairman Fred Upton (R-Mich.) and Communications and Technology Subcommittee Chairman Greg Walden (R-Ore.) announced their intention to review and update the Communications Act. During that time, the committee has published five white papers, held numerous bipartisan staff briefings with industry representatives and invited several former FCC chairman to testify. Upton and Walden plan to hold additional hearings this year and to start drafting legislation. Incoming Senate Commerce Committee Chairman John Thune (R-S.D.) plans to follow his House colleagues’ example with his own review.

Attempts to update the country’s communications laws have been made since passage of the Telecommunications Act of 1996. Most recently, in 2010, lawmakers failed to overhaul the Act, but they succeeded in passing the 21st Century Communications and Video Accessibility Act and the Satellite Television Extension and Localism Act of 2010. In 2006, the House passed the COPE Act—a video franchise

reform bill—but similar legislation stalled in the Senate.

Whether lawmakers draft a comprehensive bill or focus on specific reforms depends on the overall policy issues driving the debate, as well as timing. Passage of the Telecommunications Act of 1996 occurred after several years of policy discussions and drafting, which were focused largely on local and long-distance telephone competition and media consolidation. Issues including the open Internet, video reform, privacy and cybersecurity may play a large role in an update of the Telecom Act.

As to timing, the Senate Commerce Committee already trails the House #CommAct Update efforts, but it will likely begin substantive policy discussions in early 2015.

Interconnection and the Open Internet

Telecom tends to be a bipartisan issue except for the contentious issue of network neutrality. Earlier attempts to update the Telecom Act failed largely over disagreements about the best approach to regulating Internet services. As the FCC considers its options in the open Internet proceeding, it risks running afoul again of the same legal concerns that led a federal court to strike down the last iteration of its open Internet rules, and Thune has said this risk of uncertainty may force Congress to legislate. Within this debate, NTCA has focused largely on the importance of interconnection. Specifically, it has advocated that all transmission across and exchange of data between any underlying networks that convey data between one point and others should be subject to Title II of the Communications Act of 1934. This ensures that the networks on which Internet data travel will be interconnected on reasonable terms and that the FCC can step in when those networks do not interconnect seamlessly.

Video Reform

Many NTCA members face an array of obstacles from video programming vendors, aggregators and broadcasters in their endeavors to secure and distribute video content to consumers. Members have faced unreasonable rates and terms when negotiating programming contracts or they have been subject to bundling arrangements that result in dramatically inflated consumer costs. In the last Congress, Rep. Steve J. Scalise (R-La.) reintroduced his Next Generation Television Marketplace Act; Rep. Anna G. Eshoo (D-Calif.) introduced the Video CHOICE Act; and Thune helped draft the Local Choice proposal. These proposals addressed some of the anticompetitive obstacles

faced by rural broadband providers. With both chambers of Congress showing interest in updating video laws, work on video reform is likely, and NTCA will play an active part in shaping any legislation.

Connect America Fund

Rural Americans deserve the same opportunity to have access to broadband services even if they have dropped their voice service. However, many are required to take “plain old telephone service” to obtain affordable broadband, since USF support for smaller rate-of-return providers is tied to actual provision of voice service under current rules. In the last Congress, more than 130 members of the U.S. Senate and House of Representatives sent a letter to FCC Chairman Wheeler and the FCC regarding the need to ensure that universal service support is available for standalone broadband service. NTCA plans to continue this advocacy outreach and continue to remind legislators that rural consumers require an immediate solution.

Cybersecurity

Privacy concerns have stalled two national security legislative initiatives on the Hill. Congressional inaction on cybersecurity led to a 2013 executive order that called for the National Institute of Standards and Technology (NIST) to produce a best practices framework that the FCC is now adapting for the communications sector with industry input. But, legislation remains necessary to produce incentives for the private sector to share threat information with the government. Congress last year was closer than ever to finishing the work with a House-passed bill (H.R. 624) that sponsors were prepared to harmonize with a Senate bill (S. 2588) that ultimately failed to see floor action. The initiative now falls to the 114th Congress, with completion possible if privacy advocates agree that consumer information will be sufficiently protected in the information-sharing process. Incentives to adopt the NIST framework and additional funding for technical assistance would also need congressional action, but thus far legislators have focused on threat information sharing.

Tax Reform and Health Care

Although tax reform is unlikely until after the 2016 presidential election, a Republican-controlled Senate makes hearings and draft legislation more

likely. NTCA will be an active participant in this reform effort, particularly to protect its sponsored benefit plans and plan participants. A major threat is that tax incentives that support employer-sponsored benefits are often targeted as potential revenue raisers primarily due to large “tax expenditures” resulting in forgone and deferred revenue to the U.S. Treasury. Taken together, the deferral from an individual’s income tax of contributions to retirement plans and the tax exclusion from employer-sponsored health insurance (the two largest tax expenditures in the federal budget) theoretically represent an estimate of as much as \$1.8 trillion over the next five years.

Similarly, incentivizing employers to maintain health coverage reduces the many individuals who would otherwise obtain coverage through the health insurance exchanges established by the Patient Protection and Affordable Care Act. In addition, as Congress continues efforts to strip away provisions of the health care law, NTCA will continue efforts to have certain provisions of the law repealed or modified. ■

David Hoover is NTCA's vice president of legislative affairs. Contact him at dhoover@ntca.org.



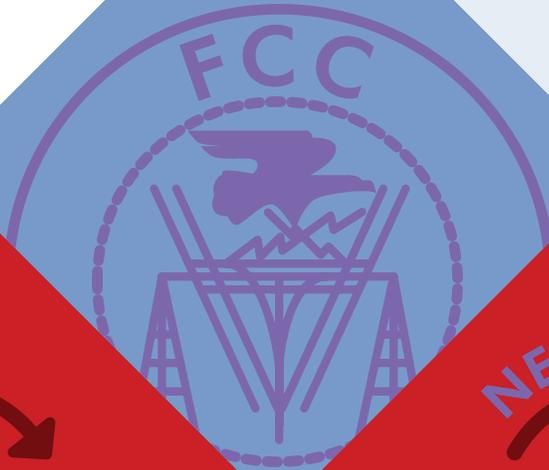
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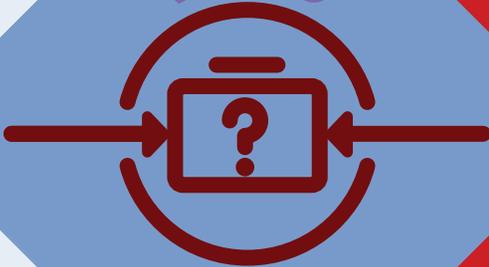
USF
REFORM

A circular icon containing a large dollar sign (\$) with the letters "USF" above it and "REFORM" below it. Two curved arrows form a circle around the dollar sign, indicating a cycle or process.

