

**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
Establishing Just and Reasonable Rates for Local Exchange Carriers	WC Docket No. 07-135
High-Cost Universal Service Support	WC Docket No. 05-337
Developing an Unified Intercarrier Compensation Regime	CC Docket No. 01-92
Federal-State Joint Board on Universal Service	CC Docket No. 96-45
Lifeline and Link-Up	WC Docket No. 03-109
Universal Service Reform - Mobility Fund	WT Docket No. 10-208

**COMMENTS IN RESPONSE TO  
FURTHER NOTICE OF PROPOSED RULEMAKING  
BY  
THE WASHINGTON INDEPENDENT TELECOMMUNICATIONS ASSOCIATION  
THE OREGON TELECOMMUNICATIONS ASSOCIATION  
THE IDAHO TELECOM ALLIANCE  
MONTANA TELECOMMUNICATIONS ASSOCIATION  
COLORADO TELECOMMUNICATIONS ASSOCIATION**

**January 18, 2012**

## INTRODUCTION AND SUMMARY

In this docket, the Commission released its Report and Order and Further Notice of Proposed Rulemaking (Order No. FCC 11-161) on November 18, 2011. In the portion of Order No. FCC 11-161 which constitutes the Further Notice of Proposed Rulemaking (FNPRM), the Commission called for comments on the issues delineated in Sections XVII.A-K by January 18, 2012.

To call the Report and Order contained in FCC 11-161 momentous is clearly an understatement. The Commission undertook the herculean labors of reforming the existing universal service programs and intercarrier compensation. The effort that went into those labors was remarkable. However, the outcome may well have the unintended consequence of curtailing investment in Rural America. That unintended outcome will mean that rural customers will not be able to access broadband services as envisioned by the Commission in Rural America. Some of those unintended consequences can be mitigated by how the Commission addresses the issues in the FNPRM.

These Comments are filed on behalf of the Washington Independent Telecommunications Association, the Oregon Telecommunications Association, the Idaho Telecom Alliance, the Montana Telecommunications Association, and the Colorado Telecommunications Association, collectively referred to as the Western Associations.<sup>1</sup> The purpose of these Comments is to address some of the issues in the FNPRM that are scheduled for this first round of comments.

Five issues will be addressed in these Comments. The first is a substantial defect in the regression analyses proposed by the Commission. The regression analyses are proposed as a way of capping support to some areas. The substantial defect is the fact that, as it is currently set

out as Appendix H to the Report and Order, the regression analyses make no effort to include topography and geological conditions.

The second area that is discussed in these Comments is the use of caps on support mechanism related to investment that has already been made or for investment programs where aging and outdated plant are currently being replaced or will be replaced in the near future.

The third area discussed in these Comments is the Commission's interest in whether the costs related to middle mile and Internet backbone access should be supported. Those costs can be significant in rural areas and there should be support where the costs are an impediment to deployment of broadband services.

The fourth area that will be addressed is the request by Public Knowledge and the Benton Foundation that broadband access be provided to communities to create their own public networks. That request is a thinly veiled effort to allow municipalities to compete with private entities in areas where a business case cannot even be made for one provider, let alone two.

The fifth area that will be addressed is the Commission's call for comments on rate of return reprscription.

In these Comments, the Western Associations take the position that: (1) the regression analyses as proposed in Appendix H are defective and without substantial revision should not be used for any purpose; (2) caps should not be applied to investment that has already been made or where investment is being made to replace aging and outdated plant; (3) the Commission should support middle mile and Internet backbone costs where those costs are an impediment to accomplishing the Commission's goals for broadband deployment and such support should be above and beyond the current 2.2 billion dollar budget for rate of return carriers; (4) the request by Public Knowledge and the Benton Foundation should be denied; and (5) the Commission

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<sup>1</sup> A list of the members of the participating Associations is set out on Appendix A.

should not engage in rate of return reprscription at the present time since the Commission's Report and Order creates additional substantial risk that has not yet been taken into account.

