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September 30, 2008

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VIA HAND DELIVERY

Federal Communications Commission
Office of the Secretary

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W., Room TW-B204
Washington, DC 20554

Re: Federal-State Joint Board on Universal Service
CC Docket No. 96-45

Dear Secretary Dortch:

On behalf of United States Cellular Corporation (SAC 299010 for Tennessee) ("U.S. Cellular"), please find attached a redacted, public version of U.S. Cellular's Annual ETC Report under Section 54.209 of the FCC's Rules ("ETC Report"). The attached ETC Report has been marked "REDACTED - FOR PUBLIC INSPECTION."

U.S. Cellular is also submitting, under separate cover, a confidential version of this ETC Report. The confidential version is marked "CONFIDENTIAL - NOT FOR PUBLIC INSPECTION."

An original and four (4) copies of this ETC Report are enclosed. An additional copy has been provided, which you are requested to date-stamp and return in the envelope provided.

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Marlene H. Dortch
September 30, 2008
Page 2

Please contact the undersigned at 703-584-8678 if any questions arise concerning the above-referenced enclosures or if you require any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven M. Chernoff", written over a horizontal line.

David A. LaFuria
Todd B. Lantor
Steven M. Chernoff

Attorneys for:
United States Cellular Corporation

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20054

ORIGINAL

In the Matter of)
)
Federal-State Joint Board on) CC Docket No. 96-45
Universal Service)
_____)

ANNUAL ETC REPORT OF
UNITED STATES CELLULAR CORPORATION

United States Cellular Corporation (“U.S. Cellular” or the “Company”), a wireless service provider recently designated as an Eligible Telecommunications Company (“ETC”) in the State of Tennessee, hereby provides the Commission with its initial annual compliance filing containing information as set forth in the Commission’s *Report and Order* in the above-captioned proceeding (“*ETC Report and Order*”).¹

I. INTRODUCTION

U.S. Cellular was designated as an ETC by order of the FCC effective on August 1, 2008.² Because the Company submitted its application for designation under section

¹ *Federal-State Joint Board on Universal Service, Report & Order*, 20 FCC Rcd 6371 (2005) (“*ETC Report and Order*”). U.S. Cellular’s designation as an ETC carrier became effective on August 1, 2008. Section 54.209(b) of the Commission’s rules states that “In order for a common carrier designated under section 214(e)(6) to continue to receive support for the following calendar year, or retain its eligible telecommunications carrier designation, it must submit the annual reporting information in paragraph (a)...annually by October 1 of each year.” 47 C.F.R. § 54.209(b). The subject ETC Annual Report is being filed in order for U.S. Cellular to receive support and maintain its ETC designation for calendar year 2009. Nonetheless, U.S. Cellular expects to receive support from August 1, 2008 through the remainder of calendar year 2008. Therefore, to the extent required, the subject ETC Annual Report is also being filed in order for U.S. Cellular to receive support and maintain its ETC designation for the August 1, 2008 through December 31, 2008 timeframe.

² *In the Matter of High-Cost Universal Service Support, Federal-State Joint Board on Universal Service, Order*, 23 FCC Rcd. 8834 (2008) (“*Order*”). The *Order* specified an effective date of 30 days after publication in the Federal Register. *See Order* at ¶ 45. Publication occurred on August 1, 2008.

214(e)(6) before the effective date of the FCC's new reporting requirements,³ it is required to file certain information required of new applicants under Sections 54.202(a) of the new rules as part of its first annual ETC report.⁴

The scope of this initial report is, of necessity, limited. Some of the information required in the *Order* would be impractical or impossible to include in this initial report because of the timing of U.S. Cellular's designation barely 60 days before the reporting deadline. Many of those reporting items are based on information that must be gathered over the course of a 12-month period, and depend on the training of personnel and the establishment of tracking systems specific to individual ETC compliance and reporting obligations. For example, the outage reporting requirement in Section 54.209(a)(2) of the Commission's rules differs in key respects from the outage reporting requirements applicable to all carriers,⁵ and does not apply to wire centers that were excluded from the U.S. Cellular ETC service area. Moreover, USAC's processing of initial support generally takes 60 to 90 days and the Company has not yet received any support as of this

³ Sections 54.202 and 54.209 of the Commission's rules became effective on October 24, 2005, when the Office of Management and Budget published its approval of the information collection provisions contained in those rules. Fed. Reg. Vol. 70, No. 211 at p. 66407.