NETWORK
NEUTRALITY

A circular icon containing two horizontal bars, with the word "NETWORK" above and "NEUTRALITY" below. The word "WWW" appears on both sides of the bars.

VIDEO



REGULATORY ISSUES AND INFLUENCE

RURAL CALL



WIRELESS



CYBERSECURITY



BY TENNILLE SHIELDS

The ringing-in of the new year will find NTCA—The Rural Broadband Association engaged on finding solutions to some of the rural telecom industry's most pressing policy issues. Unresolved hot topics such as ongoing Universal Service Fund (USF) reform, the IP evolution, network neutrality, rural call completion and video issues will be the primary focal points, among other items, for the association's 2015 regulatory agenda.

USF Reform

In the three years since the FCC released its USF reform order, NTCA has filed thousands of pages of comments, submitted more than 200 *ex parte* letters, and held numerous meetings focused on this critical issue with Congress and several federal agencies.

Creating regulatory certainty for rural, rate-of-return carriers and building a broadband future for rural America through targeted and tailored reforms are the cornerstones of the association's policy efforts and will remain its guideposts in 2015. While NTCA has maintained its leadership role in these reform debates, it also continues to work with rural-focused, third-party groups to facilitate a "surround sound" effect. Progress in 2014 reflects some of the association's steadfast advocacy.

For example, the commission eliminated the quantile regression analysis caps that arbitrarily limited universal service support levels for some rural communications carriers. The agency also reinstated the safety-net additive support for certain carriers that lost it as a flash-cut for qualifying network investments, and the commission began the process of considering a CAF for rate-of-return carriers serving rural areas.

Throughout the year, NTCA members and staff pressed for adoption of a USF mechanism that would shift funding away from legacy USF over time and allow customers to determine the services—voice and/or broadband—they wish to purchase at an affordable price. In two separate letters, nearly 140 members of Congress and 30 rural-focused groups, respectively, supported the association's position and sent letters to the FCC urging the agency to implement such "standalone broadband" support.

Though the FCC failed to implement such a mechanism in 2014, as Rural Telecom was going to press, the commission took an important step forward by adopting an order that moves forward with efforts to implement Phase II of Connect America Fund (CAF) support in areas served by price cap-regulated carriers. With this latest action, the association anticipates that the agency will be able to devote more time this year to updating universal service support mechanisms for areas served by NTCA's membership, and that the agency will need to seriously consider NTCA's proposals as the only workable alternative for such reform on the record.

IP Evolution

NTCA continues to work with other stakeholders to ensure that any transition to "an all-IP world" does not result in wholesale changes to—or undermine—"rules of the road" that have governed network interconnection and quality routing of voice and other critical data. In particular, NTCA has proactively reached out to industry groups and the public-interest sector to stress the essential role that reasonable interconnection terms play in preserving and advancing universal service in areas served by smaller carriers.

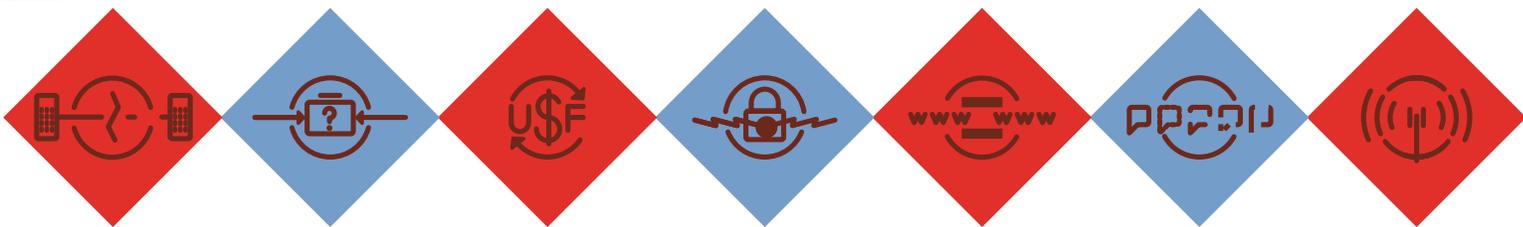
In January 2014, the FCC announced plans to conduct several sets of trials and experiments in connection with the ongoing network transition to IP-based technologies, as well as rural broadband experiments. Shortly thereafter, two "IP trial" proposals were filed, along with nearly 1,000 initial expressions of interests from a range of service providers, including NTCA members, local government entities, wireless ISPs and electric cooperatives.

The agency thereafter adopted a report, order and further notice of proposed rulemaking in July that set a framework for the rural broadband experiments and implemented a \$100 million budget funded by unused CAF support.

While NTCA encouraged members to consider participating as competitive carriers in the rural broadband experiments where that made business sense, it also urged caution that participation in the experiments could set precedent regarding the use of reverse auctions in high-cost USF distributions.

On November 12, the FCC announced that 181 applications were filed to participate in the rural broadband experiments. The agency announced on December 5 the provisional rural broadband winners. Early reports indicated that four NTCA members won in Category 1 (100 Mbps downstream/25 Mbps upstream), two won in Category 2 (10 Mbps downstream/1 Mbps upstream) and three NTCA members won in Category 3 (10 Mbps downstream/1 Mbps upstream). The experiments are expected to get underway later this spring.





Network Neutrality

When the U.S. Circuit Court of Appeals for the District of Columbia struck down portions of the FCC's 2010 open Internet rules last year, a firestorm of public comment and speculation ensued. The court ruled that the commission did not have authority to regulate ISPs when it implemented antblocking and antidiscrimination measures as part of network neutrality policies.

