



REDACTED – FOR PUBLIC INSPECTION

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September 22, 2011

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 Twelfth Street, S.W.  
Washington, D.C. 20554

**Re: WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109 Hopi Telecommunications, Inc. Notice of *Ex Parte* Presentation**

Dear Ms. Dortch:

This request for confidentiality is made on behalf of Hopi Telecommunications, Inc. (“HTI”) pursuant to the September 16, 2010 Protective Order in CC Docket No. 01-92, WC Docket Nos. 05-337, 07-135 and 10-90 and GN Docket No. 09-51.<sup>1</sup> HTI seeks confidential treatment of the data attached to the above-referenced Notice of *Ex Parte* Presentation.

Pursuant to paragraph 4 of the Protective Order, non-redacted and redacted versions are filed herewith. Each page of the non-redacted submission is marked “CONFIDENTIAL INFORMATION – SUBJECT TO PROTECTIVE ORDER IN CC DOCKET NO. 01-92, WC DOCKET NOS. 05-337, 07-135 AND 10-90 AND GN DOCKET NO. 09-51 BEFORE THE FEDERAL COMMUNICATIONS COMMISSION”. Each page of the redacted submission is marked “REDACTED - FOR PUBLIC INSPECTION”. The redacted version is also being filed this date via the FCC’s Electronic Comment Filing System.

Please contact the undersigned with any questions.

Respectfully submitted,

/s/ John Kuykendall

John Kuykendall  
Vice President  
on behalf of  
Hopi Telecommunications, Inc.

Attachment

cc: Lynne Hewitt Engledow, Wireline Competition Bureau (two copies non-redacted)

<sup>1</sup> See *Developing a Unified Inter-carrier Compensation Regime*, CC Docket No. 01-92, Protective Order, 25 FCC Rcd 13160 (WCB 2010)



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**Re: WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135,  
WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45,  
WC Docket No. 03-109  
Notice of *Ex Parte* Presentation**

Dear Ms. Dortch:

On September 20, 2011, Carroll Onsaie and Darlene Burden of Hopi Telecommunications, Inc. (collectively, the “HTI Representatives”) and John Kuykendall of John Staurulakis, Inc. (“JSI”) met with Joe Cavender, Kirk Burgee, and Patrick Halley of the Wireline Competition Bureau, also joined by Irene Flannery and Diana Coho of the Consumer & Governmental Affairs Bureau Office of Native Affairs and Policy (“ONAP”). Discussed were the impacts of proposed universal service reforms on operations of Hopi Telecommunications, Inc., a tribally-owned Eligible Telecommunications Carrier in Arizona serving the Hopi Reservation and the community of Jeddito. A copy of the presentation which was discussed at the meeting is attached. In the meeting, HTI representatives demonstrated the significant investment HTI has made in bringing state-of-the-art telecommunications and broadband services to the Hopi people and underscored the importance of continued federal Universal Service Fund (“USF”) and intercarrier compensation (“ICC”) support to meet loan commitments.

In particular, an acquisition loan from the Rural Utilities Service (“RUS”) and a considerable equity contribution from the Hopi Tribe have allowed for the acquisition of three exchanges from CenturyTel. Subsequent to this purchase, subscribers in these exchanges have benefitted from significant upgrades to facilities and services, HTI community involvement and Lifeline support awareness. In addition, HTI secured an American Recovery and Reinvestment Act (“ARRA”) loan/grant to fund expanded fiber-optic facilities. These fiber-optic connections combined with newly deployed satellite technology will provide for reliable and high speed connectivity to all HTI’s subscribers, including those living in the “Hopi Partitioned Land” areas where there is no readily accessible electricity, water, paved roads or planned infrastructure. The HTI representatives stated that the financial forecasts upon which the RUS and ARRA loan commitments were made included USF and ICC support, and demonstrated that without

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current levels of support HTI will fail all loan commitments as well as ARRA award requirements.

HTI's goal is to make broadband access available to all residents in its serving area. HTI has relied heavily on RUS loans and USF-ICC support to provide reliable and affordable services. Proposed FCC reforms would work against this goal and cause HTI's consumers to lose the broadband access they currently have. HTI representatives encouraged the Commission to adopt reforms that will allow HTI to honor its loan commitments and continue forward to raise the economic, social, education and technology standards of its Tribal communities.

