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September 21, 2001

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

WRITER'S CONTACT INFORMATION
202-828-5510

By Messenger
Magalie Roman Salas, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: *Notice of Ex Parte Presentation*
CC Docket 96-45/ Western Wireless Corporation
Petition for Designation as an Eligible Telecommunications
Carrier for the Pine Ridge Reservation in the State of South Dakota

Dear Ms. Salas:

On March 12, 2001, Comments were filed on behalf of Golden West Telecommunications Cooperative, Inc. ("Golden West") in the above-referenced proceeding. In these Comments, Golden West submitted that the Eligible Telecommunications Carrier ("ETC") Petition by Western Wireless Corporation ("Western Wireless") did not meet the public interest requirements of Section 214(e)(6) of the Telecommunications Act of 1996. Specifically, the Comments noted that Western Wireless had not addressed key questions concerning the impact of its ETC designation upon Golden West's remaining subscribers after competitive inroads are made within its subscriber base. See Golden West Comments at 13-15.

Notwithstanding Western Wireless' shortcomings in its evidentiary showing, Golden West has commissioned an analysis of rate impacts upon its remaining customer base if Western Wireless is granted ETC status. This analysis is supplied under penalty of perjury by Robert C. Schoonmaker, Vice President of GVNW Consulting, Inc., and is attached herewith.

Please note that the signature page of the attached Declaration is a facsimile: Golden West will file the original, signed copy of the Declaration Under Penalty of Perjury as a supplement.

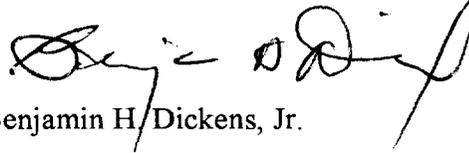
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Magalie Roman Salas
September 21, 2001
Page 2

Pursuant to Section 1.1206(b)(1) of the Commission's rules, 47 C.F.R. Section 1.1206(b)(1), an original plus one copy of this letter are being provided to you for inclusion in the public record of the above-referenced proceeding.

Please direct any questions to the undersigned.

Sincerely,



Benjamin H. Dickens, Jr.

cc: Chairman Michael K. Powell
Commissioner Kathleen Q. Abernathy
Commissioner Michael J. Copps
Commissioner Kevin J. Martin
Dorothy Attwood
Andrea Kearney

Attachments

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Federal-State Joint Board on)	
Universal Service)	CC Dkt. No. 96-45
)	
Western Wireless Corporation Petition for)	
Designation as an Eligible Telecommunications)	
Carrier for the Pine Ridge Reservation)	
in South Dakota)	

DECLARATION UNDER PENALTY OF PERJURY

1. My name is Robert C. Schoonmaker, and I am a principal in the firm of GVNW Consulting at 2270 La Montana Way, Colorado Springs, Colorado 80918. My experience as a telecommunications consultant is detailed as set forth in Exhibit 1 to this Declaration. I have been retained by Golden West Telecommunications Cooperative, Inc. ("Golden West") to address the rate impacts, upon Golden West and its customers, that should be examined if Western Wireless Corporation ("Western Wireless") receives Eligible Telecommunications Carrier ("ETC") status on the Pine Ridge Reservation in South Dakota, as requested in this proceeding.
2. Golden West provides service to nearly 17,000 access lines in 26 exchanges over 16,030 square miles throughout the southwest portion of South Dakota. In comparison, the combined states of Connecticut and New Jersey are only 12,264 square miles with a population of over 11,000,000. Golden West has a customer density of about one customer per square mile. On the Pine Ridge Reservation, Golden West serves approximately 4,538 access lines, or 27% of the Company's total access lines. In addition, Golden West, through an affiliate company, provides Internet service on a local dial up basis throughout its entire service area. Currently about 20% of its customers subscribe to this Internet service. Golden West is estimated to receive approximately \$5.25 million in federal high cost support in 2002 consisting of: \$3.6 million for the High

Cost Loop Fund (“HCL”), \$0.9 million in Local Switching Support (“LSS”), and \$0.75 million in Long Term Support (“LTS”).

3. Western Wireless has petitioned the Commission for Eligible Telecommunications Carrier (“ETC”) status allowing it to qualify for federal USF for wireless services provided to the portion of Golden West’s study area on the Pine Ridge Reservation.¹ A grant of this petition would allow Western Wireless to receive universal service support for any customer it serves on the reservation while ignoring the remaining portion of the study area served by Golden West. Designating Western Wireless as an ETC and, therefore, allowing it to receive support will have significant impacts on all of Golden West’s subscribers, including those located on the Pine Ridge Reservation. The Commission must consider the potentially harmful effects to Golden West and its customers, as well as the perceived benefits, as it considers this Application.

