Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
A National Broadband Plan for Our Future	)	GN Docket No. 09-51
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337

NOTICE OF INQUIRY AND NOTICE OF PROPOSED RULEMAKING

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Comment Date: (60 days from publication in the federal Register)
Reply Comment Date: (90 days from publication in Federal Register)

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I. INTRODUCTION

Madison Telephone, LLC ("Madison") submits these comments in response to the Federal Communications Commission's ("FCC") Notice of Inquiry and Notice of Proposed Rulemaking, FCC 10-58, "In the Matter of Connect America Fund", WC Docket No, 10-90, "A National Broadband Plan for Our Future", GN Docket No. 09-51, and "High-Cost Universal Service Support", WC Docket 05-337 ("Order").

Madison believes that the goals within the National Broadband Plan ("NBP") are admirable. However, the means of achieving these goals include initiatives that are a major concern for the rural Incumbent Local Exchange Carriers ("ILECs"). Most rural ILECs have already implemented broadband within their service areas, or are in the process of completing projects for broadband. Madison's broadband stimulus application reflected the following estimates for broadband deployment:

Class of Customer	2009 Broadband Penetration Rate	2015 Anticipated Broadband Penetration Rate
Residential – City	16%	52%
Residential – Rural	42%	87%
Business	25%	93%
Total	34.6%	76.8%

The initial costs of implementing these broadband networks and the ongoing costs of maintaining these broadband networks are being indirectly supported by existing universal service programs that generally provide greater than fifty percent of the loop cost recovery in rural service areas. To this end, rural ILECs believe the objectives established under existing Universal Service Fund ("USF") support programs are being achieved and only minimal changes are necessary to modify the universal service program to address the FCC's broadband initiatives outlined in its NBP. These initiatives address both broadband availability in unserved areas and recommendations for targeted upload and download speeds as defined by the FCC in the NBP. Madison understands the importance of broadband availability in its study area as shown in the above penetration rates. However, Madison can only continue to maintain its broadband network with continued support from universal service support mechanisms or alternatively from the FCC's proposed broadband support mechanism referred to as the Connect America Fund ("CAF").

With these comments, Madison specifically addresses the following key question from Paragraph 53 of the Order:

"To the extent that any commenter believes that these proposals, or the proposal to cap legacy high-cost support, would negatively affect affordable voice services for customers today, we would encourage such a commenter to identify all assumptions and to provide data, including information on network investment plans over the next five years, and free cash flows to support that position".

In these comments, Madison includes supporting financial documentation that demonstrates how the proposed changes to the legacy "USF" support mechanisms are not favorable for the continuance of universal service in rural areas without sufficient replacement support and may jeopardize the financial viability of Madison Telephone Company.

II. BACKGROUND

As of December 31, 2009, Madison served 567 one-party residential, single-line and multi-line business lines, including 36 Life-line customers, in the east central portion of the State of Kansas from our office in Madison. We have a staff of 11 employees, offer wireline voice services, wireless (resale), and broadband services. We recently applied for and were granted broadband stimulus funds to offer broadband services to the underserved consumers in our service area.

Madison's local exchange area covers approximately 200 square miles, with approximately 682 households and businesses, for a density of 3.4 units per square mile. Madison is installing a soft switch during 2010, is Communication Assistance to Law Enforcement Act ("CALEA") compliant, and meets all of the requirements of an Eligible Telecommunications Carrier ("ETC"), including Carrier of Last Resort ("COLR").

Madison is responsive to the needs of our customers and takes pride in providing quality voice and data services that meet the needs of our customers because our customers are also our neighbors.

When we applied for the stimulus funds, we prepared financial support and the related business case based on current FCC rules and regulations, including the continuation of legacy USF support. The information provided in our comments is based on the financial information from our stimulus application, modified for the National Exchange Carriers Association's ("NECA") anticipated National Average Cost per Loop ("NACPL"). This information is considered "Business as Usual" which was subsequently adjusted to include the proposed changes as outlined in the Notice of Inquiry for the NBP.

III. REVENUE SOURCES

Madison received its 2009 revenues from the following sources: our end user customers, including Local Services, End User Common Line ("EUCL"), Federal End User Charge ("FUSC"), state USF Surcharge, and Internet; Network Access billed to Carriers, and NECA pool settlements; resold Long Distance and Miscellaneous Revenue; state USF and federal USF which includes Local Switching Support ("LSS"), Interstate Common Line Support ("ICLS"), and High Cost Loop ("HCL") revenue. The EUCL, LSS, and ICLS support amounts are actually part of interstate revenue requirement.

Based on the year-end 2009 access lines of 567, the 2009 revenue per line, per month from the above sources is as follows:

2009 Revenue Source	2009 Monthly Amount Per Line
End User	$ 44.14
Network Access (including NECA settlements)	20.55
Long Distance and Miscellaneous	8.22
State USF Support	36.46
Federal USF Support	148.84

Combined state and federal USF support is $185.30 per line, per month or 72% of Madison's revenue. Exhibit I, *"2009 Monthly Revenue Source per Line"*, provides a pie chart for this information and also includes the chart's supporting information.