Respectfully submitted,

/s/ John Kuykendall

John Kuykendall  
Vice President

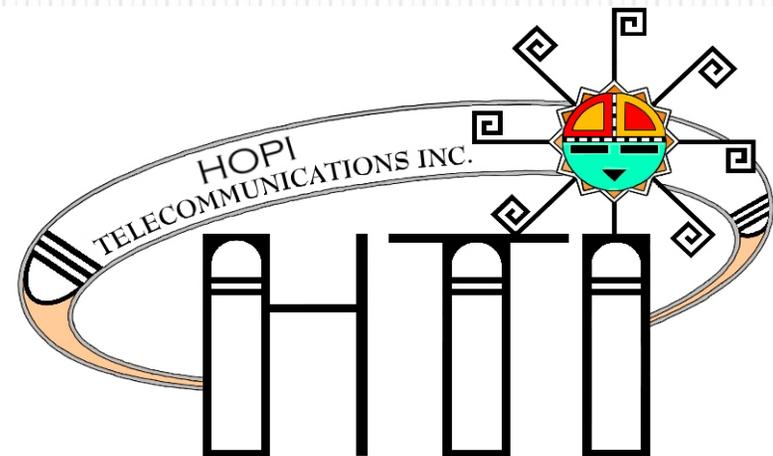
on behalf of

Hopi Telecommunications, Inc.

cc: Joe Cavender  
Kirk Burgee  
Patrick Halley  
Irene Flannery  
Diana Coho

Attachment

Hopi Telecommunications, Inc.  
FCC Ex Parte Meeting  
September 20, 2011



## ONAP is Yielding Benefits

**The Office of Native Affairs and Policy (ONAP) has begun to make a significant difference:**

- ONAP was created as part of the National Broadband Plan and is making significant progress in achieving goals of increasing deployment and adoption of broadband on tribal lands.
- With ONAP, the FCC has taken a monumental step in seeking to foster better government-to-government relations and coordination between the FCC and federally-recognized Indian Tribes.
- The FCC should ensure that ONAP continues to receive adequate funding and whatever resources are necessary to ensure that these key goals are met.

## HTI History

*HTI is incorporated under the laws of the Hopi Tribe and is a wholly-owned, for-profit corporation.*

### **Purpose:**

- To construct, operate, and maintain telecommunications as a secure and profitable business of the Hopi Tribe.
- To develop, improve, and manage the telecommunications infrastructure on the Hopi Reservation and the lands of the Hopi Tribe.
- To improve, promote, and develop businesses and economic opportunities for the Hopi Tribe and its members on or near the Hopi Reservation and the lands of the Hopi Tribe.
- To provide employment opportunities for the Hopi Tribe and its members on or near the Hopi Reservation and the lands of the Hopi Tribe.
- HTI employs a diverse workforce primarily comprised of Hopi Tribal members and members of other Native American Tribes and of non-Native American descent.

## HTI History (continued)

- In 2006, the Hopi Tribe secured an acquisition loan from the Rural Utilities Service for the sole purpose of purchasing the existing three exchanges from CenturyTel.
- The Hopi Tribe made a considerable equity contribution
- HTI was granted ETC status by the Commission on January 31, 2007 and has been making the RUS loan payments. The serving area includes the Hopi reservation (excluding the Moenkopi area) and a portion of the Navajo reservation (the community of Jeddito)
- HTI also secured an RUS telecommunications infrastructure loan to upgrade the facilities and provide reliable, affordable and advanced services.
- *Both the acquisition and infrastructure loans were granted after providing RUS with a financial forecast indicating the ability to repay the loans. These forecasts included USF and ICC support.*

## HTI Serving Area

- ▶ The study area is located primarily on the Hopi Reservation in Arizona, with a small portion on the Navajo Reservation.
  - The study area includes Tribal District 6 where most of the Hopi villages are located.
  - In addition to Tribal District 6, HTI's study area also includes the largely unserved "Hopi Partitioned Land" which is comprised of land assignments for residential and agricultural use that are scattered and not accessible to basic utilities such as electricity, water and road services.
  - The designated study area is completely surrounded by the Navajo Indian reservation.



## HTI's Progress

### CenturyTel Facilities

- Outdated legacy DMS-10 analog switch
- Antiquated and exhausted microwave transport
- Dysfunctional DC power plant and battery backup system
- Exposed copper plant
- Plant included practically zero percent fiber in a time when most telecommunications providers were realizing the benefits of fiber

### Hopi Telecommunications, Inc.

- Replaced DMS-10 switch with a softswitch
- Installed OC-3, redundant microwave transport
- Upgraded DC power plant and battery backup systems
- Upgraded copper facilities in all exchanges
- Installed fiber routes between exchanges and to equipment sites

# HTI's Progress

(cont.)