⁴ 47 C.F.R. § 54.202(b) ("Any common carrier that has been designated under section 214(e)(6) as an eligible telecommunications carrier or that has submitted its application for designation under section 214(e)(6) before the effective date of these rules must submit the information required by paragraph (a) of this section no later than October 1, 2006, as part of its annual reporting requirements under section 54.209."). In addition, U.S. Cellular's designation as an ETC carrier became effective on August 1, 2008. To the extent required, the subject Annual Report also covers the period of designation from August 1, 2008 through September 30, 2008.

⁵ See *ETC Report and Order*, supra, 20 FCC Rcd at 6401 n.194 ("We do not adopt the threshold established in the *Outage Reporting Order* that, for an outage to be included in a report, it must potentially affect 900,000 user minutes of either telephony or associated data. See *Outage Reporting Order*, 19 FCC Rcd at 16925, § 4.9. In particular, we believe that a user minute threshold may be insufficient for the purpose of determining ETC functionality during emergency situations in designated service areas because populations can vary. As a result, we instead require that ETCs report any outages that potentially affect 10% or more of their customers in a designated service area. Unlike the *Outage Reporting Order*, however, we require these reports annually instead of shortly after the outage occurs.")

writing. As a result, funding is not yet available to perform network construction and other improvements that would otherwise be subject to annual reporting.

Therefore, this report is appropriately focused on providing the Commission with detailed plans on its proposed use of high-cost support for network construction and other service quality improvements in its ETC service area. The Company also provides its initial report on its ability to function in emergencies, as well as a demonstration that it offers a local usage plan comparable to ILEC offerings, and a certification that it is a signatory to and complies with the CTIA Consumer Code for Wireless Service ("CTIA Code"). This report also certifies that the Company will follow a series of enumerated steps in response to consumer requests for service. Finally, as required by the Commission's rules, U.S. Cellular provides a certification acknowledging that it may be required to provide equal access in certain circumstances.

II. REPORTING ITEMS

A. Five-Year Service Quality Improvement Plan.

Pursuant to the *ETC Report and Order*, an ETC must "submit... progress reports on the ETC's five-year service quality improvement plan, including maps detailing progress towards meeting its plan targets, an explanation of how much universal service support was received and how support was used to improve signal quality, coverage, or capacity; and an explanation regarding any network improvement targets that have not been fulfilled."⁶ Carriers that have not previously filed five-year service quality improvement plans are required to do so in their first annual report.⁷ U.S. Cellular

⁶ See *ETC Report and Order*, *supra*, 20 FCC Rcd at 6400.

⁷ See *id.* n.191.

provides its five-year plan in Exhibit A,⁸ which includes a listing of the locations of new cell sites U.S. Cellular proposes to build over the next five years, along with the wire centers that are likely to receive increased capacity and coverage as a result of the proposed improvements.

Based on USAC's latest projections, U.S. Cellular expects to receive an estimated [REDACTED] per year in federal high-cost support under the competitive ETC ("CETC") cap currently in effect. U.S. Cellular will invest all such support in cell site construction, capacity upgrades, and other network improvements to increase access and coverage in rural areas, as well as ongoing operating and maintenance expenses of USF-supported infrastructure. As described in Exhibit A, U.S. Cellular's five-year service quality improvement plan envisions the expenditure of approximately [REDACTED] on network improvements and associated expenses that it would not undertake otherwise.

The proposed expenditures are over and above ordinarily budgeted improvements, and the Company does not expect that it would undertake any of the listed improvements for several years in the absence of high-cost support from the USF. U.S. Cellular believes that every wire center in its ETC service area could benefit from service quality improvements made with high cost support. However, because U.S. Cellular is limited to the per-line support available in the areas it serves – and may not simply submit its USF expenditures for reimbursement – U.S. Cellular will not have sufficient support to undertake all desired improvements in every wire center within the next five years. An explanation of the proposed service quality improvements planned with high cost support is included in Exhibit A.

⁸ This information is also proprietary and competitively sensitive; therefore, it is also being submitted under seal and is subject to U.S. Cellular's request for confidential treatment.