**THE COMMISSION SHOULD NOT USE THE  
REGRESSION ANALYSES SET OUT IN APPENDIX H**

The regression analyses that are set out in Appendix H are defective. The Commission identifies the proposal as a methodology that "uses quantile regression analyses to generate a set of limits for each rate-of-return cost company study area."<sup>2</sup> However, the quantile regression analyses set out in Appendix H do not appear to take into account variables such as topography and geological conditions. Nor do they take into account long loop lengths. These factors can result in the cost of providing service extremely variable depending upon what part of the country a rural company serves. Installing telecommunications plant to serve in the foothills of the Cascade Range or other heavily timbered hilly or mountainous regions is substantially more expensive than installing plant in other areas.

An example is the Kalama Telephone Company. Kalama is located on the banks of the Columbia River. The first thought might be that this should have a relatively easy terrain to serve -- a river bank with rich, moist soil. However, the Kalama Telephone Company service area is marked by very little flat river bottom territory. Instead, the service area consists of hill after hill after hill of rocky and steep terrain rising sharply above the Columbia River.

That situation of steep, rocky hills is very similar to what is faced by the Mashell Telecom Co., Inc., d/b/a Rainier Connect. Rainier Connect serves the area around the town of Eatonville, Washington. This area was formerly a timber harvesting community in the foothills of Mt. Rainier. The only thing that has changed is that most of the timber mills have shut down.

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<sup>2</sup> FNPRM at ¶ 1080.

The terrain is quite steep, marked by mile after mile of rock. As a result, the area is very expensive to serve.

The same story is true for Western Wahkiakum County Telephone Company, d/b/a Wahkiakum West. Wahkiakum West serves in the southwest corner of the state of Washington in the Counties of Wahkiakum and Pacific. The topography of Wahkiakum County consists of long fingers of rivers or creeks that traverse down heavily wooded hills and empty into the Columbia River or Willapa Bay. It is heavily forested, steep terrain and, while very picturesque, presents extraordinarily difficult conditions for construction of plant.

Mt. Angel Telephone Company serves an area located in the heart of the Willamette Valley. The Willamette Valley is one of the richest farmlands in Oregon. One would anticipate relatively easy conditions for plant construction. However, that is not the case. The area is distinguished by a tremendous amount of large boulders left behind from the retreat of the glaciers. For a recent project undertaken to extend 3000 feet of plant to serve three customers to satisfy Mt. Angel's Carrier of Last Resort (COLR) obligations, Mt. Angel had to spend \$65,450. This included \$54,000 for boring, \$5400 for excavation, \$3500 for plowing and \$2550 for cable in polypropylene conduit--most of the expense due to the geological conditions of the service area.

These conditions - rocky terrain, glacial till, forested hills, creeks and rivers that need to be drilled under - lead to very high costs of construction. For example, three reporting carriers in Montana each indicate that placing fiber in their service areas costs over \$30,000 per mile.

The Kalama Telephone Company reports that the following prices are typical for utility installation pricing in its service area:<sup>3</sup> rock boring - \$57.00 per foot; rock trenching with twelve

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<sup>3</sup> Prices come from a recent joint trench project with the local public utility district. Where possible Kalama does its own construction in an effort to beat these prices.

inch cover of concrete - \$20.67 per foot; rock wheel trenching with thirty inch cover - \$21.00 per foot; dirt boring - \$15.74 per foot; plowing normal road shoulder - \$3.41 per foot. Kalama also reports for its cabling, copper cable for a twenty-four pair cable is \$1.67 per foot. A ninety-six strand fiber cable is \$0.78 per foot. Thus, fiber is far less expensive than copper.

Taking these prices, a typical hypothetical for installation in the Kalama service area might include three thousand feet of plowing, one thousand feet of dirt boring, one thousand feet of rock trenching and two hundred and fifty feet of rock boring. This means that installation of approximately one mile of ninety-six strand fiber would cost \$65,008.00.

In addition to construction costs, difficult terrain can also increase operating costs. In areas of difficult terrain, customers tend to be more widely disbursed than in other areas. This raises the cost of service calls and maintenance. While the quantile regression analyses proposed in Exhibit H do have a density factor, it appears that the density factor is not sufficiently detailed.

