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FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

DA 12-1879

November 20, 2012

Mr. Denny Bergstrom
General Manager
Dell Telephone Cooperative, Inc.
610 South Main
P.O. Box 67
Dell City, Texas 79837

Re: *Dell Telephone Cooperative Petition for Waiver of Section 54.302 of the Commission's Rules and the Impact of Limiting Capital and Corporate Operations Expenses on Receipt of High-Cost Universal Service Support, WC Docket No. 10-90 and WT Docket No. 10-208*

Dear Mr. Bergstrom:

On June 6, 2012, Dell Telephone Cooperative, Inc. (Dell) filed a petition for waiver of: 1) Section 54.302 of the Commission's rules, which establishes a total limit on high-cost universal service support of \$250 per line per month; 2) Section 36.621(a)(5) of the Commission's rules, which limits reimbursable capital and operating expenses for high cost loop support (HCLS); and, 3) Section 36.621(a)(4) of the Commission's rules, which limits recovery of corporate operations expenses applied to HCLS and interstate common line support.¹

The Wireline Competition Bureau (Bureau) has reviewed the information provided by Dell. Based on our review of the information already provided, the Bureau now requests

¹ Dell Telephone Cooperative Petition for Waiver of Section 54.302 of the Commission's Rules and the Impact of Limiting Capital and Corporate Operations Expenses on Receipt of High-Cost Universal Service Support, WC Docket No. 10-90 and WT Docket No. 10-208 (filed June 6, 2012) (Petition); 47 C.F.R. §§ 54.302 and 36.621(a)(4) and (5); *see also Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform—Mobility Fund*; WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (2011) (*USF/ICC Transformation Order*); *pets. for review pending sub nom. In re: FCC 11-161*, No. 11-9900 (10th Cir. filed Dec. 8, 2011); *Connect America Fund; High-Cost Universal Service Support*, WC Docket Nos. 10-90 and 05-337, Order, 27 FCC Rcd 4235 (2012) (adopting methodology to limit reimbursable capital and operating expenses for HCLS).

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additional information.² This additional information is necessary for the Bureau to determine whether there is good cause to grant the requested waivers.

The questions set forth below request additional details and clarifications. For example, we seek additional details on employee salaries, marketable securities, life insurance, and patronage refunds. The Bureau needs to better understand Dell's operations in order to determine whether it needs "additional support in order for its customers to continue to receive voice service in areas where there are no terrestrial alternatives."³

Please provide full and complete responses to the following questions:

1. Provide the name, position, responsibilities, annual compensation, and deferred compensation if any, of the ten highest paid employees of Dell and each of its affiliates for 2009, 2010, and 2011. Provide employment agreements, if any, with these individuals. In addition to salary, include as part of compensation any benefits or any other non-salary forms of compensation. Please separately identify the various compensation components for each employee.
2. Do the employees or directors of Dell contribute to their defined benefits retirement plans, or their health benefit plans, or are these plans fully-funded by the cooperative? If employees or directors contribute, please specify the amount of the employee and cooperative contributions for the ten highest paid employees of Dell.
3. In Exhibit 5 of the Petition, Dell's financial statements indicate that Dell has, on a consolidated company basis, approximately [REDACTED] in marketable securities as of December 31, 2011. What factors does Dell use to determine whether to invest excess cash in marketable securities or to invest in its telecommunications infrastructure for the benefit of its subscribers, or to pay down its debt?
4. Dell's 2011 financial statements in Exhibit 5 show cash value for life insurance of approximately [REDACTED]. Please provide additional information regarding this insurance, including the insured person(s), payable-on-death amounts, beneficiaries of the policies, annual premiums, and why these life insurance policies are held and premiums paid by Dell.
5. Dell's 2011 financial statements show its affiliate, Dellcom, Inc. received [REDACTED] in "construction services revenue" during 2011. In Exhibit 7, Dell's 2012 consolidated statements of projected operations indicate Dellcom is expecting to receive [REDACTED] in construction services revenues during 2012. After 2012, [REDACTED].
6. Please provide a table showing total patronage capital refunds to cooperative members for each of the last five calendar years. Please provide the average annual refund to each cooperative member for each of the last five years. Please provide a copy of the cooperative's bylaws that describe how patronage capital refunds are determined.

² See *USF/ICC Transformation Order*, 26 FCC Rcd at 17839-42, paras. 539-43 (petitioners seeking waivers shall provide any additional information requested by Commission staff).

³ *Id.* at 17840, para. 540.

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7. Dell's financial statements from 2007 through 2011 indicate Goodwill of [REDACTED]. Please explain the nature and reason for the recordation of this asset.
8. Page 15 of Dell's Petition indicates that it provides [REDACTED] dedicated special access circuits to non-residential customers. Please provide the monthly recurring rates for special access circuits for each of the past three years. How much was the annual revenue for each of the past three years for these special access circuits?
9. We understand that the Rural Utility Service (RUS) has requested that all of its borrowers update their financial status in light of USF/ICC reforms. Has Dell provided the RUS with an updated financial assessment in light of the *USF/ICC Transformation Order*? If so, please provide a copy of Dell's updated financial assessment provided to RUS.
10. Is the [REDACTED] in RUS funds approved under the "T" and "U" loan agreements still available to Dell at this time? If so, is Dell currently drawing on those loans and what are the outstanding balances owed on those loans? Are RUS loans allocated or directed separately to Dell's Texas and New Mexico study areas? If so, provide the breakdown of the loans between the study areas.
11. In the "Five-Year Financial Projection With Full FCC Order Impact" presented in Exhibit 8 of Dell's Petition, Note F states that plant additions, for the years 2012 through 2016, are based upon [REDACTED]. Dell stated, however, during the September 28, 2012 *ex parte* meeting with Bureau staff, that it was [REDACTED], pending resolution of the impact of the universal service fund reforms. What is the [REDACTED]?
12. Dell's October 9, 2012 *ex parte* filing stated that Dell does not offer so-called "triple play" or "quadruple play" bundled services to its customers because Dell "has not observed any customer demand for a voice and data bundled service offering." What marketing analysis or other analysis has Dell conducted to determine ways to increase its revenues?
13. We understand that the State of Texas has enacted a statute that requires the Public Utility Commission of Texas (Texas PUC) to "implement a mechanism to replace the reasonably projected change in revenue caused by a Federal Communications Commission order, rule, or policy . . ." TEX. UTIL. CODE ANN. § 56.025 (c) (West 2005). Please estimate the impact, if any, of that Texas statute and the implementation by the Texas PUC on Dell's revenues as a result of the *USF/ICC Transformation Order*.

If you have any questions, please call Gary Seigel at (202) 418-0879 or Joseph Sorresso at (202) 418-7431.

Sincerely,

Julie A. Veach
Chief, Wireline Competition Bureau

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cc: Bennett Ross
Counsel for Dell Telephone Cooperative, Inc.
Wiley Rein LLP