LAW OFFICES
BLOOSTON, MORDKOFSKY, DICKENS, DUFFY & PRENDERGAST, LLP
2120 L STREET, NW, SUITE 300
WASHINGTON, DC 20037

(202) 659-0830
FACSIMILE: (202) 828-5568

HAROLD MORDKOFSKY
BENJAMIN H. DICKENS, JR.
JOHN A. PRENDERGAST
GERARD J. DUFFY
RICHARD D. RUBINO
MARY J. SISAK
D. CARY MITCHELL
SALVATORE TAILLEFER, JR.

ARTHUR BLOOSTON
1914 – 1999

AFFILIATED SOUTH AMERICAN OFFICES
ESTUDIO JAUREGUI & ASSOCIATES
BUENOS AIRES, ARGENTINA

ROBERT M. JACKSON
OF COUNSEL

PERRY W. WOOFTER
LEGISLATIVE CONSULTANT

EUGENE MALISZEWSKYJ
DIRECTOR OF ENGINEERING

WRITER'S CONTACT INFORMATION
(202) 828-5528
gjd@bloostonlaw.com

April 13, 2011

Filed Via ECFS
Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

RE: WC Docket Nos. 10-90, 07-135, 05-337 and 03-109, GN Docket No. 09-51 and CC Docket Nos. 01-92 and 96-45

Dear Ms. Dortch:

On April 12, 2011, Paul Kelly of Cordova Telephone Cooperative, Inc.; Doug Neal of OTZ Telephone Cooperative, Inc.; Al Pedersen of Sandwich Isles Communications, Inc.; Rob Strait of Alexicon, Inc.; and Derrick Owens and Gerard Duffy representing the Western Telecommunications Alliance met with Carol Mattey, Rebekah Goodheart, Amy Bender, Patrick Holley, Gary Seigel, Ted Burmeister, Katie King, Kevin King and Doug Slotten of the Wireline Competition Bureau, to discuss the Commission's pending universal service and intercarrier compensation rulemaking in the referenced dockets, both generally and with respect to its impact upon Alaskan and Hawaiian rural carriers.

Rob Strait presented the attached financial impact analysis that Alexicon, Inc., his consulting firm, has prepared for Cordova Telephone Cooperative, Inc. and five clients in the continental United States. This analysis showed that the impact of the Commission's proposed "near term changes" to high-cost support mechanisms would reduce the averaged minimum Times Interest Earned Ratio ("TIER") of the six companies below 1.0, thereby placing most or all of them in default with respect to the covenants of their existing Rural Utilities Service ("RUS") loans. There was some discussion of Alexicon's assumptions regarding interstate and intrastate access revenues under the Commission's proposals, but Mr. Strait pointed out that the high cost support decreases alone would place most or all of the companies in violation of their TIER requirements.

Messers. Kelly, Neal and Pedersen discussed the unique circumstances and very high costs of serving rural Alaska and Hawaii, particularly the Alaskan Native Lands and Hawaiian Home Lands served by their companies. The very high construction, maintenance, transportation and other costs to serve rural Alaska and Hawaii have required very substantial federal high-cost support. Any significant reduction of this essential revenue stream for Alaskan and Hawaiian rural carriers not only would halt their future deployment of broadband services, but also would put them in default on their existing loans and threaten the viability of their

existing operations. At the very minimum, Messers. Kelly, Neal and Pedersen strongly urged that the Commission carve out an exception or special high-cost mechanism for Alaskan and Hawaiian rural carriers.

Pursuant to Section 1.1206(b) of the Commission's Rules, this submission is being filed for inclusion in the public record of the referenced proceedings.

Respectfully submitted,

Gerard J. Duffy

cc: Carol Mattey
Rebekah Goodheart
Amy Bender
Patrick Holley
Gary Seigel
Ted Burmeister
Katie King
Kevin King
Doug Slotten

Alexicon Client Financial Impact Analysis
Impact of FCC's NPRM Proposed Revisions to USF and ICC
Released February 2011 - Six Year Financial Forecast

		2011	2012	2013	2014	2015	2016
		12/31/11	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16

Current Rules - Forecasted Revenues for USF/ICC (see footnote 1)