The case generated an unprecedented level of interest from consumers and a wide range of industry groups. The commission's request for public comment crashed the agency's server, as the commission reportedly received more than 3.5 million comments.

NTCA filed comments and reply comments in this case, arguing for a "middle ground" on net neutrality issues. The association proposed a hybrid approach that would combine limited and targeted use of regulation under Title II of the Communications Act of 1934, as amended, for all networks involved in the transport and transmission of data, paired with reliance on Section 706 to apply a reciprocal no-blocking rule to retail broadband Internet access services and to maintain existing transparency and disclosure requirements.

In early November 2014, President Barack Obama weighed in on the topic, recommending that the FCC reclassify consumer broadband service under Title II, while at the same time forbearing from rate regulation and other provisions less relevant to broadband services.

NTCA has long argued against imposing regulations where they are not needed or where they could stymie innovation or investment. But at the same time, the association strongly supports reasonable "rules of the road" to ensure the effective functioning of communications markets and to serve core principles of universal service, competition, and consumer protection. This year the association will continue to press for its hybrid approach. The time frame for voting on any rules is unclear, but will likely happen sometime early this year.

Rural Call Completion

Rural call completion issues continue to plague rural communities across the country, and though some progress was made in 2014 to resolve issues through additional reporting and data retention requirements, the problem persists. Consumers have expressed concern regarding their inability to check on the welfare of their loved ones, while small businesses have experienced a decline in business because of calls not getting through.

NTCA has confronted the problem by conducting a nearly three-year campaign, which appeared to culminate in the

FCC passing a rural call completion order in November 2013 and the introduction of legislation by Sen. Tim Johnson (D-S.D.) in 2014 aimed at putting an end to the epidemic. The FCC order adopted call completion reporting and data retention requirements, while the legislative measure seeks to introduce registration and quality standards for least-cost routers—the root cause of the problem.

Almost exactly one year after the FCC order was introduced—following numerous delays related to an ongoing review by the Office of Management and Budget (OMB)—the commission released an order on reconsideration intended to enable implementation of the new record-keeping, retention and reporting requirements. Once the rules are approved by OMB, the agency will be able to collect data from providers in order to identify the causes of rural call incompleteness and to take enforcement action.

While work at the agency is ongoing, the association also continues to coordinate with members of Congress to build support for a possible legislative solution.

Video

Just as rural consumers are demanding more and more video, the price of offering said service is escalating. Rural telcos can obtain the programming, but the difficulty lies in identifying alternative methods to lower costs and diversify revenues.

In August, NTCA filed a petition to deny the proposed acquisition of Time Warner by Comcast, noting that the merged company would have significant control over the market and would discriminate against nonaffiliated providers such as NTCA member companies, allow the company to negotiate unfair agreements and force carriage of undesired programming.

In December, NTCA joined with a diverse range of public interest groups and infrastructure providers to form a "Stop Mega-Comcast Coalition" to oppose the merger and its potential effects on rural consumers.

NTCA will continue to press for reforms to ensure that small video providers are better able to compete and respond to consumer demands in the video marketplace.

Wireless

Ensuring that small rural companies have a meaningful opportunity to obtain and use spectrum has been at the forefront of NTCA's policy agenda. Most recently, the association focused on the AWS-3 and 600 MHz spectrum auctions.

In 2014, the association successfully convinced the commission to narrow the "formal defaulter rule" for the AWS-3 auction and to obtain a partial economic area-based map for the 600 MHz auction to maximize the number of chances for NTCA members to participate.

Of the 70 qualified bidders in the late 2014 AWS-3 auction, 32 were NTCA members, either on their own or as part of a group or partnership.

Separately, the association has worked with wireless providers and associations to obtain more favorable wholesale roaming agreements for members, and is hopeful for progress on this front in the near future. NTCA will continue to advocate for rule changes and clarifications that would ensure timely and reasonable rates, terms and conditions.

Cybersecurity

Progress continues toward fulfilling presidential Executive Order 12636, which tasked the National Institute of Standards and Technology (NIST) with developing a technology-neutral, voluntary Cybersecurity Framework to help owners and operators of critical infrastructure to identify, assess and manage cyber risk.

NIST released its first version of the Framework for Improving Critical Infrastructure last February, and the FCC's Communications Security, Reliability and Interoperability Council (CSRIC) convened the Working Group IV to apply the NIST cybersecurity framework to the communications industry. Two NTCA representatives were appointed to the working group.

Separately, the association is spearheading a subgroup that is developing guidance for cybersecurity best practices for small- and mid-size companies. NTCA also serves on several public-private industry councils and participates on several cross-sector working groups focused on keeping adoption of the NIST framework voluntary and raising awareness of cybersecurity best practices.

Efforts to pass an information-sharing bill stalled in the 113th Congress. NTCA will remain engaged on this issue to ensure that adoption of the cybersecurity remains voluntary and consistent with the executive order's intended purpose.

Moving Forward

Looking ahead, there'll be no shortage of regulatory issues to tackle in the coming year. One thing is certain: On a foundation of sustained step-by-step guidance from members and key committees, NTCA

will continue to make progress on its goal of promoting policies that ensure the advancement and sustainability of communications services in rural America.

Tennille Shields is senior writer/editor at NTCA. Contact her at tshields@ntca.org.

"It made sense to have CoBank as our financial partner. Since they're a cooperative, they understand our business and our needs."