4. In analyzing the rate impact upon Golden West and its customers, as discussed above, I have considered the current USF mechanism, what relationship it is likely to have vis-à-vis Western Wireless’ cost, and how Golden West’s other key revenue streams would be affected by diverting Golden West’s USF revenues to Western Wireless. These points are discussed below.

**UNDERLYING COST OF WIRELESS NETWORK
AND USE OF USF FUNDING**

5. As a rural carrier, USF associated with loop investment is based on the actual cost experienced by Golden West. This funding will be portable and available to Western Wireless if its application is granted. In the event portable USF available to Western Wireless exceeds Western Wireless’s actual cost of providing service (even though the quality may be inferior to wireline service), it is likely that USF payments will result in

¹ Section 102(e) requires that Eligible Telecommunications Carriers serve the entire study area of a rural telephone company “unless and until the Commission and the States, after taking into account recommendations of a Federal-State Joint Board (instituted under section 410(c), establish a different definition of service area for such company.”

windfall profits for Western Wireless, allowing it to unfairly compete with Golden West because of Golden West's continued obligation as ETC for its entire study area, including the Pine Ridge Reservation, and because the windfall will allow Western Wireless to compete for Golden West's other revenue streams on an uneconomic basis.

6. The costs of Western Wireless should be examined to determine the extent to which they are less than the per-line USF revenues, which are based upon Golden West's own embedded costs, but which Western Wireless would receive under the Commission's rules. This examination should be undertaken to ensure that Western Wireless does not realize USF support in excess of its costs, which can be used unfairly to leverage Western Wireless into Golden West's other sources of revenue, such as local and access services.

7. This is not an idle concern. Although I do not have embedded "loop"-related costs for Western Wireless, I have been able to compare the company's forward-looking costs for the wire centers serving the Pine Ridge Reservation, with the comparable costs reported for Golden West². The results of this inquiry are set forth in Exhibit 2 (attached) and demonstrate that Golden West's forward-looking costs are almost three times those of Western Wireless (annual costs per line of \$2,320.45 vs. \$940.75 annual costs per line, respectively). While I do not believe that the use of forward looking costs are valid cost proxies for rural carriers, the roughly 2.5-to-1 cost relationship between Golden West and Western Wireless is a danger signal that the existing USF mechanism may create a revenue pool that is so divorced from Western Wireless' actual costs that it would be able to compete on an uneconomic basis for Golden West's other revenue streams. These cost relationships should be examined in the context of an evidentiary hearing, in my opinion, since the rate impacts on Golden West's remaining customers are so substantial. These impacts are discussed below.

² See Western Wireless Comments on Model Platform Development in CC docket No. 96-45, CC Docket No. 97-160, DA 98-1587 (August 28, 1998).

RATE IMPACT ON REMAINING CUSTOMERS

8. The erosion of market share that will occur if a competitive ETC is authorized will inevitably cause Golden West to lose local service revenue, access revenue and revenue from other ancillary services. Reduced revenues, without corresponding reductions in expenses, will reduce Golden West's financial viability and may ultimately impact its ability to provide quality telecommunications services at reasonable rate levels. Expense decreases in the same magnitude as revenue decreases are unlikely because of the relatively fixed nature of many of the company's expenses. Golden West's ability to invest in future infrastructure will be reduced, ultimately resulting in a decline in service quality.

9. As Western Wireless captures market share, Golden West will be forced to implement significant rate increases to maintain earnings sufficient to satisfy its obligations. Almost 27% of Golden West's customers are on the Pine Ridge reservation. In estimating Golden West rate impacts, we have assumed that Western Wireless will serve between 35% and 100% of Golden West's customers located on the Pine Ridge reservation. These assumptions, if accurate, would result in a loss of between 10% and 25% of Golden West's total customer base.

10% Loss of Market Share

Assuming a 10% loss of customers, Golden West will lose \$552,000 in local service revenue, and \$1,025,000 in state access revenues.

As a partial offset to this lost revenue, it is estimated that Golden West's USF support will increase by \$275,000 and that savings in expenses from serving fewer lines would be \$136,000. The net result is an overall reduction in revenues of \$1,166,000. This loss of income could only be recovered through an increase in local rates of \$6.47 per access line per month, a 60% increase from the current residential rate.

25% Loss of Market Share

Assuming a 25% loss of customers, Golden West will lose \$1,380,000 in local service revenue, and \$2,562,000 in state access revenues. As a partial offset of lost revenue, it is estimated that Golden West's USF support will increase by \$673,000 and that savings in expenses from serving fewer lines would be \$340,000. The net result is an overall reduction in revenues of \$2,929,000. This loss of income could only be recovered through an increase in local rates of \$19.50 per access line per month, a 180% increase from the current residential rate.