## CenturyTel Facilities

- Analog carrier and pair gain equipment with no Broadband capabilities
- Little to no community involvement
- Decreasing access lines as a result of poorly maintained facilities
- Did not aggressively market lifeline and link up services

## Hopi Telecommunications, Inc.

- Purchased and installed fiber fed Broadband Loop Carriers in order to offer DSL to almost all current subscribers
- As a Tribal owned telco, Hopi takes pride in supporting community events
- In a typically declining market, Hopi is seeing a small increase
- Hopi has educated its communities about Lifeline support, and signed up over [REDACTED] customers who qualify

## More Progress

- HTI researched and selected a satellite voice and data connectivity option for HTI subscribers in areas currently lacking telecommunications infrastructure. The satellite technology will make the service widely available in 2011 and beyond customers who live in areas where there is no readily accessible electricity, water, paved roads or planned infrastructure. These households haul their own water and use solar power and/or generators for electricity
  - The area described above is called "Hopi Partitioned Land" and is represented on pink on the previous map slide.
  - For the first time ever, the customers in this area now have access to Broadband and reliable basic telecommunications services for emergency and daily telecommunications needs enjoyed by most Americans today.

## More Progress

- HTI secured a combination loan/grant through the American Recovery and Reinvestment Act. The loan amount is \$1,090,471 and grant portion is \$2,544,432. Goals for this project include:
  - To build out infrastructure and provide necessary equipment to establish the first fiber-optic connection between HTI and the world
  - To provide broadband services to currently unserved subscribers around the community of Jeddito and Spider Mound
  - To build 61 miles of fiber-optics cable between the community of Jeddito and Holbrook
  - To create reliable and high speed connectivity to all HTI's subscribers
  - To effectively replace the current microwave as the primary connection to the world
  - To offer fiber and/or transport capacity to other carriers in the area

***This ARRA award also required financial forecasts and a reasonable expectation that HTI would be able to repay the loan portion. Our forecasts included USF support at current levels***

# HTI's Operating Environment

- HTI is governed by a five member board that includes individuals with extensive industry knowledge, as well as Tribal members who bring considerable tribal and cultural knowledge.
- HTI has operated with 11-14 employees during all years of operations (extremely efficient)
- HTI has made all its loan payments to RUS on time
- HTI has never paid a dividend to its parent company and sole shareholder, the Hopi Tribe, and instead has used all available cash for infrastructure upgrades.
- Almost all of the plant upgrades and infrastructure investment has been made possible through loans that were based on a reasonable assumption that revenues generated from USF support and rate-of-return regulation would continue to support the investment
- ***Without current levels of support, we will not be able to repay our telecommunications loans, we will fail all loan commitments and will not be able to fulfill the requirements of our ARRA award. (This is all demonstrated in subsequent slides)***

# HTI's Audited Financial Statements

Consolidated Balance Sheet  
December 31, 2010 and 2009

ASSETS	December 31,	
	2010	2009
Total Current Assets	REDACTED	REDACTED
Total Noncurrent Assets	REDACTED	REDACTED
Plant, Property, and Equipment		
Plant in Service	REDACTED	REDACTED
Plant under Construction	REDACTED	REDACTED
	REDACTED	REDACTED
Less: Accumulated Depreciation	REDACTED	REDACTED
Total Plant, Property, and Equipment	REDACTED	REDACTED
TOTAL ASSETS	REDACTED	REDACTED

# HTI's Audited Financial Statements

Consolidated Balance Sheet  
December 31, 2010 and 2009

LIABILITIES & EQUITY				December 31,	
				2010	2009
Total Current Liabilities				REDACTED	REDACTED
Long Term Debt				REDACTED	REDACTED
Total Liabilities				REDACTED	REDACTED
STOCKHOLDER'S EQUITY					
Common Stock				REDACTED	REDACTED
Retained Defecit				REDACTED	REDACTED
TOTAL LIABILITIES & EQUITY				REDACTED	REDACTED

# HTI's Audited Financial Statements

Consolidated Statement of Income (Loss)  
 For the Years Ended December 31, 2010 and 2009

