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February 19, 2009

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Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth St., SW
Washington, DC 20554

Re: High-Cost Universal Service Support, WC Docket No. 05-337;
Federal-State Joint Board on Universal Service, CC Docket No. 96-45

Dear Ms. Dortch:

On behalf of DialToneServices, L.P. ("DTS"), William Dorran, its president, and the undersigned made separate ex parte presentations today regarding the proceedings listed above to the following: (1) Jennifer McKee of the office of Acting Chairman Copps, (2) Scott Bergmann and Renee Crittenden, legal advisors to Commissioner Adelstein; (3) Nicholas Alexander, legal advisor to Commissioner McDowell; and Julie Veach, Thomas Buckley, and Alexander Minard of the Wireline Competition Bureau. We handed out the attached materials as the basis of these presentations.

Respectfully submitted,

David Sieradzki

David L. Sieradzki
Counsel to DialToneServices, L.P.

Enclosures

cc: Jennifer McKee
Scott Bergmann
Renee Crittenden
Nicholas Alexander
Julie Veach
Thomas Buckley
Alexander Minard

DialToneServices

WC Docket No. 05-337 and CC Docket No. 96-45

February 2009

Serving the Least Served in Rural Texas

Chico and Cy Banner, next door neighbors 21 miles apart, served by DTS

Who We Are

- Operate as a local telephone company
- Serve the unserved and underserved
- Receive state and federal USF support – designated as an ETC and ETP in Texas
- Distribution and service capabilities
- Exceed quality service requirements

Telephone Service via Satellite

- Fixed and mobile services
  - Fixed as mobile / Mobile as fixed
- MSS – LEO and GEO
- Own, service and repair all equipment
- Other facilities leased or owned

DTS installation of a fixed docking station in a ranch hand house

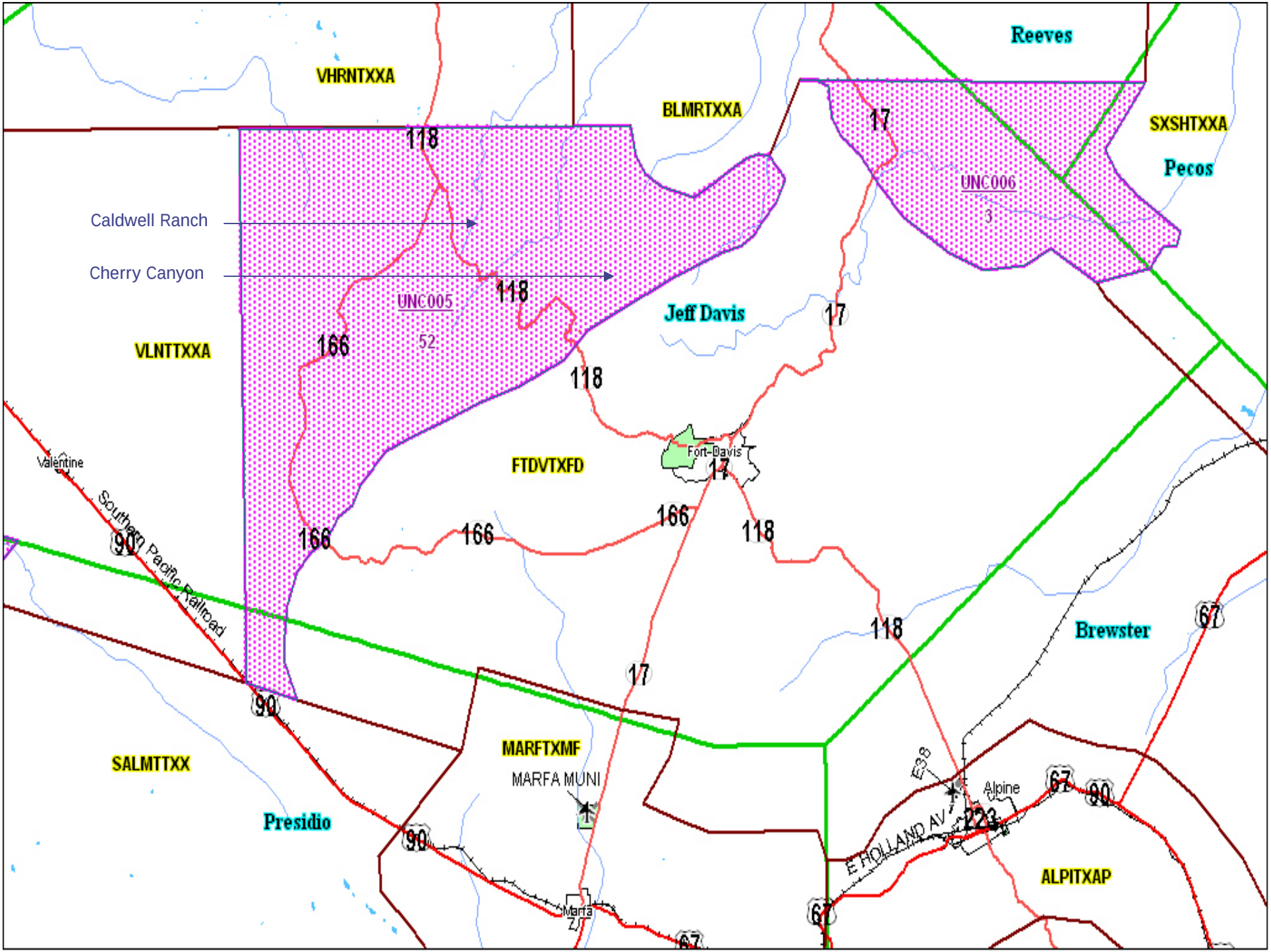
DTS service jeep and the jeep on a difficult service call up Chispa Road in West Texas. Chispa Road is 57 miles long. Up this road DTS serves Coal Mine Ranch, 96 Ranch and Wardle Farms. A lot of dirt roads in West Texas turn into creeks after a rainstorm.