Exhibit I also shows the effect of the FCC's proposals by year 2015 from phasing down federal USF support and decreasing minute-of-use access rates by 50%. The data for 2015 represents the half-way point in the FCC's proposal to eliminate minute-of-use changes by the year 2020. However, it is anticipated that Madison's access lines will increase to 676 by 2015 due to the increased availability of broadband made available with the stimulus loan amount, particularly to our rural customers. The proposed changes to the existing revenue sources are anticipated to produce the following revenue per line, per month:

2015 Revenue Source	2015 Monthly Amount Per Line
End User	$ 57.45
Network Access (including NECA settlements)	8.95
Long Distance and Miscellaneous	6.68
State USF Support	28.16
Federal USF Support	64.82
Unknown to Stay Whole (CAF?)	89.89

For the year 2015, total state and federal USF support is projected to be $92.98 per line, per month or 36% of total revenues. The 2015 revenue shortfall between "Business as Usual" and the NBP is $89.89 per line per month, or 35% that will need to be supported from unknown sources for Madison to maintain the quality voice and data services that have been provided to our customers and are expected to be provided by our customers.

Exhibit II, *"Comparison of Current ICLS Projection vs. Frozen at 2010 Level Per Line"*, provides a bar chart to display the comparison of ICLS between the current projection and frozen at the 2010 levels of $502.40 per line. As the lines increase, and using the 2010 level of support per line, the difference between unfrozen and frozen will be ($76,826) in 2011 and ($22,227) by 2016. ICLS represents total network loop costs that are maintained even when lines are lost. Since Madison anticipates that lines will increase, the gap between unfrozen ICLS and frozen ICLS narrows between 2011 and 2016. Generally, when lines decrease the gap between frozen and unfrozen ICLS broadens.

IV. BENCHMARK END USER RATES

Based on 2009 levels and assuming that all 567 lines subscribe to local services and long distance, and using DSL lines to calculate the average internet revenue, Madison received $74.95 per month, per line. The average revenue amount for local that was used in Exhibit I was based on total access lines. Exhibit I indicates end user revenue at $44.14, but this excludes long distance revenue which is stated separately for that exhibit. For purposes of benchmarking, we used the $74.95 as the comparable rate.

Exhibit III, *"Monthly Revenue Shortfall from Covering Expenses at Comparable Rural/Urban/Wireless End User Benchmark Rates"*, provides a comparison between the amount from Madison's end users of $74.95 to an actual AT&T urban voice-line statement of $70.56 and an actual Sprint wireless statement of $69.24. Using Madison's 2010 total company expenses less special access and miscellaneous revenue, the per-line, per month expense amount that would not be recovered with end user revenue would be $199.78 at Madison's revenue per line rate; $198.40 the urban wireline rate; and $183.18 at the wireless rate. This shortfall does not include an amount for a return on investment.

The information provided in Exhibit III demonstrates that Madison's end user rates, as well as those of a comparable urban wireline rate and a comparable wireless rate, do not generate sufficient revenue from local, broadband and long distance subscribers to cover the expenses associated with the provisions of quality services in our rural area.

V. INVESTMENTS FOR BROADBAND

Madison applied for stimulus funds, based on 50% from the fund and 50% from a Rural Utilities Service ("RUS") loan. Exhibit IV, *"Projected Net Investment"*, is a bar chart that provides the anticipated net investment from the granting of the stimulus funds and the portion of the capital expenditures from a RUS loan that is included in rate base.

VI. COMPARISON OF PROJECTED HCL SUPPORT

The financial information for the stimulus application included an amount for HCL, LSS and ICLS. At the time of the application, the FCC's proposals were not published. Estimating the future HCL support has always been difficult as the NACPL has been a "best guess" amount. Our consultants, Warinner, Gesinger and Associates, LLC (WGA) estimated the NACPL at $453.81 (calendar year 2009) for payment year 2011 and increased this by $32.50 per year through 2016 to $616.31 (calendar year 2014). NECA in June 2010, for the first time, released its projected NACPL for the 2011 payment year at $464.78 which due to the negative rural growth factor of minus 3.5% increases to $743.74 by 2015 (payment year 2013).

As shown on Exhibit V, *"Impact of the NACPL"*, the difference in the anticipated NACPL reflects a reduction in support, on a cumulative basis, of $338,605 by 2016. Madison's stimulus application was based on WGA's estimated NACPL, which is considerably lower than NECA's numbers. As shown in this exhibit, freezing the HCL support at the 2010 level does not provide HCL support for Madison's new fiber investment to be placed in service in the years 2010 and 2011.

VII. CASH FLOW PROJECTION

Presented in Exhibit VI, "Cash Flow Projection", is information related to cash flow through 2016 comparing "Business as Usual" to the impact of the proposals associated with the NBP changes. The decrease in cash flow for "Business as Usual" is directly related to the increase in the NACPL which reduces the amount of anticipated HCL support. The positive cash flow shown in 2013 is due to the anticipated additional settlement and HCL support from Madison's new fiber investment.