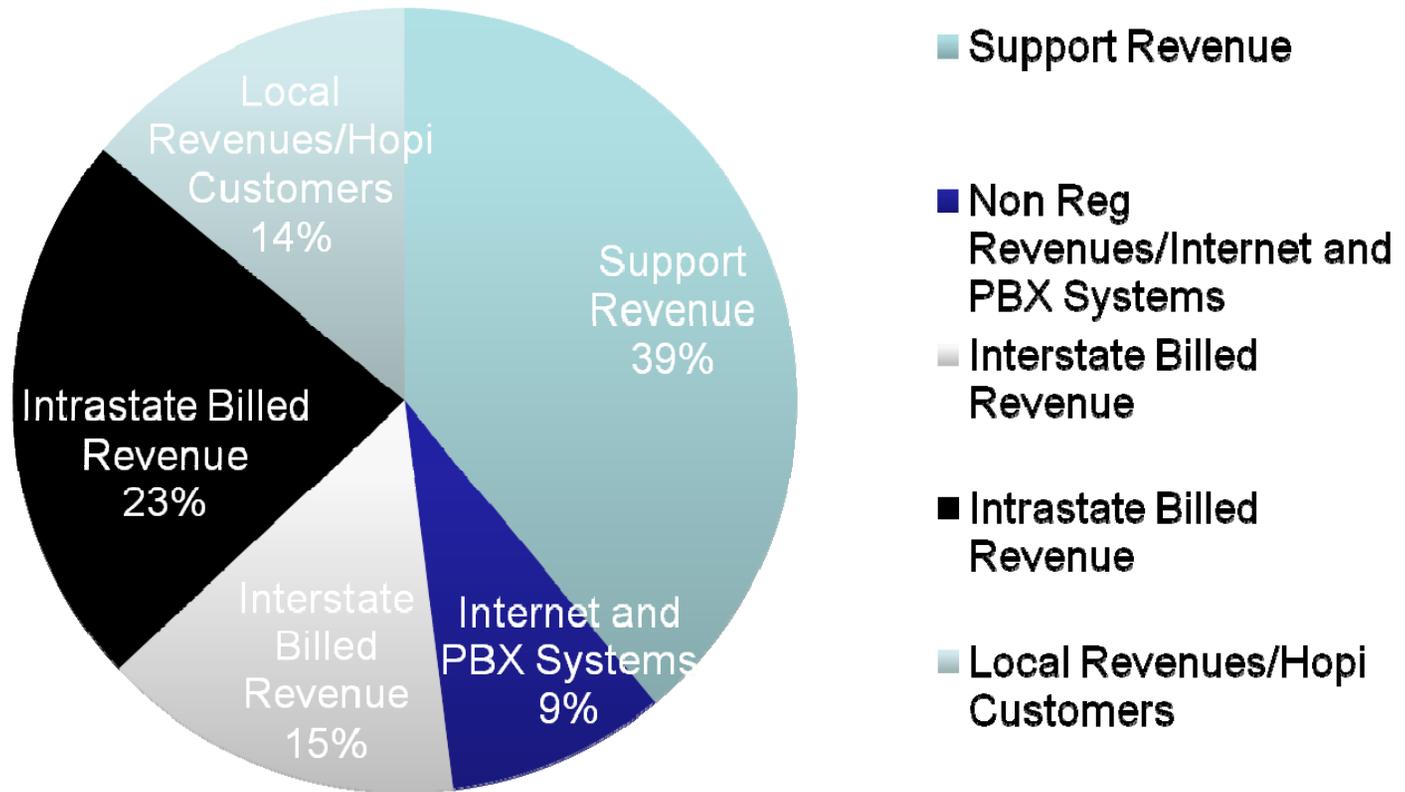
				December 31,	
				2010	2009
<b>OPERATING REVENUES</b>					
	Local Revenues			REDACTED	REDACTED
	Regulated Revenues			REDACTED	REDACTED
	Non-Regulated Revenues			REDACTED	REDACTED
				REDACTED	REDACTED
<b>Cost of Goods Sold</b>					
	Less: Cost of Goods Sold			REDACTED	REDACTED
	Less: Cost of Installations			REDACTED	REDACTED
				REDACTED	REDACTED
<b>Gross Income on Sales and Services</b>				REDACTED	REDACTED

# HTI's Audited Financial Statements

Consolidated Statement of Income (Loss)  
For the Years Ended December 31, 2010 and 2009