1	Federal HCL Support and SNA	$ 13,917,067	$ 13,934,220	$ 15,767,442	$ 16,542,880	$ 16,868,169	$ 16,576,888
2	End User Common Line	$ 1,426,840	$ 1,385,202	$ 1,346,890	$ 1,315,146	$ 1,298,799	$ 1,282,890
3	Interstate Access	$ 5,222,445	$ 6,823,054	$ 7,491,387	$ 7,919,538	$ 7,829,727	$ 7,836,649
4	ICLS & LSS Support	$ 10,534,897	$ 10,534,897	$ 10,534,897	$ 10,534,897	$ 10,534,897	$ 10,534,897
5	Intrastate Access	$ 1,794,104	$ 1,782,839	$ 1,759,801	$ 1,734,118	$ 1,721,803	$ 1,709,939
6	**Total USF and ICC Revenues**	**$ 32,895,353**	**$ 34,460,212**	**$ 36,900,417**	**$ 38,046,580**	**$ 38,253,396**	**$ 37,941,263**
7							
8	**Net Income**	**$ 4,530,770**	**$ 2,111,771**	**$ 2,688,733**	**$ 3,401,339**	**$ 4,185,501**	**$ 3,342,211**
9	**Increase (Decrease) Current Period Cash**	**$ (425,079)**	**$ (1,651,476)**	**$ 548,587**	**$ 2,831,877**	**$ 4,312,322**	**$ 3,609,977**
10							
11	**TIER**	**3.18**	**1.72**	**1.88**	**2.21**	**2.63**	**2.44**

FCC NPRM Forecasted Revenue Impact to USF/ICC

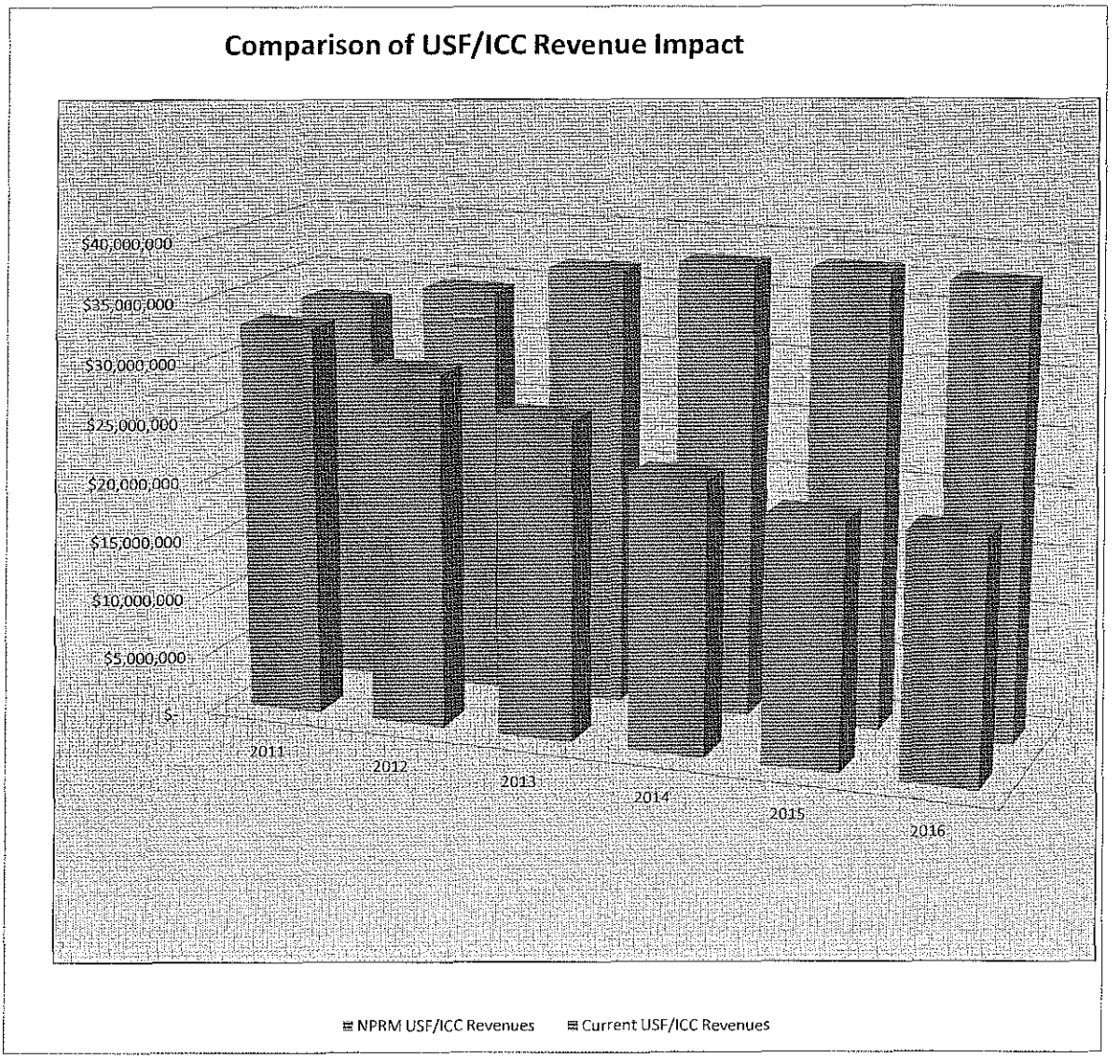
12	Federal HCL Support & SNA (footnote 2)	$ 13,825,243	$ 12,558,915	$ 12,886,217	$ 12,415,236	$ 12,689,956	$ 12,481,066
13	End User Common Line (footnote 3)	$ 1,426,840	$ 1,690,163	$ 1,643,819	$ 1,605,502	$ 1,585,475	$ 1,565,985
14	Interstate Access (footnote 4)	$ 5,222,445	$ 5,114,441	$ 3,743,795	$ 1,978,935	$ -	$ -
15	ICLS & LSS Support (footnote 5)	$ 10,534,897	$ 9,103,410	$ 7,719,997	$ 6,442,212	$ 6,442,212	$ 6,442,212
16	Intrastate Access (footnote 4)	$ 1,794,104	$ 1,356,650	$ 915,442	$ 546,222	$ 58,122	$ 56,826
17	Total USF and ICC Revenues	**$ 32,803,529**	**$ 29,823,578**	**$ 26,909,269**	**$ 22,988,107**	**$ 20,775,765**	**$ 20,546,089**
18							
19	**Net Income (footnote 6)**	**$ 4,438,721**	**$ (2,115,814)**	**$ (6,430,308)**	**$ (10,347,251)**	**$ (11,745,534)**	**$ (12,539,660)**
20	**Increase (Decrease) Current Period Cash**	**$ (508,680)**	**$ (5,317,970)**	**$ (7,953,472)**	**$ (10,318,194)**	**$ (11,406,015)**	**$ (12,051,241)**
21							
22	**TIER**	**$ 3.14**	**$ 0.28**	**$ (1.11)**	**$ (2.68)**	**$ (3.58)**	**$ (4.41)**