The Unserved in Texas

- 125 Uncertificated geographic areas
  - 1,200 homes in these areas have never had service
  - No federal USF because no ILEC “study area”
  - Texas state USF – PUC petitions
- Unserved in ILEC areas
  - Line extension cost barriers
  - Line maintenance requirements
  - Right of way barriers
  - Build completion requirements

Uncertificated Area 005

- Bruce Sciba
- Caldwell Ranch
- Carl Ryan
- Davis Mountains Land & Cattle
- Elbow Canyon Ranch
- Jeff G Smith
- Kokernot 06 Ranch Inc
- McCoy Rockpile Ranch
- Nature Conservancy
- Williams Ranch Co


Reeves
VHRNTXXA
BLMRTXXA
SXSHTXXA
Pecos
UNC006
3
Caldwell Ranch
Cherry Canyon
UNC005
52
Jeff Davis
VLNTTXXA
FTDVTXFD
Fort Davis
Valentine
Southern Pacific Railroad
Brewster
MARFTXMF
MARFA MUNI
SALMTTXX
Presidio
Alpine
E HOLLAND AV
ALPITXAP
Marfa
118
17
166
90
67
223

Cherry Canyon Ranch

Iris Korus

$22,000 line extension fee is too expensive

VALOR TELECOM

101 E Tate
Brownfield, TX 79316

September 9, 2005

Iris Korus
410 CR 423
Stockdale, TX 787160

Dear Ms. Korus,

This will confirm your recent application for telephone service in our Valentine, TX exchange area where we do not, at present have facilities to provide you with telephone service.

In order to provide you with telephone service, it will be necessary to construct additional facilities. In this regard, construction charges will be applicable in accordance with our Texas General Exchange Tariff for new construction, which allows us to build at our expense a maximum of 2640 feet of cable per applicant, the combination of which includes not more than 1056 feet on private property. In your particular case, a total of 46,464 feet of construction is necessary, consequently applying 2640 feet leaves a balance of 43,824 feet at $.50 a foot which equals $21,912.00. If you are agreeable to these charges plus any private right-of-way costs that may be incurred, please send your payment in full, to my office within 30 days. Construction will not be started without charges being paid.

