

DENVER OFFICE  
SUITE 730  
1512 LARIMER STREET  
DENVER, COLORADO 80202-1610  
TELEPHONE 303-606-6700  
FAX 303-606-6701

THOMAS J. MOORMAN  
Direct Dial: 202-944-9502  
E-Mail: tmoorman@woodsaitken.com  
*Admitted to practice only in the District of  
Columbia*

# WOODS & AITKEN

L \* L \* P

SUITE 200  
2154 WISCONSIN AVENUE, NW  
WASHINGTON, D.C. 20007  
TELEPHONE 202-944-9500  
FAX 202-944-9501

www.woodsaitken.com

LINCOLN OFFICE  
SUITE 500  
301 SOUTH 13TH STREET  
LINCOLN, NEBRASKA 68508-2578  
TELEPHONE 402-437-8500  
FAX 402-437-8558

OMAHA OFFICE  
SUITE 525  
10250 REGENCY CIRCLE  
OMAHA, NEBRASKA 68114-3754  
TELEPHONE 402-898-7400  
FAX 402-898-7401

March 28, 2012

FILED/ACCEPTED

MAR 28 2012

Federal Communications Commission  
Office of the Secretary

Ms. Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

**Re: WC Docket No. 10-90  
Section 54.313 Filing of Highland Telephone Cooperative, Inc.**

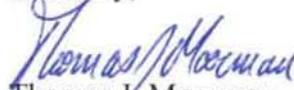
Dear Ms. Dortch:

On behalf of Highland Telephone Cooperative, Inc. (the "Cooperative"), attached hereto is the Company's proposed plan filed in response to the requirements of Section 54.313 of the Commission's Rules as clarified in paragraphs 6-14 of action by the Commission taken on February 3, 2012. *See In the Matter of Connect America Fund, et al., Order*, WC Docket No. 10-90, *et al.*, DA 12-147, released February 3, 2012 at paras. 6-14; 47 C.F.R. §54.313. . For the reasons stated in the attached, and without waiver of its rights with respect to the applicability to it of the requirements of Section 54.313 of the Commission's Rules, the Cooperative has also provided the additional information required of Eligible Telecommunications Carriers that the FCC has designated.

A copy of the public version of this filing is also being provided this day to Universal Service Administrative Company at its Washington, D.C., offices and is being overnighted to the Tennessee Regulatory Authority today. Likewise a request for confidential treatment of certain of the information contained in Attachment A to the Cooperative's submission is being filed separately.

Please acknowledge receipt on the duplicate "stamp and return" document attached for this purpose. All correspondence and inquiries concerning this filing should be addressed to the undersigned.

Sincerely,



Thomas J. Moorman  
Counsel to  
Highland Telephone Cooperative, Inc.

cc: Ms. Karen Majcher, Universal Service Administrative Company  
Chairman, Tennessee Regulatory Authority c/o Sharla Dillon, Dockets and Records  
Manager

No. of Copies rec'd 0 / 1  
List ABCDE

**47 C.F.R. §54.313 Information Submission of  
Highland Telephone Cooperative, Inc.  
Status: Rate of Return and Rural Telephone Company  
Study Area No: 290565  
Filing Deadline -- April 1, 2012**

**Page 1 of 6**

Pursuant to the requirements of 47 C.F.R. §54.313 as clarified by the Federal Communications Commission (the "Commission" or the "FCC") (*see In the Matter of Connect America Fund, et al., Order*, WC Docket No. 10-90, et al., DA 12-147, released February 3, 2012 (the "*Clarification Order*"), Highland Telephone Cooperative, Inc. (the "Cooperative"), an incumbent local exchange carrier operating in rural areas of the State of Tennessee, hereby provides the following information. Should requests for additional information be made by the Commission, the Cooperative is willing to work with the Commission to address such requests.

As has been noted by the Cooperative in its prior submissions, the Cooperative hereby explains the circumstances confronting it and the requirements that the Cooperative understands it must meet with respect to its compliance under Section 54.313. As the Commission's records reflect, the FCC has not designated the Cooperative as an ETC. Rather, the Cooperative, which is a rural telephone company operating within the State of Tennessee, was designated an ETC by the Tennessee Regulatory Authority (the "TRA"). However, the TRA does not assert regulatory authority over the on-going operations of the Cooperative nor does the TRA annually certify the Cooperative to be in compliance with Section 254(e).

While the filing requirements under Section 54.313 as modified by the Commission in the *Clarification Order* retain the distinction between state commission-designated ETCs versus those ETCs designated by the Commission (*see, e.g. Clarification Order* at para. 7), the Cooperative makes this submission in its effort to ensure good faith compliance with applicable requirements and to avoid the specter of not receiving its appropriate federal Universal Service Fund ("USF") disbursements. At the same time, however, due to the ETC designation status of the Cooperative, this submission is made by the Cooperative without waiver of its rights with respect to the applicability of the requirements of the certain of the *Clarification Order's* requirements to it. Nonetheless, the Cooperative has historically filed its annual Section 254(e) certification and related submissions with the FCC, and, absent changed circumstances, will continue to do so.