Increase (Reduction) per FCC NPRM Revisions

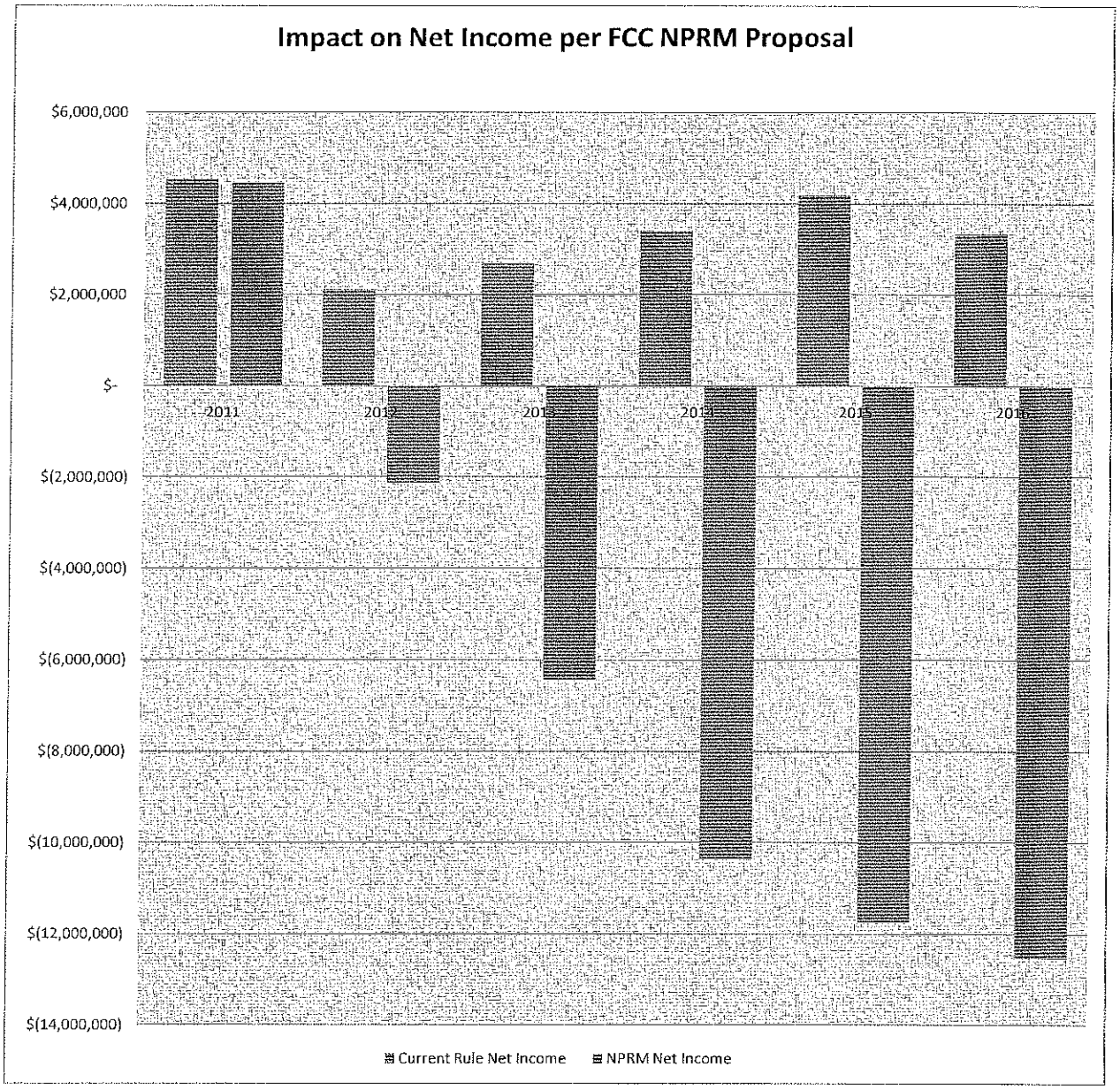
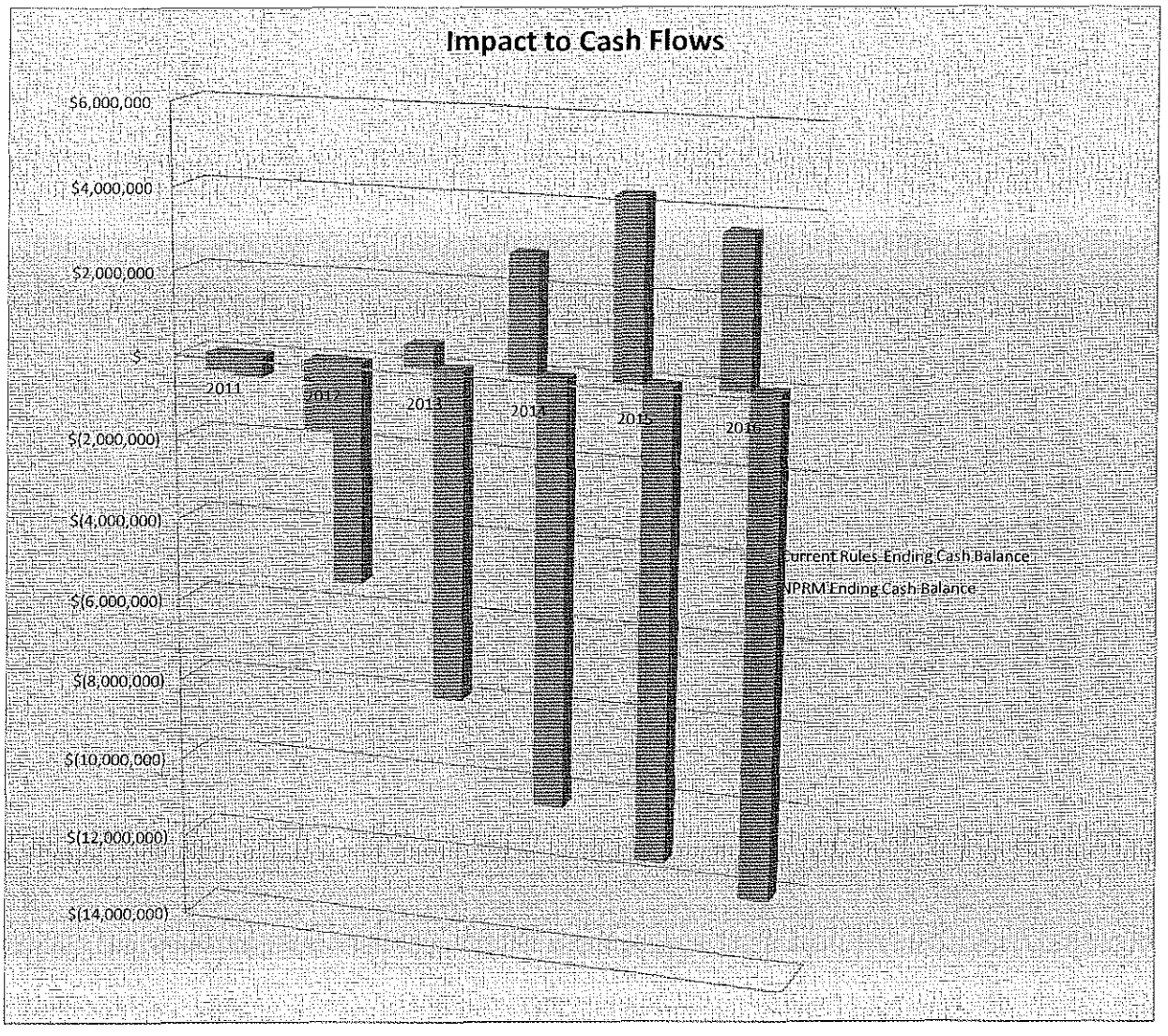
23	Federal HCL Support and SNA	$ (1,375,305)	$ (2,881,225)	$ (4,127,644)	$ (4,178,212)	$ (4,095,823)
24	End User Common Line	$ 304,961	$ 296,929	$ 290,356	$ 286,676	$ 283,095
25	Interstate Access	$ (1,708,613)	$ (3,747,593)	$ (5,940,603)	$ (7,829,727)	$ (7,836,649)
26	ICLS & LSS Support	$ (1,431,487)	$ (2,814,900)	$ (4,092,685)	$ (4,092,685)	$ (4,092,685)
27	Intrastate Access	$ (426,189)	$ (844,360)	$ (1,187,896)	$ (1,663,681)	$ (1,653,113)
28	**Total USF and ICC Revenues**	**$ (4,636,634)**	**$ (9,991,148)**	**$ (15,058,472)**	**$ (17,477,630)**	**$ (17,395,174)**
29	**% Reduction in USF & ICC Revenues**	**-13%**	**-27%**	**-40%**	**-46%**	**-46%**
30						
31	**Net Income (footnote 6)**	**$ (4,227,585)**	**$ (9,119,041)**	**$ (13,748,591)**	**$ (15,931,035)**	**$ (15,881,871)**
32	**% Reduction in Net Income**	**-200%**	**-339%**	**-404%**	**-381%**	**-475%**
33						
34	**Increase (Decrease) Current Period Cash**	**$ (3,666,494)**	**$ (8,502,059)**	**$ (13,150,071)**	**$ (15,718,337)**	**$ (15,661,218)**
35	**% Reduction in Cash**	**222%**	**-1550%**	**-464%**	**-364%**	**-434%**
36	**Average Increase to Monthly Local Rate**					
37	**TIER**	**$ (1.44)**	**$ (3.00)**	**$ (4.88)**	**$ (6.21)**	**$ (6.85)**
38						