Bill Squires, Chief Executive Officer, Blackfoot Telecommunications Group



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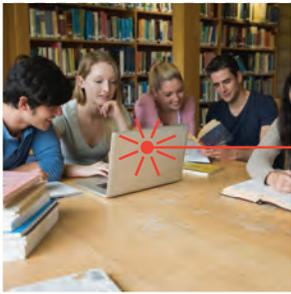
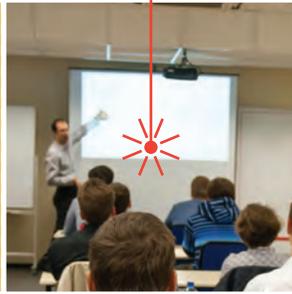
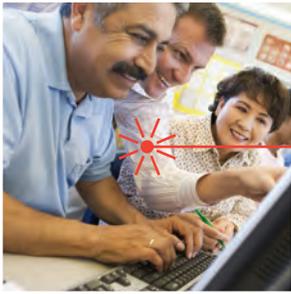
THE CHALLENGE of a 21ST CENTURY E-RATE

BY MASHA ZAGER

SINCE ITS INCEPTION IN 1997, E-RATE, FORMALLY KNOWN AS THE SCHOOLS AND LIBRARIES PROGRAM OF THE UNIVERSAL SERVICE FUND, has been one of the most popular programs for funding telecommunications. Governed by the FCC and administered by Universal Service Administrative Co., it funds connectivity for schools and libraries at rates based on local poverty levels and urban/rural status.

With the help of E-Rate, most U.S. schools and libraries now have Internet access, which enhances the educational services that schools and libraries can provide and supports those institutions' administrative functions. Indeed, rural telecom companies responding to last year's "NTCA Schools and Library Survey" said they were deploying some form of broadband services to 96% of K-12 schools in their service areas and 98% of public libraries.





Not Perfect

As useful as E-Rate has been, it's far from perfect. The program had flaws from the outset, and it has failed to keep up with the rapidly changing telecom world. Over the last several years, the FCC has tried to address some of E-Rate's problems. It issued a modernization order in July 2014 that failed to increase overall E-Rate funding. However, last November, FCC Chairman Tom Wheeler proposed a 62% increase in E-Rate funding, increasing the fund cap to \$3.9 billion. Wheeler had set ambitious connectivity targets (100 Mbps per 1,000 students in the short run) and, in a recent speech, he addressed the need to close the gap for rural schools and libraries and to tackle the affordability challenge—goals that will be difficult to meet without additional funding. At its December open meeting, the commission approved the increase. On the whole, observers are positive about the direction of these changes but agree that still more changes are needed.

In the meantime, the commission has designated \$2 billion for internal networking over the next two years, funded through "improved financial management practices that free up excess reserves"—in other words, rolling over accumulated funds that were awarded but never spent. In the out years, the agency hopes to increase money for internal networking by phasing out obsolete services and by making the overall program more efficient.

According to the FCC, this will "potentially provide a 75% increase in Wi-Fi funding for rural schools over the next five years and a 60% increase for urban schools." However, the out year projections are somewhat vague, or as Jeffrey Mitchell, an attorney with the Washington law firm of Lukas, Nace, Gutierrez & Sachs, LLP (McLean, Va.), put it, "There was a little bit of finesse on that issue."

The major complaints about E-Rate have concerned the amount of funding available and the program's complexities and rigidities. Total E-Rate funding was capped at \$2.25 billion for most of the program's existence, though it rose to \$2.4 billion after being indexed to inflation a few years ago. According to statistics compiled by the consulting firm Funds for Learning, funding requests have exceeded the cap in every year since 1998. In some years, requests have been more than double the amount available. What's more, the funds are fixed by formula and, for some remote rural schools and libraries, broadband construction costs are so high that even the discounted rates are unaffordable.

As a result, many schools and libraries, though connected to the Internet, are still using T-1 lines, which, at 1.5 Mbps, cannot support the services that students and patrons need. In addition, virtually no funding has been available for Priority 2 requests (internal networking) for several years, at a time when schools and libraries need to install and upgrade Wi-Fi networks to support mobile devices and self-directed learning.

Also of concern is the program's definition of "rural," which NTCA and other rural stakeholders late last year argued should allow schools and libraries in urban clusters with populations below 25,000 to be considered rural for the purposes of the program.

'Absolutely Ecstatic'

Rural telcos have always played major roles in connecting schools and libraries, both inside and beyond their own service areas. Although E-Rate funds are supposed to be awarded on a competitive basis, there is rarely competition for them; in fact, some school districts complain that no one responds to their requests for proposals. For example, Palmetto Rural Telephone Cooperative (PRTC; Walterboro, S.C.), was approached in 2013 by the school district of a neighboring county that could not find a local provider to connect its four schools with fiber. PRTC, which had already connected all the schools in its own incumbent local exchange carrier area, as well as a library in its competitive local exchange carrier area, was willing to build out the additional 15 to 20 miles to reach the four schools, and it received aid to help make the business case. Now the school district is "absolutely ecstatic," said Jason Dandridge, PRTC's chief executive officer.

Some rural telcos, in addition to responding to requests for connectivity, take proactive roles in helping their local school districts and libraries get connected. One of these is Pioneer Telephone Cooperative (PTCI; Kingfisher, Okla.), which has been involved in rural education for more than 20 years, well before E-Rate began. "Our board management team knew that schools were the lifeblood of the communities," explained Richard Ruhl, PTCI's general manager.

In the 1990s, using DS3, PTCI enabled videoconferencing services for K–12 schools and colleges, and it continued to expand and upgrade the technology over the years. PTCI now serves several hundred schools and libraries, most with 100 Mbps access, and it is currently bidding on a project to connect 20 schools with a 10 Gbps wide area network. Today, high school students in PTCI's service area enroll concurrently in community colleges or four-year colleges and attend classes using live video feed and the interactive Blackboard application; in the evenings, adults take college classes from their local high school classrooms. Libraries tie into the statewide library network and offer patrons much greater bandwidth than they could in the past—a great boon to students who can't afford broadband Internet at home.

PTCI staff dedicated to E-Rate conducted workshops and trainings for schools and libraries in the company's service area and beyond, helping recipients file the voluminous paperwork and documentation that the E-Rate program requires; figure out how to make the best use of their connectivity; and even offer assistance with the program's complex accounting. For small schools without dedicated IT staff, PTCI offers managed network services.



A PRTC construction crew installs fiber optic cable at E.B. Ellington Elementary School in Ravenel, S.C.



PRTC crews bury fiber along Highway 17 in Ravenel, S.C.

Cost Controversy

The allocation of funds for internal networking was also somewhat controversial. As Marijke Visser, associate director of the American Library Association Office for Information Technology Policy, explained, the new E-Rate order adopted a budgeting system for the first time. Previously, schools and libraries could request any amount of money for which they could demonstrate a need. In the new order, to spread internal networking funds more broadly, the commission set budgets based on square footage for libraries and on the number of students for schools.