The specific parameters of this five-year service quality improvement plan are subject to change, depending on a number of factors, including but not limited to, the amount of universal service support that U.S. Cellular actually receives, changes in federal rules for providing high-cost support to competitive ETCs, changes in the amount of support provided to ILECs in the areas where U.S. Cellular is an ETC, changes in market demand, and disaggregation of support by rural ILECs. Build-out plans and schedules are subject to the land acquisition and tower registration process, including assessing potential effects on the environment and historic properties. All of the above factors can significantly impact the timing and ultimate success of tower construction in a planned location. Nonetheless, the network improvement plan described in Exhibit A demonstrates U.S. Cellular's commitment to use federal high-cost support to make measurable improvements in coverage and capacity for consumers throughout its ETC service area, and to update the Commission on its progress every year prior to being recertified.

B. Outage Reporting.

Under the annual reporting rules adopted in the *ETC Report and Order*, an ETC must report any outages of at least 30 minutes in duration on the facilities it owns, operates, leases, or otherwise utilizes that potentially affect at least ten percent of the end users served in its designated service area.⁹ As discussed *supra*, the Company is precluded from providing the relevant report for the previous 12 months due to the timing of its ETC grant.

C. Service Requests.

⁹ 47 C.F.R. § 54.209(a)(2).

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The FCC's annual ETC reporting rules require carriers to report the "number of requests for service from potential customers within the eligible telecommunications carrier's service areas that were unfulfilled during the past year" and to describe the steps taken to attempt to provide service.¹⁰ As discussed *supra*, the Company is precluded from reporting the specified information for the previous 12 months due to the timing of its ETC grant.

However, U.S. Cellular hereby certifies that it will follow the six-step process for provisioning service to requesting customers set forth in the FCC's rules. As a new ETC, the Company is currently putting in place the necessary tracking systems and employee training procedures to ensure that the six-step process is followed as set forth in the rules. Specifically, in response to such requests for service at a residence or business, U.S. Cellular will take the following steps:

1. If a request comes from a customer within its existing network, U.S. Cellular will provide service immediately using its standard customer equipment.
2. If a request comes from a customer residing in any area where U.S. Cellular does not provide service, U.S. Cellular will take a series of steps to provide service.

* First, it will determine whether the customer's equipment can be modified or replaced to provide acceptable service.

* Second, it will determine whether a roof-mounted antenna or other network equipment can be deployed at the premises to provide service.

* Third, it will determine whether adjustments at the nearest cell site can be made to provide service.

¹⁰ 47 C.F.R. § 54.209(a)(3).

* Fourth, it will determine whether there are any other adjustments to network or customer facilities which can be made to provide service.

* Fifth, it will explore the possibility of offering the resold service of carriers that have facilities available to that location.

* Sixth, U.S. Cellular will determine whether an additional cell site, a cell-extender, or repeater can be employed or can be constructed to provide service, and evaluate the costs and benefits of using scarce high-cost support to serve the number of customers requesting service. If there is no possibility of providing service short of these measures, U.S. Cellular will notify the customer and notify the Commission of how many requests for service could not be filled in its next annual certification report. The Commission will retain authority to resolve any customer complaints that U.S. Cellular has refused to respond to a reasonable request for service.

D. Consumer Complaints.

As discussed *supra*, the Company is precluded from reporting the specified information for the previous 12 months due to the timing of its ETC grant.

E. Commitment to CTIA's Consumer Code for Wireless Services.

In the *ETC Report and Order*, the FCC reiterated that carriers must commit to abide by the CTIA Code.¹¹ U.S. Cellular is officially listed by the CTIA as having fully

¹¹ Under the CTIA Consumer Code, wireless carriers agree to: (1) disclose rates and terms of service to customers; (2) make available maps showing where service is generally available; (3) provide contract terms to customers and confirm changes in service; (4) allow a trial period for new service; (5) provide specific disclosures in advertising; (6) separately identify carrier charges from taxes on billing statements; (7) provide customers the right to terminate service for changes to contract terms; (8) provide ready access to customer service; (9) promptly respond to consumer inquiries and complaints received from government agencies; and (10) abide by policies for protection of consumer privacy. The CTIA Code can be viewed on the Web at http://www.wow-com.com/pdf/The_Code.pdf.

implemented and adopted the CTIA Code.¹² In submitting this report U.S. Cellular certifies that it will continue to abide by the CTIA Code, as it may be amended from time to time, for all of its operations in Tennessee.