The "Business as Usual" revenues were adjusted to provide the NBP cash-flow revenue amounts as follows: (1) ICLS revenue was based on the 2010 support per line (Exhibit II) and, (2) HCL support, state and federal access was phased down by 10% per year.

The NBP's proposals regarding phasing down, or eliminating traditional access revenues, will have a negative impact on our revenue. Federal access rates are lower because the EUCL was implemented by the FCC to remove access charges paid by carriers and recover a portion of this from the end user. The EUCL and the ICLS support amount, also implemented by the FCC to remove access charges paid by carriers, allow cost companies to recover their interstate Carrier Common Line (CCL) revenue requirement through the explicit ICLS mechanism. Kansas access rates are lower because of state USF support.

If the FCC adopts the NBP proposed elimination of access charges or takes the rate to an arbitrary level of say $0.007, Madison will require a replacement revenue source for both interstate and state access revenue in order to maintain its current level of services and meet their debt service obligations. Madison assumes that the replacement of intrastate access may also require approval of the State Commission.

Without support for the NBP proposed changes to the legacy USF support mechanisms, Madison's cash flow are negative for the years 2010 through 2016, ranging from ($131,376) to ($235,652), respectively. At this level, Madison will not be able to meet debt service requirements and its ongoing financial viability will be seriously questioned.

Projected NBP cash flow revenues do not include any revenue from an unknown source or the proposed Connect America Fund (CAF) to replace the lost revenue resulting from decreases in access and the changes in legacy USF support.

VIII. OPINION SUMMARY

Madison's revenue is generated from end users, carriers and universal support (Exhibit I). Even if local rates are set at comparable rates to an urban landline provider or a wireless provider, the revenues generated on Madison lines will not cover our operating expenses (Exhibit III).

Madison presents the financial documentation to the FCC to support our opinion that the proposals to cap the legacy high-cost support at 2010 levels, and phase-out the legacy high-cost funding by 2020 will negatively affect the affordable and dependable voice and data services for our customers. It is important for the FCC to ensure that any replacement support will be adequate to support the goals of universal service. To date, we have no way of anticipating what the new support mechanism may be.

Madison Telephone Company respectfully requests that the FCC consider the impact to the rural companies in its changes to the legacy USF support mechanisms as the FCC adopts policies that may cap the legacy high-cost programs or replace it with the CAF. As our financial information demonstrates, Madison serves a high-cost area. To achieve the universal service goal of affordable, comparable rates, Madison requires USF or CAF to maintain affordable quality services to our customers.

If the proposals, as set forth by the FCC in the Notice of Proposed Rulemaking are implemented without an adequate and sustainable revenue replacement, Madison Telephone, LCC may no longer be considered a financially viable business and its debt obligations will need to be restructured.

The data presented by Madison Telephone LLC in Exhibits I, II, III, IV, V and VI appropriately represents the financial information that supports our comments. However, if the Federal Communications Commission desires to review the supporting data behind the exhibits, this financial data will be provided upon request in a confidential manner as restricted information not available to the public.