Wi-Fi costs are, in general, related to the amount of space covered and to the number of users, so the budget formulas are not unreasonable. However, a minimum cost is required just to set up a system. For this reason, the American Library Association, along with others, argued that the formula should include a “floor” for small schools and libraries; in the final rule, a floor was included, and it will be re-examined after two years.

However, whether the floor was set at the right level remains uncertain until rural schools and libraries actually try to use the budgetary formula.

Because the program’s complexity was so burdensome, especially for small school districts and libraries, the new E-Rate order attempts to streamline both the application process and program administration. Visser expressed optimism about these changes also, saying, “It’s still all new, but we think the process will improve the ability for small libraries to take advantage of the funding. They’ve let go of some of the requirements around technology planning, which was a barrier for smaller libraries. And they’ve tried to encourage (not require) consortia between and among schools and libraries to lower costs. They’ve made it easier to participate in a consortium and gain economies of scale.”

The FCC’s new focus on adding internal networking (mostly Wi-Fi) to schools and libraries, coupled with the schools’ and libraries’ lack of networking expertise, may



PRTC technicians install fiber inside Baptist Hill High School in Hollywood, S.C.

offer rural telcos opportunities to develop new customer relationships based on managed internal broadband services.

“A vendor could come in, bring Wi-Fi connectivity,

and extend the network all the way to the student’s device, so that the school doesn’t have to worry about anything,” said John Harrington, chief executive officer of Funds for Learning. “For rural telcos, this represents a good opportunity to meet a significant need and provide service complementary to what they’re providing now. ... With hundreds of devices connecting to their networks, [the schools] will have to have a strong technical background to design, configure and maintain these networks. Schools have some technical staff, but not this capacity or experience.”

He continued, “For the telcos, it’s a way to connect with the community in a completely different way. It’s a way for them to reconnect to the community, doing so through the schools. It’s a perfect fit.”

Masha Zager is a freelance writer. Contact her at mashazager@bridgewriter.com.

BY CHRIS SKIDMORE

Industrywide Survey Reveals Rural Telecom Trends



If history is any indication of the future and if the trends reflected in the “2014 Telergee Benchmarking Study” continue, it is likely that the independent telco industry in the coming years will see an increase in plant

investment activity, increased diversification, narrowing margins and increased employee turnover. The comprehensive study for the rural telecom industry calculates nationwide benchmarks, primarily related to financial performance, and includes information about management practices, and current and planned service offerings. More than 200 companies participated in the 2014 study. The information in the study provides valuable benchmarking information but also shows industrywide trends and patterns.

Results confirm that companies are increasing their efforts to diversify their services and reduce their reliance on traditional wireline revenues.

Diversification, Margins and Growth

Although the trends seemed to slow in the latest report, results from the annual study’s five-year history confirm that companies are increasing their efforts to diversify their services and reduce their reliance on traditional wireline revenues. Wireline revenues comprised just under 70% of total operating revenues for the median company in 2013, up slightly from the results of the 2012 Telergee study, but down nearly 5% from the results three years ago. While part of this trend is driven by the overall reduction in wireline revenues during the past two years—1% and 2.5% decreases in 2013 and 2012, respectively—it is mostly explained by an increase in other nonregulated revenues, specifically video (5.2% and 7.9% in 2013 and 2012, respectively) and Internet (3.7% and 5.5% in 2013 and 2012, respectively).

These reductions and increases are more pronounced among the larger companies in the study, and significantly less so among the smaller companies. Although wireline margins have steadily decreased over the past seven years (11.7% in 2007, 6.1% in 2013), those margins remain nearly double the margins of nonregulated services. Consequently, as companies shift more of their operations to nonregulated services, they move from

more profitable services to less profitable services. This trend seems likely to continue in the foreseeable future.

Debt and Investment

The past two years have shown significantly less investment throughout all subsets of survey participants, especially for companies between 4,000 and 9,500 lines, but less so for companies exceeding 9,500 lines. Overall the median amount spent on plant additions in each of the past two years was down more than 20% from previous years. This drop exceeds 40% for companies between 4,000 and 9,500 lines.

Whereas companies do not appear to be investing in their respective networks, there are three statistics in the study that support the assertion that companies are electing to reduce their debt burdens:

1. Financed debt to total assets (26.5%, down from 30.8% in 2010).
2. Interest expense as a percentage of total revenues (2.2%, down from 3% in 2010).
3. Change in interest expense (decreased 7.1% from 2012 to 2013 and 7% from 2011 to 2012).

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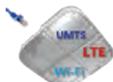
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All of this is consistent with paying off debt according to a typical amortization schedule. While it was not uncommon to hear company leaders express concern about investment immediately after the release of the FCC reforms that took effect July 1, 2012—and although more reform is likely on the horizon—the industry has had sufficient time to digest the impacts of these regulatory changes, and as such, plant investment activity should increase in the coming years.

Personnel

The study includes various metrics that measure staffing levels, turnover (hiring and terminations) and other employee productivity measurements. The past five years have seen very little activity for the majority of the companies in employee terminations. Additionally, there has been very little hiring during the same period. However, within some subsets of the study where there have been terminations, the hiring figures are

down. In other words, it does not appear that departing employees are being replaced, but rather remaining employees are being repurposed to absorb the vacated responsibilities.

Payroll expense growth has decreased from over 5% in 2008 to nearly 1% in 2013, with a few 0% years in between. Payroll expense as a percentage of total company expenses continues to hover around 20%, as it has for the past several years. Because there hasn't been much in the way of retirements in the past few years, as the bulk of the baby boomer generation reached the age of retirement, it is reasonable to expect that employee terminations (mostly through retirement) will increase in the coming years. ■

The Telergee Alliance is a network of seven CPA firms that employ specialists in telephone utilities.

Chris Skidmore is senior manager at Moss Adams. Contact him at chris.skidmore@mossadams.com.