At the extreme, Golden West could be faced with a "death spiral" where the loss of customers and corresponding rate increases needed to stay solvent would cause customers to drop off the network entirely, or accept a lower service quality substitute. This would fuel ever-increasing rates, decreasing demand and ultimately, degradation of service quality. Once in a "death spiral", at some point there is a real possibility the Company will become insolvent or be forced to charge rates far in excess of what could be considered reasonable and comparable rates to those available in more urban areas.

CONCLUSION

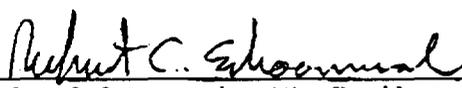
10. Granting ETC status to Western Wireless on the Pine Ridge Reservation where service is presently provided by Golden West will have numerous negative impacts. These will include:
 - 1) Increased basic local service rates to customers served by Golden West;
 - 2) A decreased ability for Golden West to invest in infrastructure;
 - 3) The eventual degradation of service quality to end users due to inability to maintain existing investment levels; and

- 4) A reduction in the availability of advanced services due to lower capital investment.

11. In my opinion, Western Wireless' current operational costs are a key factor that should be examined by the Commission and the parties to determine if the USF mechanism will facilitate uneconomic competition by Western Wireless, to the detriment of Golden West and its customers. In my professional experience, evidentiary hearings are the best forum for determining such costs in a contested case. If uneconomic entry by Western Wireless causes rate increases of the magnitude I have projected, or if economic entry by Western Wireless causes such increases because Western Wireless does not propose to serve all of Golden West's service area, the result will not be in the public interest.

Certification

Under the penalty of perjury, I, Robert C. Schoonmaker certify that the above report was prepared under my direction and to the best of my knowledge is true and accurate.


Robert C. Schoonmaker, Vice President,
GVNW Consulting, Inc.

Date: 21 Sep 2001

EXHIBIT 1:

BACKGROUND AND EXPERIENCE OF ROBERT C. SCHOONMAKER

Current Position:

I am currently a Vice President of GVNW Consulting, Inc., a consulting firm specializing in working with small telephone companies. In my current position, I consult with independent telephone companies and provide financial analysis and management advice in areas of concern to these companies. Specific activities which I perform for client companies include regulatory analysis, consultation on regulatory policy, financial analysis, business planning, rate design and tariff matters, interconnection agreement analysis, and general management consulting.

Educational Background and Experience:

I obtained my Masters of Accountancy degree from Brigham Young University in 1973 and joined GTE Corporation in June of that year. After serving in several positions in the revenue and accounting areas of GTE Service Corporation and General Telephone Company of Illinois, I was appointed Director of Revenue and Earnings of General Telephone Company of Illinois in May, 1977 and continued in that position until March, 1981. In September, 1980, I also assumed the same responsibilities for General Telephone Company of Wisconsin. In March, 1981, I was appointed Director of General Telephone Company of Michigan and in August, 1981 was elected Controller of that company and General Telephone Company of Indiana, Inc. In May, 1982, I was elected

Vice President-Revenue Requirements of General Telephone Company of the Midwest. In July, 1984, I assumed the position of Regional Manager of GVNW Inc./Management (the predecessor company to GVNW Consulting, Inc.) and was later promoted to my present position of Vice President. I have served in this position since that time except for the period between December 1988 and November, 1989 when I left GVNW to serve as Vice President-Finance of Fidelity and Bourbeuse Telephone Companies. In summary, I have had over 25 years of experience in the telecommunications industry working with incumbent local exchange carrier companies.

Previous Testimony:

I have testified on regulatory policy, local competition, rate design, accounting, compensation, tariff, rate of return, interconnection agreements, and separations related issues before the Illinois Commerce Commission, the Public Service Commission of Wisconsin, the Michigan Public Service Commission, the Iowa Utilities Board, the Tennessee Public Service Commission, the New Mexico Public Regulation Commission and the Missouri Public Service Commission. In addition, I have filed written comments on behalf of our firm on a number of issues with the Federal Communications Commission and have testified before the Federal-State Joint Board in CC Docket #96-45 on Universal Service issues.

Exhibit 2

Golden West
Forward Looking Cost from Wireless Filing
Pine Ridge Reservation Exchanges

<u>cli</u>	<u>Lines</u>	Total Wireless Cost/Month	Total Wireline Cost/Month	Total Wireless Cost	Total Wireline Cost
BFLGSDXA	215	101.31	274.63	21,782	59,045
INTRSDXA	125	161.4	303.23	20,175	37,904
KYLESDXA	620	78.19	253.35	48,478	157,077
MARTSDXA	896	62.24	119.2	55,767	106,803
OLRCSDXA	175	130.49	283.42	22,836	49,599
PNRGSDXA	1084	69.34	177.05	75,165	191,922
Total	3115	78.40	193.37	244,202	602,350
Annual Cost/Line		\$ 940.75	\$ 2,320.45		