One of the factors driving density issues is the decisions made by state commissions. As part of their oversight of COLR obligations, state commissions at times require extension of plant to serve customers in very remote areas. This can mean a company is required by regulatory mandate to extend several thousand feet of plant for one, two or a handful of customers.<sup>4</sup> The quantile regression analyses do not take into account the requirements of regulatory mandate.

To illustrate the density issue, the following table shows the areas that are served by some of WITA's members compared to the overall density of the county in which they are located. Generally, WITA's members serve in very rural counties with relatively low density. To make

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<sup>4</sup> If the company is an RUS borrower, the extension of plant must be made with no customer contribution through line extension charges.

matters more challenging, the rural companies tend to serve the even sparser areas of those remote counties.

SELECTED  
WASHINGTON RLEC  
DENSITY ANALYSIS

Company	Square Miles Served*	Working Loops**	Density (loops/sq. mi.)	County Density*** (pop./sq. mile)
Asotin	303	1,157	3.82	Asotin - 34.0
Beaver Creek	32	30	0.94	Snohomish - 341.8
Ellensburg	1,373	16,582	12.08	Kittitas - 17.8
Inland	367	2,484	6.77	Kittitas - 17.8
Kalama	120	2,667	22.23	Cowlitz - 89.8
Lewis River	156	5,232	33.54	Clark - 676.2
McDaniel	190	3,827	20.14	Lewis - 31.4
Pend Oreille	1,027	1,814	1.77	Pend Oreille - 9.3
Pioneer	800	725	0.91	Whitman - 20.7
Rainier Connect	91	3,329	36.58	Pierce - 476.3
St. John	238	587	2.47	Whitman - 20.7
Tenino	100	3,181	31.81	Thurston - 349.4
Toledo	127	1,912	15.06	Lewis - 31.4
Wahkiakum	110	1,100	10.00	Wahkiakum/Pacific - 15.1/22.4
YCOM	176	9,337	53.05	Thurston - 349.4
Average	5,211	54,039	10.37	

\*As reported by the company

\*\*From USAC Report HC05, 1st Quarter 2012

\*\*\*Census Bureau Quick Facts at <http://quickfacts.census.gov/qfd/states/53000.html>. One of Ellensburg's exchanges is in the much more densely populated Yakima County. Inland also serves exchanges in Mason, Whitman and Walla Walla Counties. The Kittitas County exchange is its largest.

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SELECTED  
OREGON RLEC  
DENSITY ANALYSIS

Company	Square Miles Served*	Working Loops**	Density (loops/sq. mi.)	County Density*** (pop./sq. mile)
Asotin	116	120	1.03	Wallowa - 2.2
Beaver Creek	64	3,564	55.69	Clackamas - 201.0
Canby	84	9,571	113.94	Clackamas - 201.0
Cascade****	1,762	7,753	4.40	Clackamas - 201.0
Clear Creek	52	2,930	56.35	Clackamas - 201.0
ColtonTel	62	1,013	16.34	Clackamas - 201.0
Eagle	250	442	1.77	Baker - 5.3
Gervais	32	777	24.28	Marion - 266.7
Helix	180	253	1.41	Umatilla - 23.6
Home	730	692	0.95	Gilliam - 1.6
Molalla	290	4,822	16.63	Clackamas - 201.0
Monitor	43	555	12.91	Marion - 266.7
Monroe	50	884	17.68	Benton - 126.6
Mt. Angel	17	1,757	103.35	Marion - 266.7
Nehalem	374	2,814	7.52	Tillamook - 22.9
North-State	323	473	1.46	Wasco - 10.6
OR-Idaho	4,486	638	0.14	Malheur - 3.2
Oregon Tel*****	1,278	1,558	1.22	Baker - 5.3
People's*****	60	1,071	17.85	Linn - 50.9
Pine	620	902	1.45	Baker - 5.3
Pioneer	1,330	12,644	9.51	Benton/Lane - 126.6/77.2
Roome	65	527	8.11	Linn - 50.9
St. Paul	34	575	16.91	Marion - 266.7
Scio	100	1,591	15.91	Linn - 50.9
Stayton*****	106	5,640	53.21	Marion - 266.7
Trans-Cascades	893	214	0.24	Wasco/Jefferson - 10.6/12.2