Broadband Beat

with Shirley Bloomfield

Tune in to the latest policy news as NTCA Chief Executive Officer Shirley Bloomfield discusses hot topics with industry leaders and lawmakers who are working to drive the rural broadband industry forward.



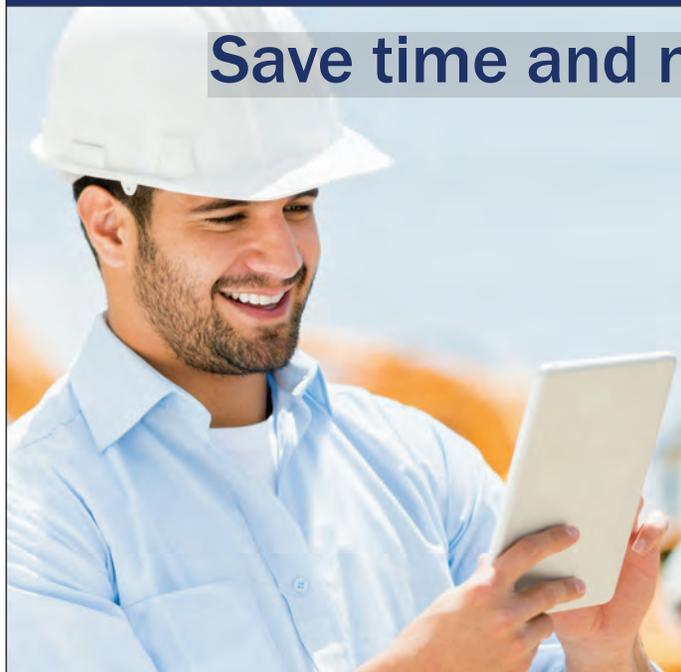
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EXCHANGE

JANUARY-FEBRUARY 2015



PWRTC: Shining a Light on Broadband Business Strategy

By Ashlee Siegle, Lightstream Director of Marketing & Sales

The staff at Pulaski-White Rural Telephone Cooperative (PWRTC; Buffalo, Ind.) might be small, but the team's broadband expectations for northern Indiana are anything but.

"We've always believed the residents of our rural region deserve access to the same top-quality communication and entertainment services as those enjoyed in the bigger cities," said PWRTC President and Chief Executive Officer Mark A. Dickerson. "The challenge, of course, for a rural provider like us comes in the pricing—how to build out and deliver fiber services affordably."

So the PWRTC executive team developed a multiyear, multifaceted approach to expand the company's reach beyond its original borders to deliver more services to more people. The plan included an acquisition, a rebranding initiative and a significant fiber buildout.

Acquisition: Fast-Tracking to a Video-Voice-Internet Triple Play

"We knew from watching larger markets that the ability to offer a triple-play bundle of voice, video and Internet would be key to long-term success," said Dickerson. "We needed to add entertainment to our service mix and the efficiencies gained by integrating the already well-established services of a long-time cable provider in the neighboring town made good business sense."

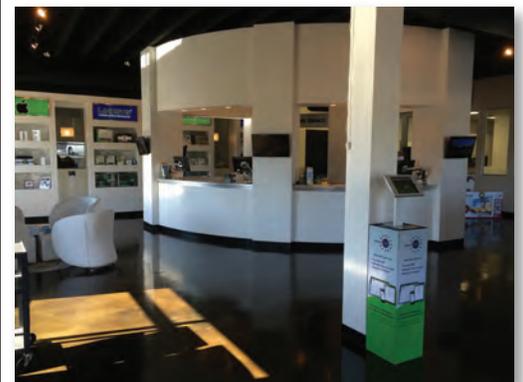
Throughout the acquisition period in summer 2014, PWRTC worked closely with town management and executives at TV Cable of Winamac to ensure a smooth transition for customers on both sides of the deal. "It was truly a win-win for our customers," said Eric Galbreath, vice president of TV Cable of Winamac. "Our customers didn't lose any of the services or quality they had come to enjoy, and they will soon gain access to the next level of

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WK&T Revitalizes Retail Space

By Carrie Huckeby, Telecom Management Services Chief Marketing Officer

It is difficult to imagine that a couple of years ago you may have been sitting down for a barbecue lunch in the same building that is used today to discuss broadband services, conduct a diagnostic test on a computer or buy a new tablet at WK&T (West Kentucky and Tennessee Telecommunications Cooperative; Mayfield, Ky.).



When an area restaurant closed its doors in 2012, WK&T recognized the potential of relocating its smaller technology store to the larger building. Positioned between two busy streets and across from the WK&T warehouse, the spot was ideal.

The original idea of combining a retail-type technology store with a customer care center started in 1999. Trevor Bonnstetter, WK&T's chief executive officer, felt strongly that combining those concepts wasn't about competing with the large box stores, but it was about helping buyers make the connection between popular tech items and WK&T's services.

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Broadband Business Strategy

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broadband with additional speed options from PWRTC, which has proven itself to be a local provider committed to its community.”

The acquisition closed successfully on July 24 and gained PWRTC the rights to deliver 100-plus channels of popular video programming to its original customer base and 1,000 new customers to whom they can market their broadband services with speeds of up to 50 Mbps, both up and down. PWRTC is currently planning the installation and upgrade of network equipment to deliver the new broadband and video services across its expanded service area.

Rebranding: Marketing the Co-op for Its Bigger, Brighter Future

Before the ink on the deal was even dry, the PWRTC marketing and sales team was tasked with communicating the positive but somewhat complex news to the two communities. And if that wasn't challenging enough, the acquisition coincided with PWRTC's decision to completely rebrand itself to emphasize its broadband-focused initiatives.

“We knew we wanted to more clearly define ourselves, both in our current market and any future markets, as the broadband provider of choice—a leading-edge technology company, much more than just a telephone company,” said Dickerson. “So we were already developing our new company name, LightStream, along with a new logo and tagline.”

Then came the need to communicate and explain the terms of the merger to both towns, while still respecting the terms of an acquisition being finalized. “We really had to target our marketing and communications,” said Dickerson. “We were excited to spread the great news, but we had to be very clear about which customers would be eligible for which new services and when.”