Should you have any questions concerning your application, please feel free to call Loyd Fulford at 800-483-6684.

Sincerely,

Terry Longbrake
E & C Manager

TL;skm

Round Mountain Enterprises – Frijole Ranch

Valuable service to rural agencies

Customer Billy Hopper, Sheriff of Loving County, Texas

- DTS provides fixed and mobile service to:
  - 40 Volunteer Fire Districts
  - 17 County Sheriff Offices
  - 16 Rural Ambulance Rescue / Districts
  - 14 Rural Emergency Management Offices
  - 6 Rural School Districts

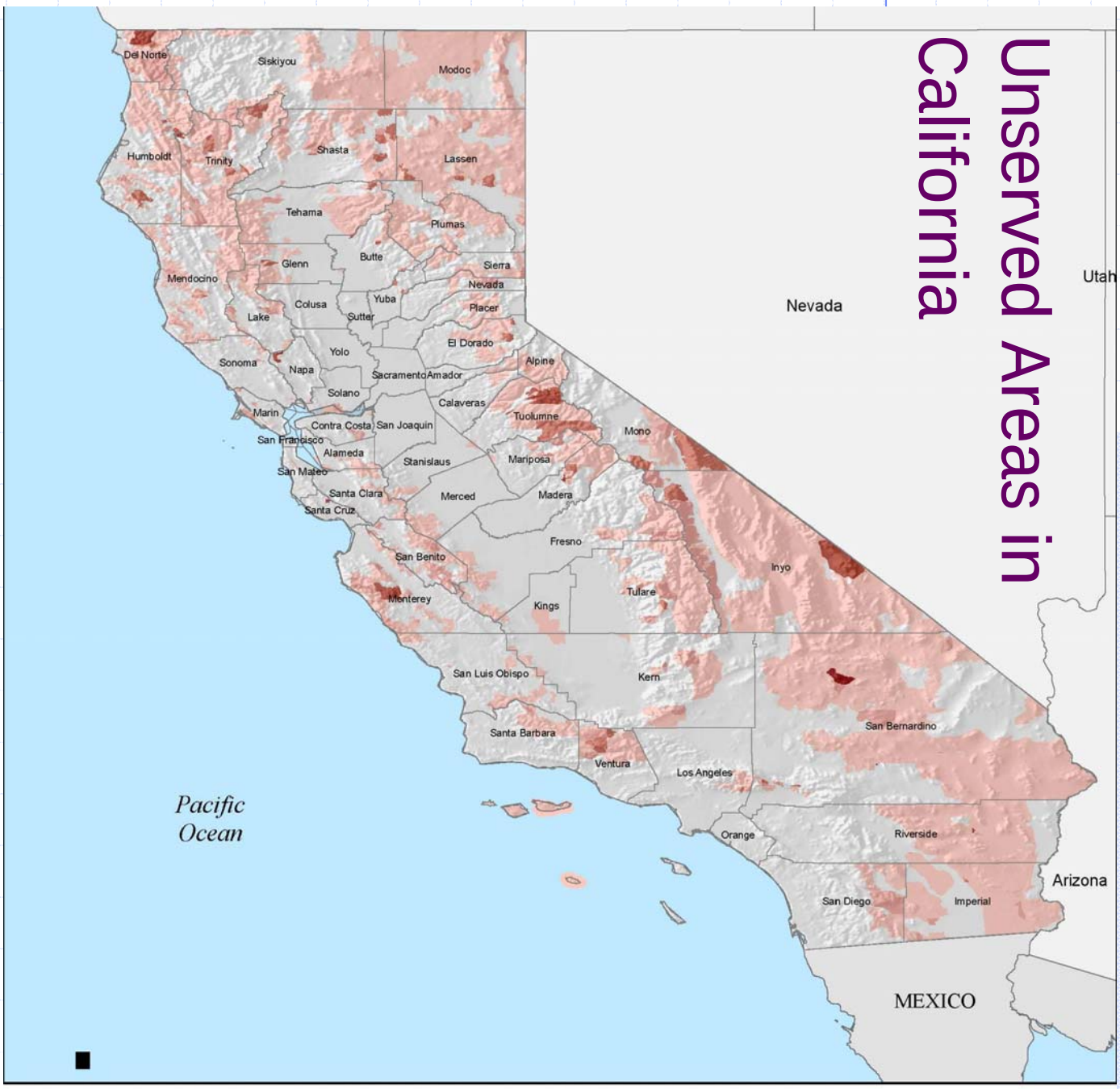
Purpose of USF = DTS

- Universal Service:
  - Service to highest cost, unserved/underserved areas
  - Satisfies Texas PUC's stringent ETC and ETP standards
  - Reasonable pricing
  - Lifeline/Link-Up
- Our customers need DTS

The Focus on the Remaining Unserved Areas

- Telephony can be ubiquitous
- Satellite technology advances
- RLEC advances
- Broadband goals achievable
- DTS Plans