\*As reported by the company

\*\*From USAC Report HC05, 1st Quarter 2012

\*\*\*Census Bureau Quick Facts at <http://quickfacts.census.gov/qfd/states/41000.html>

\*\*\*\*Cascade also serves exchanges in Baker and Douglas Counties. The exchange in Clackamas County is its largest exchange. Oregon Tel also serves exchanges in Grant and Malheur Counties. Stayton also serves territory in Linn County. Stayton's primary service area (the City of Stayton) is in Marion County. People's service area includes a portion of Marion County.

Similar density relationships are also found in the service areas of rural companies in Colorado, Idaho and Montana.

The density issue is underscored in a recent *ex parte* filed by Central Texas Telephone Cooperative, Inc. ("Central Texas").<sup>5</sup> In that *ex parte*, Central Texas provided evidence that companies serving similar areas of Texas to that served by Central Texas have greater densities, but under the Commission's proposed regression analyses have significantly higher caps per mile than Central Texas. Such a result is not logical and points out that there must be something that is not working correctly within the quantile regression analyses.

The Central Texas *ex parte* also points out that the quantile regression analyses do not take into account loop lengths. Long loop lengths are an obvious and major factor for high loop costs. The need to meet COLR obligations also contributes to long loop lengths. The failure to take into account loop lengths renders the quantile regression analyses seriously defective.

In addition to governmental decisions related to COLR obligations, there are other highly variable government decisions that affect construction costs. If construction must occur on federal land, there is a very high cost in obtaining construction permits and facility maintenance associated with being on federal land. As noted for The Toledo Telephone Co., Inc. construction plan discussed below, if the service area is located near Tribal lands or in areas historically frequented by Tribes, there may be a great deal of additional cost associated with historical preservation. These governmental-driven factors will vary widely from area to area.

What this information means is that the quantile regression analyses can lead to misleading results because they do not address density in sufficient detail and do not take terrain and loop lengths into effect at all. The Commission should not use its quantile regression analyses as currently constructed as a means for capping support. The defects set out in these

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<sup>5</sup> See, *Ex Parte* filed January 9, 2012, in WC Docket Nos. 10-90, 07-135, 05-337, 03-119; CC Docket Nos. 01-92 and 96-45; and GN Docket No. 09-51 by Bennet & Bennet PLLC on behalf of Central Texas Telephone Cooperative, Inc.

Comments, as well as the defects that will be pointed out in other comments must first be addressed.<sup>6</sup>

### CAPS SHOULD NOT BE USED TO PENALIZE EXISTING INVESTMENT OR REPLACEMENT OF OUTDATED AND AGING PLANT

The Commission's desire to limit the size of the universal service fund should not be met by penalizing those companies that are trying to meet the Commission's other goals of deploying broadband and who have already made that investment.

The High Cost Fund operates on a two year lag. This means that investment that was made up to two years prior to the Report and Order has not yet been taken into account. The Commission's use of caps may well penalize those companies that have been deploying plant to provide increasing accessibility to broadband in Rural America.

It also should be remembered that investment in small rural company service area is highly cyclical or "lumpy" in nature. As an example of this, The Toledo Telephone Co., Inc. has had relatively low levels of plant investment for the past several years. However, much of its existing plant has reached the point where service failures are imminent. To address this problem, Toledo has committed to an investment in plant funded by an RUS loan in the amount of \$18,091,000. This investment will replace existing plant in the town of Toledo where the existing copper facilities that are there are very old and deteriorating.