Respectfully submitted,

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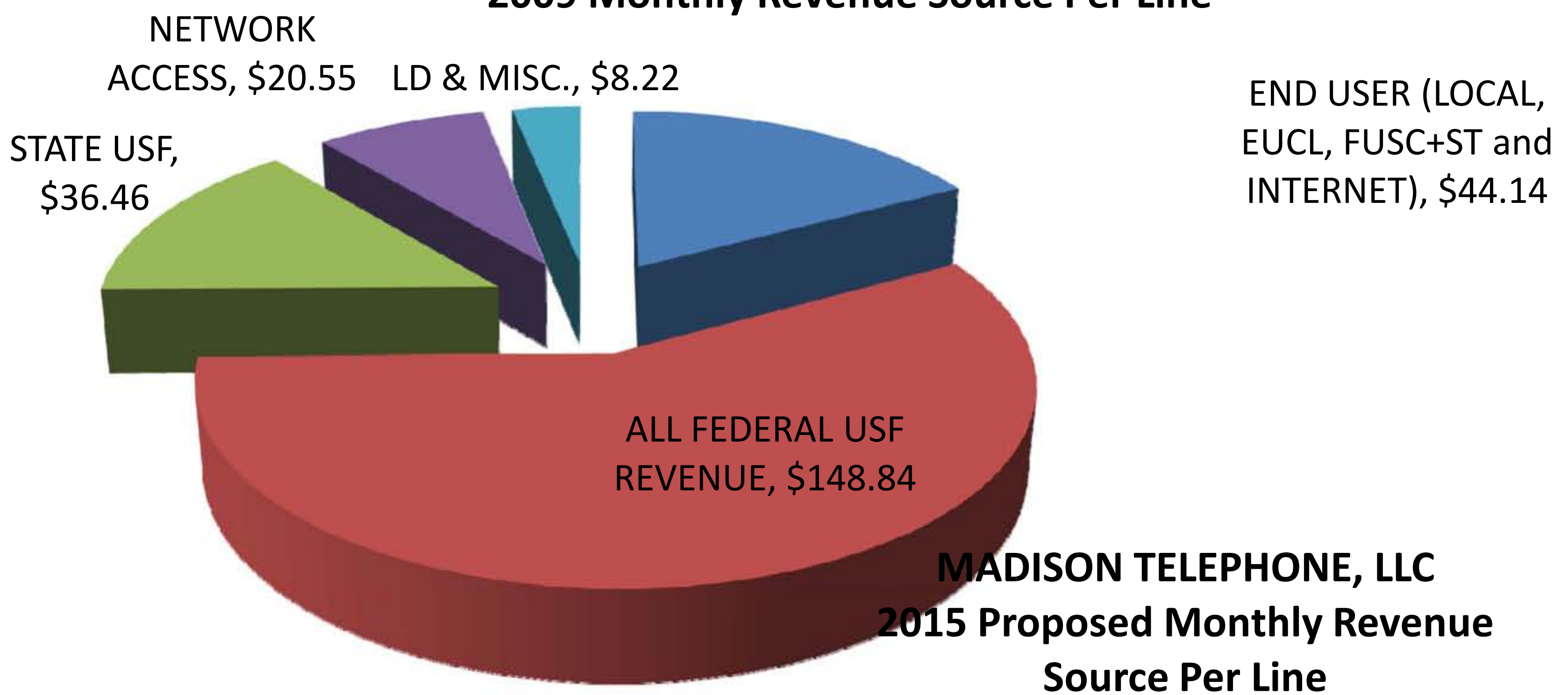
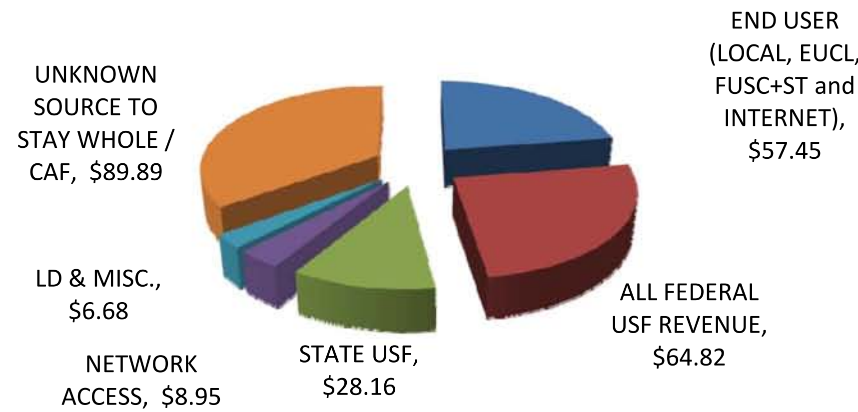
Submitted by ECFS

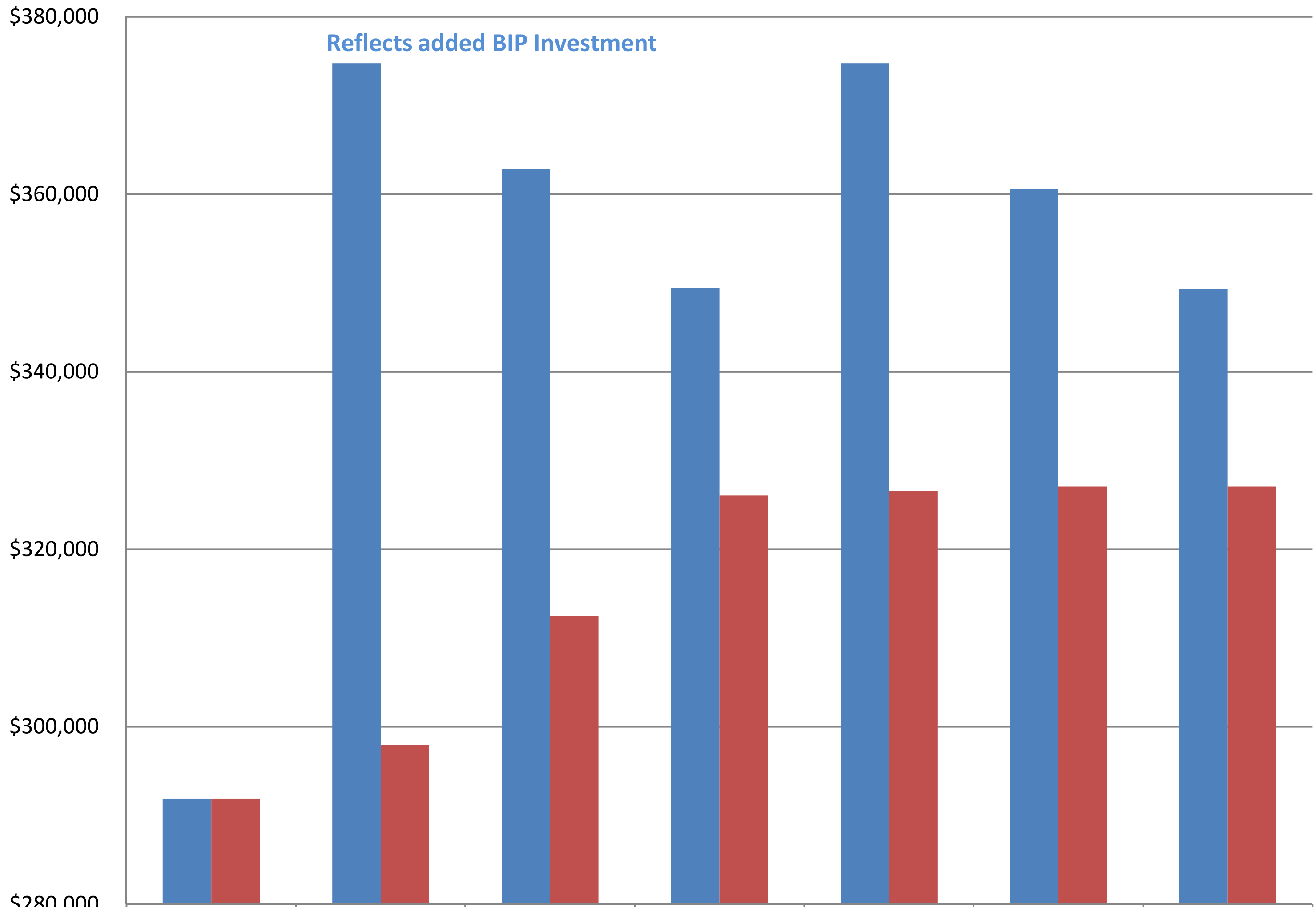
MADISON TELEPHONE , LLC
2009 Monthly Revenue Source Per Line