Unserved Areas in California



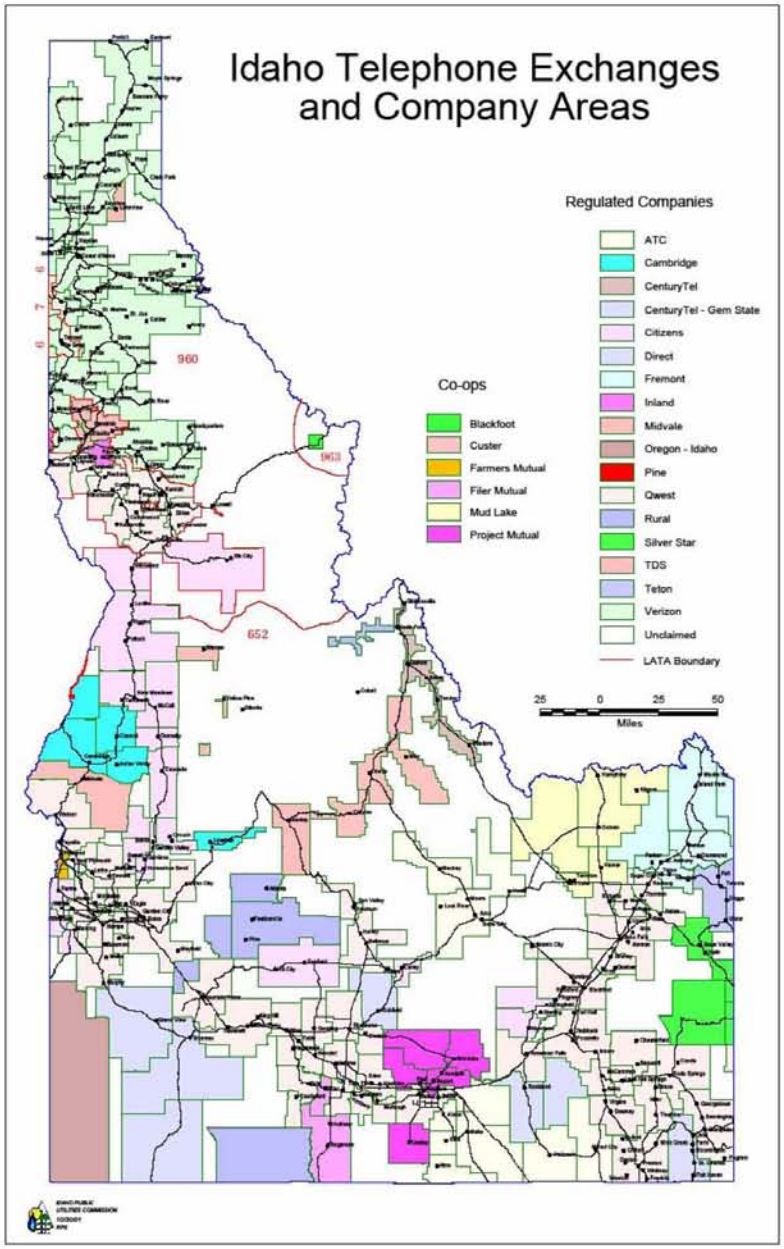
Housing Units per Census Block

- 0 - 10
- 11 - 40
- 41 - 100
- 101 - 300
- Over 300

Approximately 61,000 housing units in unfiled territory in California

0 100 200 Miles

0 160 320 Kilometers


Idaho Telephone Exchanges
and Company Areas
Regulated Companies
ATC
Cambridge
CenturyTel
CenturyTel - Gem State
Citizens
Direct
Fremont
Inland
Midvale
Oregon - Idaho
Pine
Qwest
Rural
Silver Star
TDS
Teton
Verizon
Unclaimed
LATA Boundary
Co-ops
Blackfoot
Custer
Farmers Mutual
Filer Mutual
Mud Lake
Project Mutual
960
963
652
25
0
25
50
Miles

The problem: the CETC Cap

- The CETC Cap–
  - Interferes with our ability to serve customers and execute our business plan
  - Prevents our entry into new states
  - Reduces incentives to serve the underserved
  - Gives ILECs unfair competitive advantage
- Cap harms consumers and the public interest

Solution: Repeal the Cap

- Cap is unnecessary
  - Does not address real causes of rapid USF growth
  - Verizon/Alltel and Sprint/Clearwire merger conditions resolve majority of fund growth issue
- Cap impedes long-term reform
  - Majority of current Commissioners opposed it
- Procedure: grant Rural Cellular Association's petition for reconsideration (filed 8/1/08)

Alternative: Modify the Cap

- Broaden the exemptions from the cap:
  - Exempt unserved areas
  - Exempt extremely rural exchanges
    - *E.g.*, <10 households per square mile
  - Exempt higher cost areas
    - Focus cap on areas receiving minimal support ($10 or less per line per month)
- Eliminate cap on CETCs other than those subject to merger conditions

Clarify Implementation of the Cap

- Lack of transparency creates uncertainty
  - Cap Order contradicted by C.F.R. rules
- Problems with USAC implementation
  - *E.g.,* Calculation of “state reduction factors”
  - No written documentation explaining USAC’s methodology

Clarify Impact of Verizon/Alltel and Sprint/Clearwire USF Merger Conditions (1)

- Lack of transparency
  - No written rules or policies