Before undertaking this project, Toledo compared the relative costs of installing a copper system, a fiber system or a wireless system. Because of the topography and geological conditions faced by Toledo, fiber turned out to be the most cost-efficient. Because the cost of

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<sup>6</sup> At the very least, this information supports the Petition for Reconsideration and Clarification of the National Exchange Carrier Association, Inc.; Organization for Promotion and Advancement of Small Telecommunication Companies; and Western Telecommunications Alliance filed December 29, 2011.

copper has increased to an all time high, that option penciled out to be the most expensive of the three. Further, copper is the least desirable option for providing new technologies.

Toledo seriously considered a wireless replacement. However, because of the terrain (very hilly and heavily forested) wireless turned out not to be a viable option where it might be in other locations with better line-of-site. In addition, weather factors with heavy rain and snow presented problems. Based upon an engineering design, Toledo learned that a wireless network would need a minimum of twenty, one hundred foot tall towers in order to provide the same coverage of the existing network. Each tower placement would require right-of-way negotiations with county, state or private land owners. Because of the location of the company's service area, each location would require a full archeological study and a complete review by the Washington State Department of Historical Preservation. Since Toledo's service area is near historic tribal lands, all construction outside of the existing right-of-way would require tribal supervision and analysis of possible discovered artifacts. As a result, the wireless deployment option penciled out at approximately 21.5 million dollars, substantially above the fiber option.

What caps will do if they are applied without taking into account factors such as the highly cyclical nature of investment in rural telecommunications infrastructure is to deter companies from making further investment. In fact, that is exactly what the Commission's Report and Order, as well as the proposals in the FNPRM, are doing. Toledo is giving serious consideration as to whether it should continue the project, or substantially scale it back since it appears that the company might not be able to receive support for the project. In addition, Inland Telephone Company and Western Wahkiakum County Telephone Company also are in the process of finalizing RUS loans. Given the Report and Order and the proposals in the FNPRM,

both companies are having second thoughts and are reviewing the economic viability of these projects considering the direction that the Commission appears to be headed.

A specific example of where support for broadband may be curtailed because of the Commission's approach comes from Canby Telephone Association in Oregon. They have received a request for an upgrade from a customer who is on DSL on copper in a rural portion of their service area. The person is a computer programmer working from home. In order to accomplish his job, he needs more band-width. However, given the uncertainty of funding for continued investment based upon the Commission's actions, the company is uncertain that it can proceed with this investment to provide improved service to the customer.

In fact, many portions of the Canby service area are served with old air-core copper plant. Air-core copper plant used to be industry standard. However, the heavy Oregon rains means water often gets into the air-core copper plant and compromises the quality of service. The most cost-effective and reliable replacement for Canby, like it is for Toledo, is fiber optic cable. However, given the Report and Order and the FNPRM, any construction is now problematic.

THE COMMISSION SHOULD ADOPT THE RURAL ASSOCIATIONS'  
PROPOSALS FOR SUPPORT OF MIDDLE MILE FACILITIES  
AND INTERNET BACKBONE ACCESS

In the FNPRM, the Commission seeks comments on the portion of the Rural Associations' Plan to include support for certain broadband related costs. Specifically, the proposal is to include support for middle mile facilities and Internet backbone access in certain circumstances.<sup>7</sup> For many carriers serving rural service areas and deploying broadband service in those rural service areas, middle mile and access to Internet backbone costs are significant components of providing broadband service. The Commission should provide support for

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<sup>7</sup> FNPRM at ¶ 1033, et seq.

middle mile costs in order to meet the goal of increasing broadband penetration. Such support should be in addition to the 2.2 billion dollar budget for rate of return carriers. Otherwise, it is simply moving money around that is needed elsewhere.

Based on information that the member companies have provided, middle mile costs vary a great deal. In addition, the capacity that is needed varies from company to company and upon the availability of service from middle mile providers. Because of the variability, perhaps the best comparison is on a per-megabyte basis. The lowest reported middle mile cost was 11.9 Mbps<sup>8</sup> for Pioneer Telephone Cooperative. St. Paul Cooperative Telephone Association reported capacity available at \$21.66 per Mbps. Scio Mutual Telephone Association reported availability at \$37.64 per Mbps. St. John Co-operative Telephone and Telegraph Company reported a significant cost at \$87.50 per Mbps.