F. Ability to Remain Functional in Emergencies.

Under the rules adopted in the *ETC Report and Order*, an ETC applicant must:

demonstrate its ability to remain functional in emergency situations, including a demonstration that it has a reasonable amount of back-up power to ensure functionality without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations.¹³

Once designated, an ETC must certify annually to its emergency functionality.¹⁴

However, carriers that have not previously filed emergency functionality plans are required to do so in their first annual report.¹⁵

U.S. Cellular is mindful of the importance of ensuring uninterrupted service so that law enforcement and public safety officials, as well as the general public, can make important calls in the event of a hurricane or other emergency. U.S. Cellular's service and network is designed to remain functional in emergency situations. U.S. Cellular builds sites with at least eight hours of battery back-up power to ensure functionality without an external power source. In most cases, U.S. Cellular is able to reroute traffic around damaged facilities and is capable of managing traffic spikes resulting from emergency situations.

¹² The list is on CTIA's web site at http://www.ctia.org/wireless_consumers/consumer_code/index.cfm.

¹³ *ETC Report and Order, supra*, 20 FCC Rcd at 6382; 47 C.F.R. § 54.202(a)(2).

¹⁴ *ETC Report and Order, supra*, 20 FCC Rcd at 6401; 47 C.F.R. § 54.209(a)(6).

¹⁵ *See ETC Report and Order, supra*, 20 FCC Rcd at 6401 n.197.

U.S. Cellular's sites include backup generators (certain sites are served by portable generators if a power outage lasts longer than eight hours). These back-up power generators are capable of keeping a cell site up and running until power is restored to the cell site, until system changes are made to reroute traffic or until a cell site on wheels ("COW") is deployed. U.S. Cellular tests its back-up power generators regularly to ensure functionality. U.S. Cellular is capable of and will reroute traffic around damaged or out-of-service facilities by changing call routing translations as needed. U.S. Cellular also is able to deploy COWs as temporary cell sites when existing facilities are damaged or out of service for longer periods of time.

Further, by changing call routing translations or deploying COWs, U.S. Cellular is able to manage traffic spikes throughout its network. As a long-term solution for managing increased traffic levels and traffic spikes, U.S. Cellular will increase capacity at its cell sites, switches and transport facilities.

U.S. Cellular hereby certifies that the company is capable to function in emergency situations as defined in the above-referenced *ETC Report and Order*, and provides a detailed plan demonstrating such capability in Exhibit B attached hereto.¹⁶

G. Local Usage.

In the *ETC Report and Order*, the Commission concluded that each ETC must annually certify that it offers at least one local usage plan comparable to the one offered by the incumbent LEC in the service areas for which the applicant seeks designation.¹⁷ In the *ETC Report and Order* on which that requirement was based, FCC declined to adopt

¹⁶ This information is also proprietary and competitively sensitive; therefore, it is also being submitted under seal and is subject to U.S. Cellular's request for confidential treatment.

¹⁷ See *ETC Report and Order, supra*, 20 FCC Rcd at 6385; 47 C.F.R. § 54.209(a)(7).

a specific local usage threshold or require that an applicant match the incumbent's offering. Rather, the FCC concluded that the comparability of rate plans should be evaluated on a case-by-case basis, in consideration of the number of included minutes, the size of the "local" calling area, monthly price, and other factors. As examples, the FCC mentioned that an applicant may offer "a local calling plan that has a different calling area than the local exchange area provided by the LECs in the same region, or . . . a specified number of free minutes of service within the local service area."¹⁸ The FCC also envisioned cases where an applicant may offer an unlimited calling plan that bundles local minutes with long distance minutes.¹⁹

U.S. Cellular satisfies the FCC's local usage requirement in that consumers may choose from a variety of plans with different combinations of local calling areas, local calling scopes,²⁰ included minutes (with one plan offering unlimited minutes), and monthly rates, to suit individual consumer needs. With the ability to choose rate plans that meet their calling patterns and preferences, U.S. Cellular's customers have the ability to select at least one rate plan that offers comparable or better value than the rate plans of the ILECs in the same areas. U.S. Cellular's rate plans can be found on its website at www.uscellular.com.