  - Descriptions of the merger conditions in the two Orders are brief, unclear, and possibly inconsistent with one another
  - No input from other CETCs on implementation details
- The USF merger conditions on Verizon/Alltel and Sprint/Clearwire could affect USF for other CETCs
  - Are VZ/Alltel and Sprint revenues in March 2008 included in the baseline amount for the generic CETC cap?
  - Are current VZ/Alltel and Sprint revenues included in the calculation of the generic cap "state reduction factors"?

Clarify Impact of Verizon/Alltel and Sprint/Clearwire USF Merger Conditions (2)

- Cap Order was intended to limit total CETC support in each state to the amount in March 2008 base period
  - FCC/USAC could achieve these goals, while taking merger conditions into account, by factoring in the merger-related USF reductions when calculating "state reduction factors"
  - In some states, VZ/Alltel and Sprint merger-related reductions might bring total CETC support down to or below March 2008 levels
    - Further reductions to other CETCs' support would be unnecessary
  - In other states, all CETCs' USF would go down, but the VZ/Alltel and Sprint merger-related reductions would mitigate the impact on other CETCs

Clarify Impact of Verizon/Alltel and Sprint/Clearwire USF Merger Conditions (3)

- Verizon and Sprint must not be allowed to unilaterally reduce their support more in some states than in others
  - Could be used strategically to affect USF payments to other CETCs
  - 20% annual reduction should apply uniformly in each state
- Clarify whether Verizon and Sprint are subject to <u>both</u> the generic CETC cap <u>and</u> the merger-related annual 20% reduction

Relevance of American Recovery & Reinvestment Act (stimulus bill)

- Stimulus funds eventually might help, but do not resolve USF problems caused by CETC cap
- CETC cap contrary to policy goals in ARRA
  - Create jobs
  - Deploy broadband
  - Serve rural residents that do not have service
  - Serve public safety entities
  - Competitive and technological neutrality
  - Intent that as many entities as possible be eligible, including satellite providers

DialToneServices