While these prices are very high in some cases, middle mile capacity may not even be available in some areas without support. For example, Helix Telephone Co. serves both the Helix and the Meacham exchanges. Middle mile service is available in the Helix exchange at \$27.25 per Mbps. However, for the Meacham exchange, it is not available at all under current conditions. Another example is Oregon Telephone Corporation which reports middle mile availability at \$17.60 per Mbps. However, its affiliate, North-State Telephone Co., has limited capacity available and at a substantially increased price of \$316.20 per Mbps. Clearly there are situations in which additional support for middle mile facilities are needed.

In addition, the middle mile is not the complete picture. Canby Telephone Association reports the middle mile cost of \$33.83 per Mbps. When other components of providing Internet service are added, Canby is currently paying \$447,816.00 on an annual basis or \$37,318.00 per

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<sup>8</sup> All pricing is on a per month basis per megabytes per second (Mbps).

month to provide broadband service to approximately fifty five hundred retail Internet subscribers. Providing broadband access is an expensive proposition.

### THE PROPOSALS OF PUBLIC KNOWLEDGE AND THE BENTON FOUNDATION SHOULD BE REJECTED

In the FNPRM, the Commission calls for comments on the proposals of Public Knowledge and the Benton Foundation.<sup>9</sup> The specific proposals made by these organizations are that CAF recipients be required to make interconnection points and backhaul capacity available so that unserved high-cost communities could deploy their own broadband networks and that the Commission create a fund for a "Technological Opportunities Program" in order to assist communities with deploying their own broadband networks. These proposals should be rejected.

These proposals are simply mechanisms that would allow municipal networks to be created to compete with privately provided networks in areas where a business case cannot even be made for one network, let alone two. Further, it would appear that the proposals Public Knowledge and the Benton Foundation are clearly premature in light of the Commission's significant restructuring of the way broadband support and deployment will occur across the Nation.

In addition to being premature, it is an important consideration that governments are ill-equipped to run communications networks. Such governmental networks often discourage private investment, fail to keep up with technological developments, often succumb to political forces rather than market discipline, and become taxpayer-funded money pits.<sup>10</sup>

Given the Commission's new rules, there is no indication that there will be significant unserved areas that will not receive the minimum standards of service. The only exception to

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<sup>9</sup> FNPRM at ¶¶ 129 and 130.

<sup>10</sup> The problem is discussed in a recent paper entitled The Hidden Problems with Government-Owned Networks by Joseph P. Fuhr, Jr., PhD, published for the Coalition for the New Economy.

this general observation is if the Commission's restructuring of intercarrier compensation and universal service creates such unpredictability and instability that the restructuring results in the unintended consequence of discouraging investment in rural America. If that unintended consequence comes to pass, there would not be facilities for interconnection points and backhaul capacity in the first place. It would do little good to require CAF recipients to go to the additional expense of providing interconnection points and backhaul capacity if they cannot even meet the initial obligations that are intended to apply under the Commission's restructured telecommunications marketplace.

The bottom line is that until time passes to give the mechanisms the Commission has created for the deployment of broadband time to work, the proposals of Public Knowledge and the Benton Foundation are premature at best and should be rejected.

THE COMMISSION SHOULD CONSIDER THE IMPACT  
OF ITS OWN ORDER IN EVALUATING THE MARKETPLACE  
TO DETERMINE INTERSTATE RATE OF RETURN REPREScription

In the FNPRM, the Commission calls for comment on interstate rate of return represcription.<sup>11</sup> The Commission goes on to state -- without any informed discovery -- that its preliminary analysis "would conservatively suggest that the authorized interstate rate of return should be no more than nine percent."<sup>12</sup>

The Commission should not engage in interstate rate of return represcription until such time as the effects of the Report and Order are known, including actions that the Commission may take pursuant to this FNPRM. The reason that the Commission should wait before it undertakes examination of the appropriate rate of return is that the Commission's Report and Order and action taken under the FNPRM may have a significant effect on the ability to attract

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<sup>11</sup> FNPRM at ¶ 1044, et seq.