MADISON TELEPHONE, LLC
2015 Proposed Monthly Revenue Source Per Line



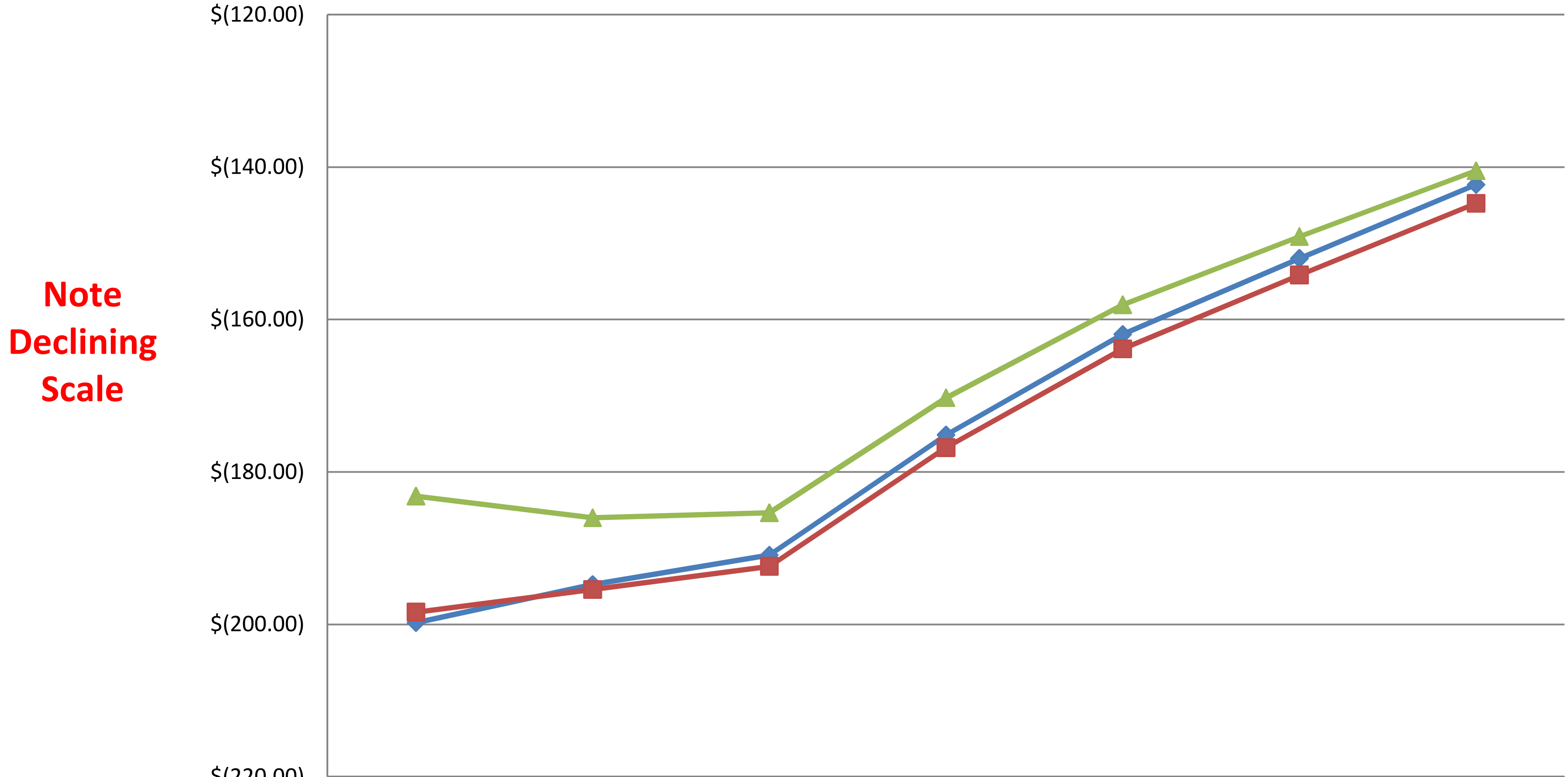
MADISON TELEPHONE, LLC
Comparison of Current ICLS Projection vs. Frozen at 2010 Level Per Line