As LightStream, PWRTC launched a full-scale marketing initiative, which included newspaper ads, radio spots, direct mail, bill inserts, new vehicle wraps, and new Web and Facebook



pages. “We went all out, and customer response was terrific. People really got excited about the new services,” said Dickerson. “Our techs got compliments on the truck wraps. People especially loved our monthlong Facebook contest, which featured fun giveaways for services from some of our local business customers. We were thrilled to have folks calling in and asking via Facebook how soon they could get LightStream.”

Fiber: Building Out the Future One Phase at a Time

As the acquisition and marketing initiatives were in full swing, PWRTC's fiber buildout crew kept plugging away at the company's next fiber phase. Like many rural telcos, PWRTC is working hard to expand its network in financially feasible chunks.

LightStream staff ensures customers are notified of fiber coming their way and offers advance service registration promotions. LightStream's most recent phase opening in the town of Monticello was a great success. Of 268 residences passed by the new fiber run, 124 signed up, for a 46% take rate. Of 130 businesses passed, 53 signed up, for a 41% take rate.

For Dickerson and the LightStream team, it's all part of their bigger plan to make northern Indiana the best it can be. “Not only do these investments increase the quality of life in our community,” said Dickerson, “but they enhance opportunities for economic growth. Corporate site selectors expect high-speed, fiber-optic Internet, and their employees expect top-quality video entertainment choices at prices they can afford. We're going to fulfill those demands and more as LightStream.” ☰

Retail Space

from page 37

The first WK&T Technology Store opened with a limited number of televisions and computers while also providing a place for members to interact with customer service and tech team employees. "We weren't just promoting our services, but we were also selling and supporting the products that use our services. We were bridging the gap between a service-oriented and a product-oriented company," said WK&T Customer Service Manager Natalie Morgan. "Our goal was to be accessible and responsive, and to have trained, knowledgeable staff to help

features HD televisions, laptops and tablets, OTT devices and home security systems. With A+ certified technicians and a technical support team made up of Murray State and West Kentucky Community & Technical College interns, the WK&T Technology Store provides additional services such as computer repair, business networks and virus removal.



During its April 2014 computer "spring clean" promotion, the store took in approximately 50 computers for virus removal. The promotion resulted in new laptop sales and the opportunity to educate customers about the optimum requirements for both the device and their Internet package. Often, customers need someone they trust to say "get a new one" and "it will make using the Internet a happier experience."

explain how the combination of technology and services could make life better. Customers will not purchase if they don't understand."

When the opportunity presented itself to move into the larger facility, WK&T transformed the previous restaurant into a full-service technology and customer care center. The showroom

One could make the mistake of thinking the building is just another store that sells devices, but that is not the case. "The WK&T Technology Store symbolizes the brand of WK&T by delivering on the promise to support, educate and enhance the lives of our members," Morgan said. "We are here to offer technology solutions to solve real problems for our customers. Solutions could be a device, a service or a combination of both." ☰

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NTCA seeks to spotlight the efforts of member companies across the country. Exchange is a great place to share your company's success stories on economic development, community outreach, technology rollouts, and state and regional collaborative projects. To share your story, contact Tennille Shields, NTCA senior writer/editor, at 703-351-2097 or tshields@ntca.org.



In Memory: JSI Founder John Staurulakis

John Staurulakis, 84, an industry leader, visionary, and founder and chairman of John Staurulakis, Inc. (JSI), died on October 13, 2014.

Staurulakis was among the founders of OPASTCO and the first recipient of NTCA's Associate Member Lifetime Achievement Award in 1999. He also made a positive impact on the education of young students as the namesake to four college scholarships created by JSI in collaboration with the Foundation for Rural Service in 2012 to celebrate 50 years of service

to rural communities and the companies dedicated to serving them.

"John Staurulakis was truly an industry leader and gave back generously to the cause of rural telecommunications throughout his life," said NTCA Chief Executive Officer Shirley Bloomfield. "From his work with OPASTCO in the organization's earliest days to his ongoing support of NTCA, FRS and the many rural telcos JSI works with, he has made a lasting impression on our industry. He will be missed." [E](#)

SkyLine Sheds Weight in Wellness Competition

By Tennille Shields, NTCA-The Rural Broadband Association Senior Writer/Editor

Looking for a fun, effective way to encourage employees to be healthy and get fit, SkyLine Membership Corp. (West Jefferson, N.C.) challenged another local provider to a friendly weight-loss competition, April 1–October 1, 2014, with the winning team taking home \$10,000.

As SkyLine Chief Executive Officer Jimmy Blevins explained, the challenge focused "on health and wellness among [SkyLine] employees by allowing them to not only win or gain healthy benefits by losing weight, but to work together toward a group goal of winning money against a rival company.

"SkyLine had previously held intra-company 'biggest loser' challenges," he continued, "but this was the first challenge of its kind in which employees were on the same team, challenging another entity."

The rules of the weight loss challenge were fairly simple: Make healthier decisions and lose weight. The one stipulation was a minimum of 6% body weight loss for an individual team member to share in any team winnings.

Skyline's Health and Wellness Committee sent out supportive and encouraging emails throughout the contest. The committee arranged for

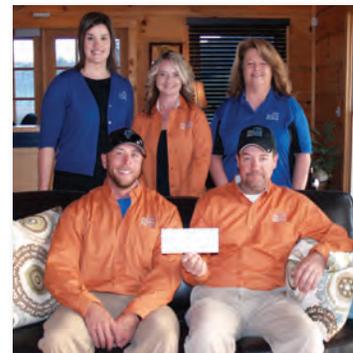
personnel from the district health department to conduct the monthly weigh-ins, and the company sponsored employee participation in various 5K events.