<sup>12</sup> FNPRM at ¶ 1057.

investment in small rural telecommunications carriers. For example, the Commission has adopted certain caps on USF funding.<sup>13</sup> The effect of those caps on a carrier's ability to operate is not yet known.

An even better example is the uncertainty created by the quantile regression analyses that is one of the subjects of the FNPRM. If the Commission goes forward with that quantile regression analyses proposal, which these Comments oppose, it could have a significant effect on some carriers. For example, draft analysis of Appendix H to the FNPRM using publicly available data conducted of the quantile regression analyses calculate that Tenino Telephone Company in Washington could lose as much as \$284,000 in annual support from the high-cost fund. The Toledo Telephone Co., Inc. in Washington could lose as much as \$144,000 in high-cost support.

In Oregon, North-State Telephone Co. could lose over \$394,000 in high-cost support. Scio Mutual Telephone Association in Oregon could lose \$620,000 in high-cost support and Pine Telephone System could lose in excess of 1.1 million dollars in high-cost support. These figures say nothing about applying the same type of analysis, as proposed by the Commission, to ICLS receipts. That means these figures of lost support could be much higher and effect even more companies.

The financial problems created by the Report and Order and the uncertainties created by the further actions proposed in the FNPRM are explained very well in a recent letter to Secretary of Agriculture Thomas J. Vilsack from the national associations representing rural carriers. A copy of that letter is attached and incorporated into these Comments.

This type of projected outcome creates a very high level of uncertainty about the availability of investment capital for companies like this. This uncertainty can have a significant

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<sup>13</sup> See, e.g., Report and Order beginning at ¶ 210.

effect on cost of capital, which increases in direct proportion to the instability and unpredictability caused by the Commission's Report and Order.

In addition, the Commission has advanced a proposal in the FNPRM to remove support where there is an overlap of an "unsubsidized" competitor.<sup>14</sup> That is another concept which creates a great deal of uncertainty as to what effect that proposal will have on the abilities of companies to perform for those companies that may lose support under that proposal.

The bottom line is that there is too much uncertainty at the present time to be able to forecast what is the appropriate rate of return for small rural telecommunications carriers.

#### CONCLUSION

The Western Associations respectively request that the Commission take the following actions: (1) at the very least, delay use of the quantile regression analyses until the defects in the model contained in Appendix H are cured; (2) do not adopt additional caps on investment and operational expenses; (3) provide support for middle mile costs where warranted in addition to not in place of existing support; (4) deny the requests of Public Knowledge and the Benton Foundation; and (5) delay rate of return represcription until the effects of the Report and Order are known.

Respectfully submitted this 18th day of January, 2012.

[Signatures appear on the following page]

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<sup>14</sup> See, FNPRM at ¶¶ 1061-1080.

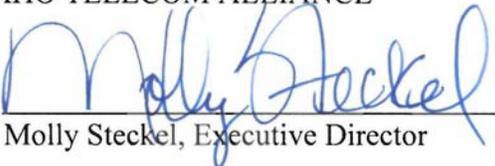
WASHINGTON INDEPENDENT  
TELECOMMUNICATIONS ASSOCIATION

By:   
Betty Buckley, Executive Vice President

OREGON TELECOMMUNICATIONS  
ASSOCIATION

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IDAHO TELECOM ALLIANCE

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Geoffrey A. Feiss, General Manager

COLORADO TELECOMMUNICATIONS  
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By:   
Pete Kirchhof, Executive Vice President