U.S. Cellular's rate plans offer comparable or better value to consumers than those offered by the ILECs in its proposed ETC service area. For example, U.S. Cellular's Wide Area 300 Plan offers 300 minutes of calling within a home calling area

¹⁸ See *ETC Report and Order*, *supra*, 20 FCC Rcd at 6385.

¹⁹ *Id.*

²⁰ "Local calling scope" signifies the area in which a customer can make calls without incurring roaming charges, while "local calling area" signifies the area in which a customer can terminate calls without incurring per-minute toll charges.

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comprising U.S. Cellular's licensed service area. The plan is available for a monthly price of \$29.99. U.S. Cellular also offers a number of usage plans that allow customers to make calls or travel beyond the local calling area without incurring toll or roaming charges. The Nationwide 650 Plan, for example, offers unlimited local calling and unlimited nationwide long distance plus 650 minutes of nationwide roaming without per-minute charges, at a monthly rate of \$49.99.

The rate plans described above demonstrate that U.S. Cellular's service offerings allow consumers to select a plan that provides them with equal or greater value than a wireline rate plan. U.S. Cellular's licensed area – its smallest 'local' calling area – is much larger than rural ILEC local calling areas, which typically allow a consumer to reach only a few hundred or a few thousand people within an area made up of a handful of exchanges. Consumers who make calls primarily within U.S. Cellular's licensed area will benefit from unlimited local calling at a low monthly price. If they travel more or make many calls to relatives or business associates beyond that area, they may benefit from one of the nationwide plans. Providing deeper geographic reach delivers a significant benefit to the consumer, and the FCC has cited studies concluding that "wireless service is cheaper than wireline, particularly if one is making a long distance call or when traveling."²¹

In sum, U.S. Cellular certifies that it offers at least one plan that is comparable to ILEC rate plans under the applicable FCC test.

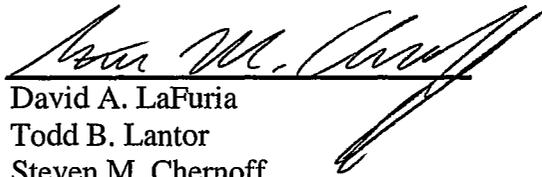
²¹ *Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993, Annual Report & Analysis of Competitive Market Conditions with Respect to Commercial Mobile Servs., Ninth Report, 19 FCC Rcd. 20597, 20684, para. 214 (2004) ("Ninth CMRS Competition Report").*

H. Equal Access.

As required of ETCs designated by the FCC under the *ETC Report and Order*,²² U.S. Cellular acknowledges that the FCC may require it to provide equal access to interexchange carriers in the event no other ETC is providing equal access in the designated ETC service area.

We trust that you will find this to be responsive to the compliance materials requested in the *ETC Report and Order* and U.S. Cellular's ETC designation order.

Respectfully submitted,



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Attorneys for:
United States Cellular Corporation

Dated: September 30, 2008

²² See *ETC Report and Order*, *supra*, 20 FCC Rcd at 6386.

DECLARATION UNDER PENALTY OF PERJURY

I, John Gockley, do hereby declare under penalty of perjury as follows:

1. I am the Vice President, Legal & Regulatory Affairs of United States Cellular Corporation.

2. This Affidavit is submitted in support of United States Cellular Corporation Annual Compliance Filing and Request for Recertification, pursuant to *Report and Order In the Matter of the Federal-State Joint Board on Universal Service*, FCC 05-46 (rel. March 17, 2005) and Sections 54.202 and 54.209 of the FCC's Rules.

3. I declare under penalty of perjury that the statements contained in the foregoing Annual Compliance Filing are true and correct to the best of my knowledge, information and belief.

Executed on September 25, 2008



John Gockley
Vice President, Legal & Regulatory Affairs
United States Cellular Corporation

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me this 25 day of September, 2008.





NOTARY PUBLIC

My Commission Expires: 01/04/09

REDACTED – FOR PUBLIC INSPECTION

Exhibit A

Five-Year Quality Service Improvement Plan

**THIS EXHIBIT IS WITHHELD AS THE FILER
HAS REQUESTED CONFIDENTIAL TREATMENT**

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Exhibit B

Emergency Functionality Report

**THIS EXHIBIT IS WITHELD AS THE FILER
HAS REQUESTED CONFIDENTIAL TREATMENT**