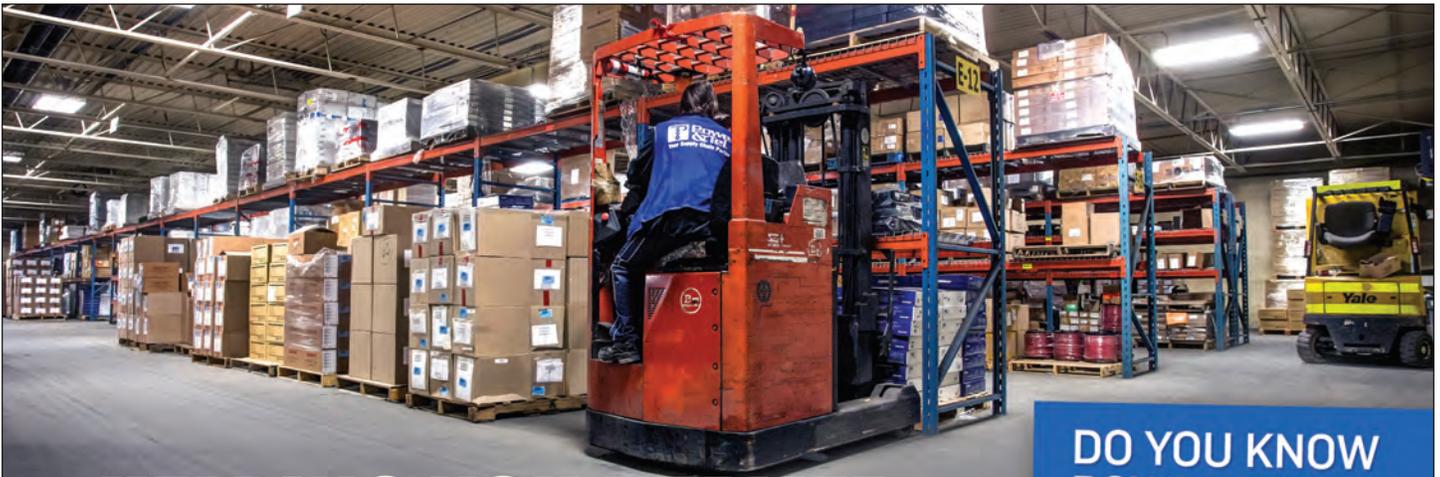
Seventy-eight SkyLine employees participated in the challenge. Of that number, 66 employees lost weight and 41 employees met and/or exceeded the minimum 6% body weight loss. Companywide, the SkyLine team lost a total net weight of 823 pounds.

SkyLine took the crown as the "losing winners," and 41 employees received a check for \$243.90. "The impact from this challenge is indeed positive and far reaching," Blevins said. "There is not only a physical transformation that has taken place, but there is a much 'lighter spirit,' if you will, to many folks."

Beth Fornadley, health promotion coordinator of the Appalachian District Health Department, released a statement regarding SkyLine's recent challenge: "This success story is a call for other businesses in our community to step up to the challenge to make the workplace a healthier place to be."

While the company challenge ended in October, SkyLine remains committed to making employee wellness a long-term goal. [E](#)





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Technology

We have strived to be a leading expert in technological advancements. We feel it’s our duty to bring advanced services to our rural communities where our team, family, friends and customers live, work and play. Fiber-optic networks have proven to be essential in relation to economic development, and we play a critical role in our communities by

putting our region on the map for relocating businesses and consumers.

Every customer has access to broadband Internet. Currently, we continue to deploy fiber to the home with more than 75% of our territory either converted or eligible. We recognized long ago that fiber-based infrastructure was an essential ingredient for our future sustainability and for keeping customers satisfied through continuously evolving demands.

We have invested more than \$8,000,000 in networking, switching and transport, and fiber infrastructure, allowing not only for greater return on investment but also for business solutions.

The company is a family-oriented organization that successfully migrated from a monopoly incumbent local exchange carrier (ILEC) to a dynamic competitive technology provider with a vast array of advanced product lines. Providing communication services in a volatile industry has taught us to be nimble, flexible and out-of-the-box thinkers.

History

The company is 110 years “experienced.” Gerald Forcier, purchased the company in 1952. Our subsidiary was formed in 1982 and has morphed and reinvented multiple times throughout the quarter century, generally in order to respond to the demand of our clientele.

Our quarter century relationship with the New York State Telecommunications Association, OPASTCO and NTCA-The Rural Broadband Association has helped us to do so by facilitating key dialogue, partnerships, education and political support.

NTCA
Member Since
2013
General
Manager
Jim Forcier



The Forcier Family



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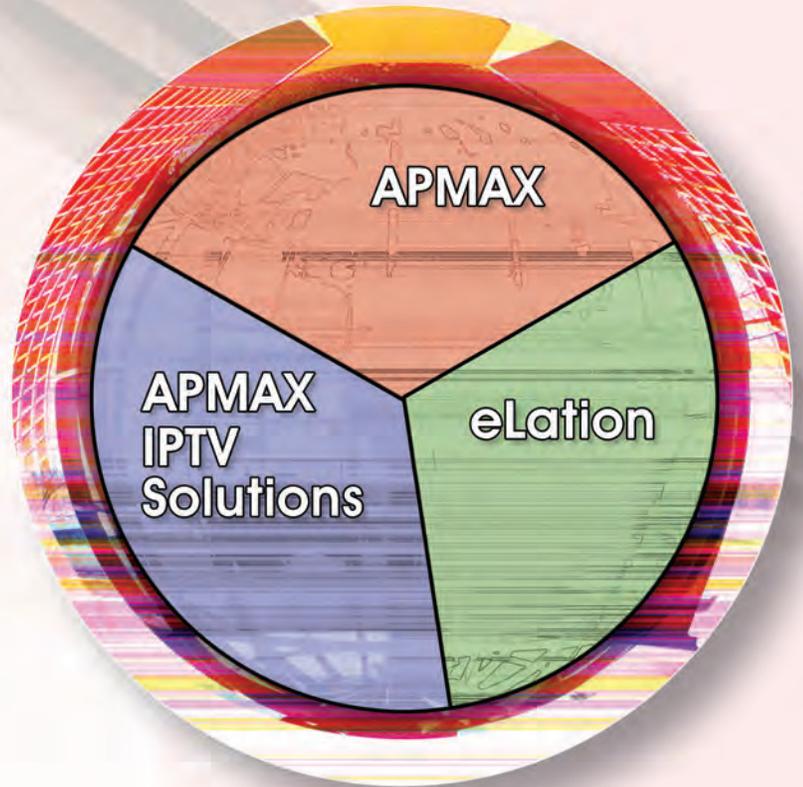
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