	2010	2011	2012	2013	2014	2015	2016
Projected ICLS (unfrozen):	291,897	374,752	362,918	349,481	374,753	360,623	349,292
ICLS - frozen @ 2010 Per Line Amt	291,897	297,926	312,496	326,061	326,563	327,065	327,065

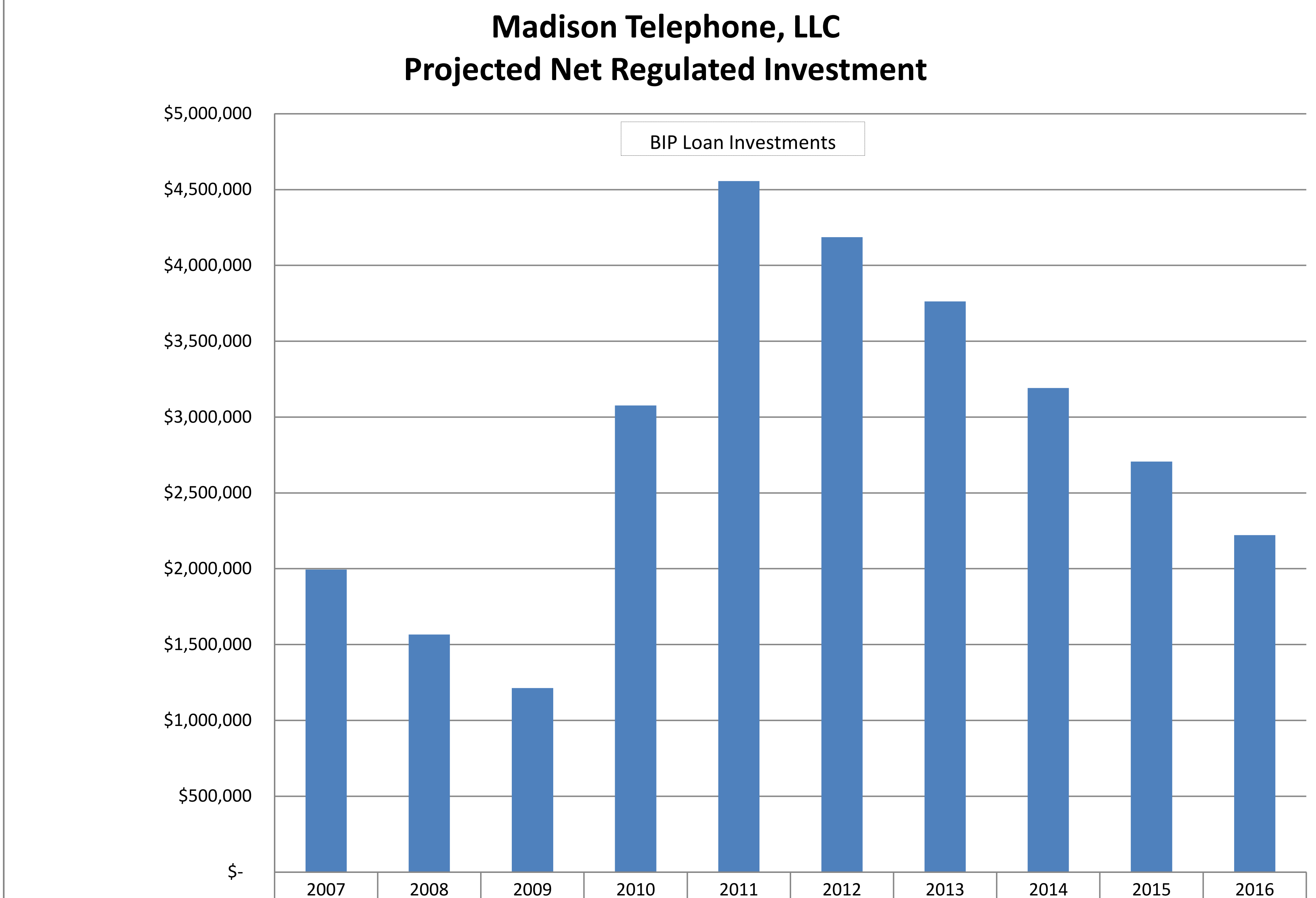
Exhibit III

MADISON TELEPHONE, LLC
Monthly Revenue Shortfall from Covering Operating Expenses at Comparable Rural/Urban/Wireless End User Benchmark Rates
(Does NOT Include ANY Return on Rate Base)