APPENDIX A

<p><u>Washington Independent Telecommunications Association</u>  Asotin Telephone Company d/b/a TDS Telecom  *CenturyTel of Cowiche, Inc., d/b/a CenturyLink  *CenturyTel of Inter-Island, Inc., d/b/a CenturyLink  *CenturyTel of Washington, Inc., d/b/a CenturyLink  Ellensburg Telephone Company d/b/a FairPoint Communications  *Frontier Communications Northwest, Inc.  Hat Island Telephone Company  Hood Canal Telephone Co., Inc. d/b/a Hood Canal Communications  Inland Telephone Company  Kalama Telephone Company  Lewis River Telephone Company, Inc. d/b/a TDS Telecom  Mashell Telecom, Inc. d/b/a Rainier Connect  McDaniel Telephone Co. d/b/a TDS Telecom  Pend Oreille Telephone Company, d/b/a RTI  Pend Oreille Telecom  Pioneer Telephone Company  St. John Co-operative Telephone and Telegraph Company  Tenino Telephone Company  The Toledo Telephone Co., Inc.  Western Wahkiakum County Telephone Company d/b/a Wahkiakum West  Whidbey Telephone Company  YCOM Networks, Inc. d/b/a FairPoint Communications</p>	<p><u>Oregon Telecommunications Association</u>  Asotin Telephone Company d/b/a TDS Telecom  Beaver Creek Cooperative Telephone Company  Canby Telephone Association d/b/a Canby Telecom  Cascade Utilities, Inc., d/b/a Reliance Connects  *CenturyTel of Oregon, Inc., d/b/a CenturyLink  *CenturyTel of Eastern Oregon, Inc., d/b/a CenturyLink  Clear Creek Telephone &amp; Television  Colton Telephone Company, d/b/a ColtonTel  Eagle Telephone System, Inc.  *Frontier Communications Northwest, Inc.  Gervais Telephone Company  Helix Telephone Company  Home Telephone Company d/b/a TDS Telecom  Midvale Telephone Exchange  Molalla Communications, Inc. d/b/a Molalla Communications  Monitor Cooperative Telephone Company  Monroe Telephone Company  Mt. Angel Telephone Company  Nehalem Telecommunications, Inc., d/b/a RTI  Nehalem Telecom  North-State Telephone Co.  Oregon-Idaho Utilities, Inc.  Oregon Telephone Corporation  People's Telephone Co.  Pine Telephone System, Inc.  Pioneer Telephone Cooperative  Roome Telecommunications Inc.  St. Paul Cooperative Telephone Association  Scio Mutual Telephone Association  Stayton Cooperative Telephone Company  Trans-Cascades Telephone Company, d/b/a Reliance Connects</p>
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<u>Idaho Telecom Alliance</u> Albion Telephone Company Cambridge Telephone Company Custer Telephone Cooperative Direct Communications Farmers Mutual Telephone Company Filer Mutual Telephone Company Fremont Telecom Company (dba FairPoint Communications) Inland Telephone Company Midvale Telephone Exchange Oregon-Idaho Utilities Project Mutual Telephone Company Rural Telephone Company Silver Star Communications	<u>Montana Telecommunications Association</u> 3 Rivers Telephone Cooperative Blackfoot Telephone Cooperative *CenturyLink of Montana Hot Springs Telephone Company Lincoln Telephone Company Range Telephone Cooperative Ronon Telephone Company Southern Montana Telephone Company
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<p><u>Colorado Telecommunications Association</u>  Agate Mutual Telephone Cooperative Association  Big Sandy Telecom (FairPoint)  Blanca Telephone Company  *CenturyLink  Columbine Telephone Company (FairPoint)  Delta County Tele-Comm (TDS Telecom)  Dubois Telephone Exchange  Eastern Slope Rural Telephone Association  Farmers Telephone Company  Haxtun Telephone Company  Nucla-Naturita Telephone Company  Nunn Telephone Company  Peetz Cooperative Telephone Company  Phillips County Telephone  Pine Drive Telephone Company  Plains Cooperative Telephone Association  Rico Telephone Company  Roggen Telephone Company  Rye Telephone Company  South Park Telephone Company  Stoneham Cooperative Telephone Company  Strasburg Telephone Company (TDS Telecom)  Sunflower Telephone Company (FairPoint)  Union Telephone company  Wiggins Telephone Association  Willard Telephone Company</p>	
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\*The CenturyLink and Frontier companies are filing their own Comments or Joint Comments with others.