	December 31,	
	2010	2009
GROSS INCOME ON SALES AND SERVICES	REDACTED	REDACTED
OPERATING EXPENSES		
Plant Specific Operations	REDACTED	REDACTED
Plant Non-Specific Operations	REDACTED	REDACTED
Depreciation and Amortization	REDACTED	REDACTED
Customer Operations	REDACTED	REDACTED
Corporate Operations	REDACTED	REDACTED
Other Non-Regulated Expenses	REDACTED	REDACTED
	REDACTED	REDACTED
OPERATING TAXES	REDACTED	REDACTED
OPERATING INCOME - BEFORE FIXED CHARGES	REDACTED	REDACTED
FIXED CHARGES		
Interest on Long-Term Debt	REDACTED	REDACTED
Other Fixed Charges	REDACTED	REDACTED
	REDACTED	REDACTED
NONOPERATING INCOME (LOSS)		
Interest and Dividend Income	REDACTED	REDACTED
Other Gains and Losses	REDACTED	REDACTED
Amortization - Plant Acquisition Adj	REDACTED	REDACTED
Other Non-Operating Expenses	REDACTED	REDACTED
	REDACTED	REDACTED
NET LOSS	REDACTED	REDACTED

# Hopi Telecommunications, Inc. Sources of Revenue



# Financial Effects of Reform Proposals in NPRM

## Hopi Telecom

SAC ID: 450815

NPRM Proposed Changes

### High Cost Loop Fund Changes:

Current HCL Support\*

Reduction due to algorithm change

Reduction due to elimination of Corp. Exp.

Combined effect (run together)

Increase due to resizing of NACPL

Revised HCLF Support

(stand alone)

Redacted

(stand alone)

Redacted

(assumed NACPL reduction of 26.86%)

Redacted

Redacted

Redacted

Redacted

FCC proposes to eliminate (or reduce) support for corporate expenses in all funding mechanisms.

FCC proposes to reduce the reimbursement percentages for high-cost loop support from the current percentages of 65% for qualifying study area loop costs between 115 - 150% and 75% for qualifying study area loop costs in excess of 150% to 55% and 65%, respectively.

### Local Switching Support Changes:

Current LSS

Reduction due to elimination of Corp. Exp.

Revised LSS Support

Redacted

Redacted

Redacted

The FCC seeks to eliminate local switching support, or combine this program with high-cost loop support. Alternatively, the FCC would combine the LSS program into the HCLF program—creating a LHCS hybrid, using an algorithm similar to HCLF.

### Interstate Common Line Support Changes:

Current ICLS

Reduction due to elimination of Corp. Exp.

Revised ICLS Support

Redacted

Redacted

Redacted

### Safety Net Additive

Current Safety Net Support

Reduction due to elimination of Safety Net

Revised Safety Net

Redacted

Redacted

Redacted

The FCC seeks to eliminate safety net additive support immediately, or implement a phase-down over possibly three years.

	Original	Revised	Impact	% Change
HCLF	Redacted	Redacted	Redacted	Redacted
LSS	Redacted	Redacted	Redacted	Redacted
ICLS	Redacted	Redacted	Redacted	Redacted
Safety Net	Redacted	Redacted	Redacted	Redacted
Totals	Redacted	Redacted	Redacted	Redacted
Loops	Redacted	Redacted	Redacted	Redacted
USF/Loop/Year	Redacted	Redacted *	Redacted	Redacted

\*If USF per line/per year is in excess of \$3,000, USF is capped at \$3,000 per line/per year.

# Conclusion

The vision of the Hopi Tribe for HTI is to build a profitable enterprise, more importantly, to become a fundamental and strategic solution to raise the economic, social, education and technology standards on par with the expectations set by every American. A vision created and decided upon for and by the Hopi people, a vital element to Tribal Sovereignty and Democratic Values.

## With this:

- HTI has relied heavily on RUS loans and USF/ICC support to provide reliable, affordable advanced services to residents on the Hopi Reservation. Like most Rural ILECs, HTI has operated efficiently and made prudent investment decisions to serve consumers in America's high cost areas.
- HTI is unable to secure lending from commercial lenders as there is a lack of understanding about Native American communities and their businesses.
- HTI used its support as intended and brought reliable, advanced services to its serving area when much-larger CenturyTel was either unable or unwilling to do so. HTI is the **ONLY** *fully-committed* and *engaged* telecommunications provider on the Hopi reservation. HTI has demonstrated that it will use its support to serve ALL customers in its serving area, and not simply serve the more densely populated villages. Our goal is to make Broadband access available to 100% of the residents on the Hopi Reservation and the community of Jeddito.
- HTI will not be able to meet its current loan obligations if the reforms recommended in the NPRM and NBP are adopted. More importantly, the proposed changes may cause HTI's consumers to lose the Broadband access that they already have. Tribal communities have a much lower penetration rate for both voice and Broadband services than the national average. HTI intends to change this.
- HTI will comment on specific Tribal issues under separate cover.

# Askwali/Kwakw'ha! (Thank You)