	2010	2011	2012	2013	2014	2015	2016
AT ILEC'S RATES	$(199.78)	$(194.78)	$(190.90)	$(175.15)	$(161.96)	$(151.99)	$(142.33)
AT AT&T'S RATES	$(198.40)	$(195.42)	$(192.39)	$(176.80)	$(163.87)	$(154.16)	$(144.77)
AT SPRINT'S WIRELESS RATES	$(183.18)	$(186.02)	$(185.37)	$(170.27)	$(158.08)	$(149.11)	$(140.49)

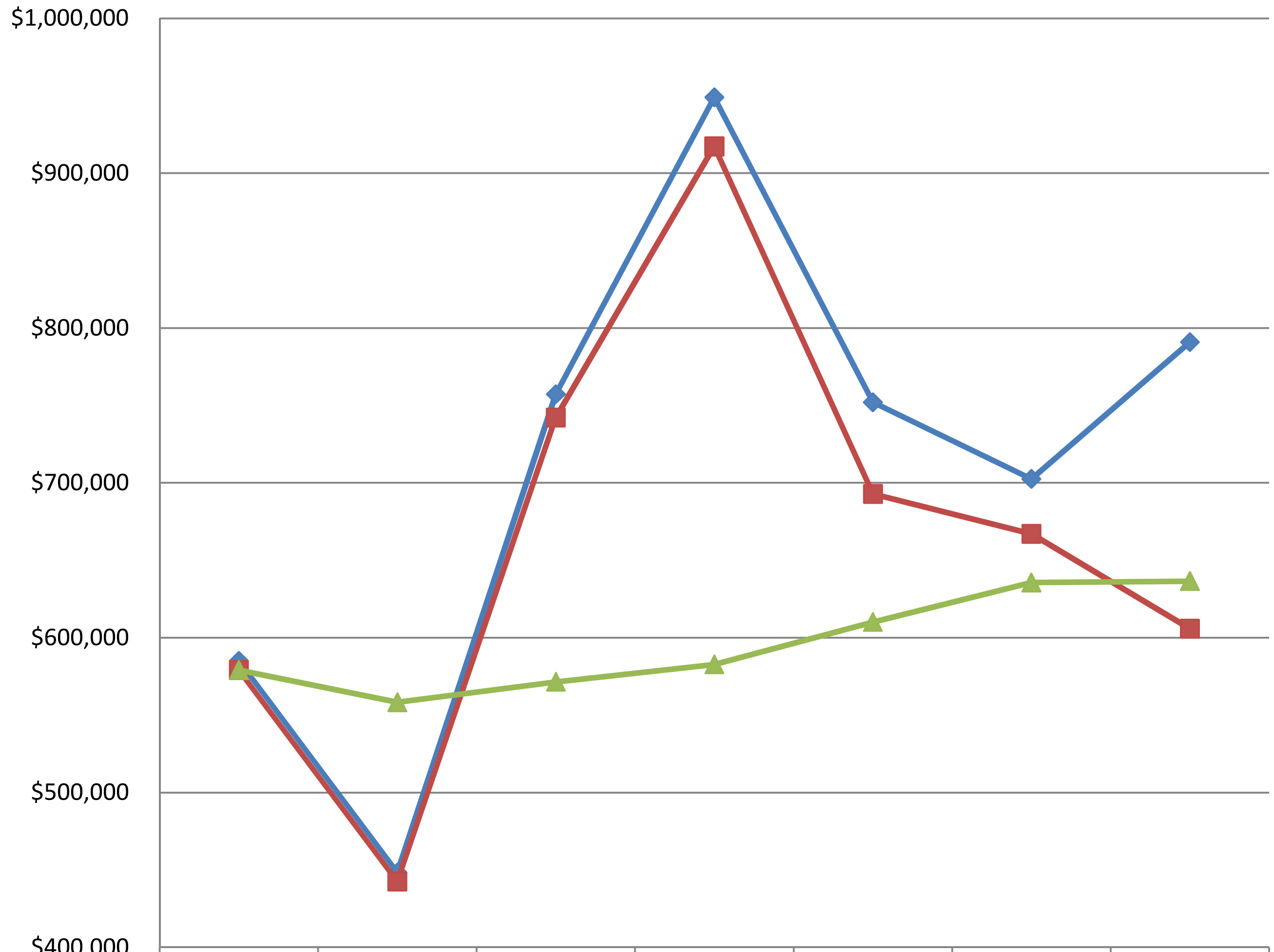
Exhibit IV



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net Regulated Investment	$1,994,44	$1,566,95	$1,212,99	$3,076,39	$4,555,84	$4,185,64	$3,762,60	$3,192,14	$2,706,73	$2,221,32