39 Footnote 1: All revenues are calculated on a based on the current rules in place for Rate or Return ILECs under 47 CFR
40 Footnote 2: HCL USF revenues computed under current FCC NPRM proposal which includes reducing loop recovery percentaes from the
41 current 65%/75% thresholds to 55%/65%, elimination of corporate operations expense and potential reduction in the NACPL to NECA's
42 estimated $332.38 calculation. Note that Alexicon has not reviewed nor do we attest to teh accuracy of the NECA NACPL reduction.
43 SNA is included in this figure adn it is reduced to zero over a 4 year period.
44 Footnote 3: Interstate End User Common Line Revenues and increased for porposed SLC charge increases to $1.50 residential and
45 $2.30 multi-line business
46 Footnote 4: Interstate and Intrastate Traffic Sensitive Access revenues reduced over three years to zero. Under current ICC proposal
47 where "f" = 1.0 or higher of a carriers non-regulated revenues, no clients qualify for additional CAF.
48 Footnote 5: ICLS revenues reduced by the removal of corporate operations expenses, LSS revenue reduced to zero over a three year period.
49 Footnote 6: Net Income and Current Period Cash Flows are computed on the detail financial forecast
50 Footnote 7: TIER determines the ability of a company to pay back its loan. It is calculated taking (interest expense plus net income)
51 divided by interest expense. A TIER of less than 1.0 will indicates a company is in default on its loan.

Alexicon Client Financial Impact Analysis
Impact of FCC's NPRM Proposed Revisions to USF and ICC
Six Year Financial Forecast



Alexicon Client Financial Impact Analysis
Impact of FCC's NPRM Proposed Revisions to USF and ICC
Six Year Financial Forecast



Alexicon Client Financial Impact Analysis
Impact of FCC's NPRM Proposed Revisions to USF and ICC
Six Year Financial Forecast