Exhibit V

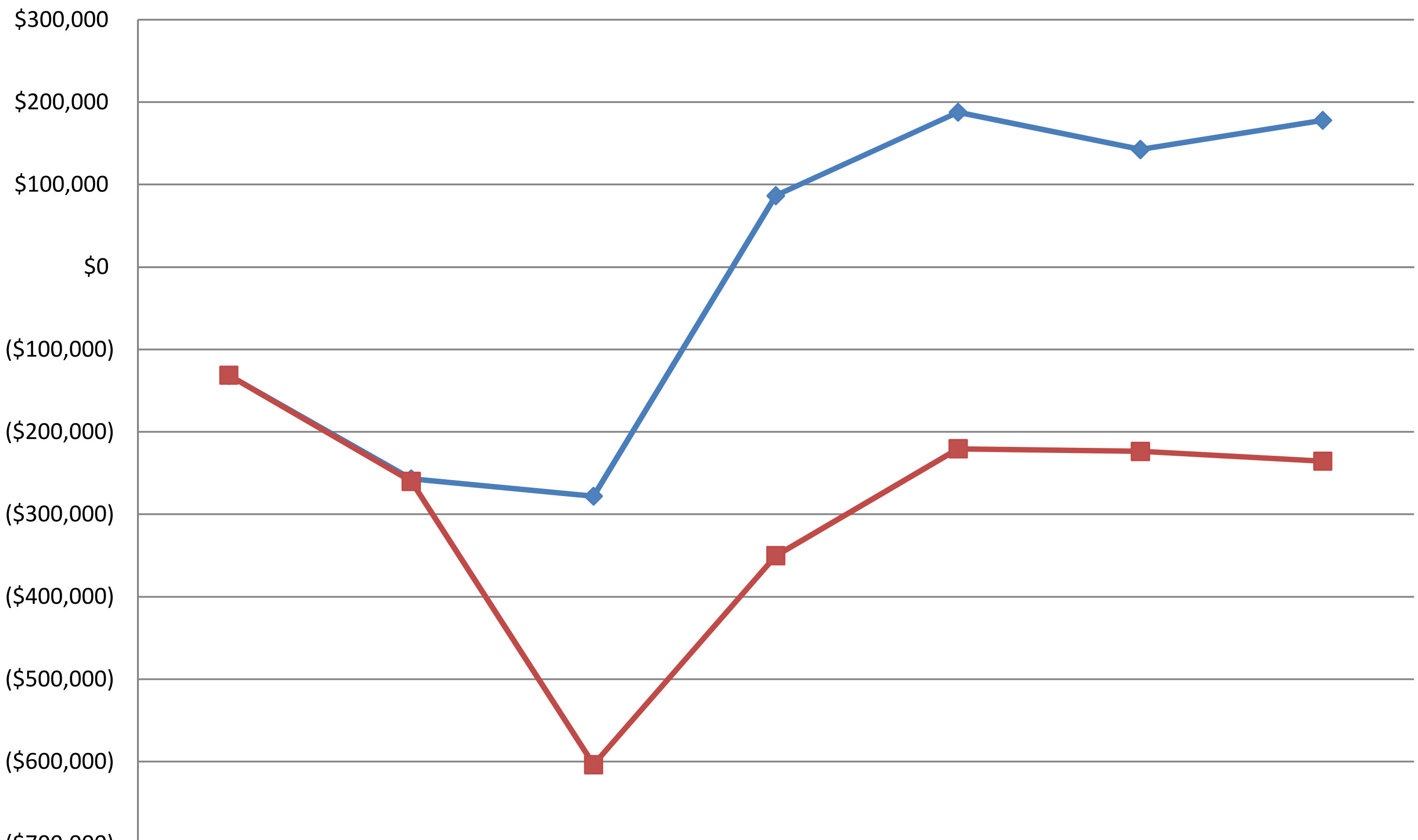
Madison Telephone, LLC
Projected High Cost Loop Support



	1	2	3	4	5	6	7
HCL Support @ NACPL Used in BIP App	$585,059	$448,365	$757,334	$949,059	$752,116	$702,586	$791,007
HCL Support @ NACPL Projected by NECA	$579,003	$442,536	$742,230	$917,311	$692,834	$667,099	$605,908
HCL Support if Amount/Line Frozen at 2010 Level	$579,003	$558,257	$571,459	$582,775	$610,122	$635,583	$636,526

Exhibit VI

MADISON TELEPHONE, LLC
Cash Flow Projection
(With ICLS, HCL, State and Interstate Access Reduced 10% Per Year)



	2010	2011	2012	2013	2014	2015	2016
Business As Usual Cash Flow	$(131,376)	$(256,882)	$(277,882)	$86,563	$187,761	$142,624	$178,053
NBP Cash Flow	$(131,376)	$(260,011)	$(603,753)	$(350,198)	$(220,508)	$(223,686)	$(235,652)