- A. Progress report on its five-year service quality improvement plan pursuant to §54.202(a), including maps detailing its progress towards meeting its plan targets, an explanation of how much universal service support was received and how it was used to improve service quality, coverage, or capacity, and an explanation regarding any network improvement targets that have not been fulfilled in the prior calendar year. The information shall be submitted at the wire center level or census block as appropriate. (47 C.F.R. §54.313(a)(1))**

As an incumbent local exchange carrier ("ILEC"), the Cooperative has deployed its network within its service area (which is its "Study Area") to meet the historical and on-going

**47 C.F.R. §54.313 Information Submission of  
Highland Telephone Cooperative, Inc.  
Status: Rate of Return and Rural Telephone Company  
Study Area No: 290565  
Filing Deadline -- April 1, 2012**

**Page 2 of 6**

demand for service that the end users located within its service area expect. As a telephone cooperative, its end users are its owners. Thus, the Cooperative has every incentive to ensure that its network is provisioned, maintained and upgraded (*see* 47 U.S.C. § 254(e)) at a level that meets the service quality expectations of its end user/owners.

As a rural telephone company that is also an interstate average schedule company, the Cooperative receives its federal USF based on a formula developed by NECA and approved by the Commission. By its compliance with specific FCC rules and procedures, the Cooperative will be receiving federal USF already determined to be necessary to advance universal service goals and objectives in rural areas of the country. As the Commission is aware, the underlying costs upon which the Cooperative's recovery will be based are identified through the application of specific rules and procedures that it has prescribed. As a portion of its interstate recovery associated with the provision of universal service within its service area, the USF disbursements have been and continue to be integral components of the Cooperative's overall rate design, allowing it to charge rates to its customers that continue to remain at reasonable, affordable and reasonably comparable levels. As such, USF disbursements are not earmarked for any specific infrastructure provision, maintenance or upgrading project. Rather, the federal USF disbursements received by the Cooperative have permitted it to continue to make service improvements as demand and technology warrant, including replacement of existing network elements (copper loop, fiber optic transport facilities, switching facilities and software platform upgrades) and the maintenance of them.

At the same time, the Cooperative can reasonably anticipate that its overall deployment and upgrading of its network would be curtailed where the continuity of proper levels of USF disbursements are not assured.

As the FCC has previously recognized, and the specific language of the Act confirms, "service quality improvements in the five-year plan do not necessarily require additional construction of network facilities." *See In the Matter of Federal-State Joint Board on Universal Service, Report and Order*, CC Docket No. 96-45, FCC 05-46, released March 17, 2005 (the "Report and Order"); at ¶23. The Act also does not limit the use of USF to only facility provisioning, but also includes "maintenance" and upgrading" of such facilities. *See* 47 U.S.C. § 254(e). The permitted uses by smaller, rural ILECs is not surprising based on the fact that network deployment often involves "lumpy" investment cycles, a fact the FCC has also recognized.<sup>1</sup> As an ILEC, the Cooperative has already deployed its network to serve end users

---

<sup>1</sup> As the FCC has recognized, smaller telephone companies like the Cooperative exhibit patterns of "lumpy investment." *See, e.g., In the Matter of Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, Federal-State Joint Board on Universal Service, Access Charge Reform for Incumbent Local Exchange Carriers Subject to Rate-of-Return*

**47 C.F.R. §54.313 Information Submission of  
Highland Telephone Cooperative, Inc.  
Status: Rate of Return and Rural Telephone Company  
Study Area No: 290565  
Filing Deadline -- April 1, 2012**

**Page 3 of 6**

upon reasonable request and therefore is the “Carrier of Last Resort” within its Study Area (as that term is commonly understood). Thus, the Cooperative will continue to engage in routine network deployment, upgrades and maintenance of its network to meet its objective of providing universal service in a quality manner.

Based on its current practice, the Cooperative’s planning horizon for its capital expenditures is 2 years. In light of this practice and in an effort to respond in good faith to the requirements contained in Section 54.313, the Cooperative provides the following information based on actual construction projects that are anticipated to occur during its planning horizon. For the calendar years outside of such planning horizon – calendar years 2015 to 2017 – the Cooperative will continue to deploy the necessary infrastructure or upgrade its existing infrastructure to meet its on-going universal service commitment to its end users/owners. In all events, however, the Cooperative will continue to maintain its network to meet its obligations and will expend its resources in a manner consistent with the requirements of Section 254(e) of the Act.

Attachment A hereto describes the Cooperative’s major construction projects for its current planning period as well as those anticipated network upgrades that it currently anticipates occurring through calendar year 2017. The projected start date and completion date for these projects has been provided along with estimates of construction costs and estimated number of subscribers to be served by each project. Its current plans during this time period include the upgrading and rebuilding of the distribution plant to fiber in order to improve loop service quality thereby continuing its commitment to provide quality local service to our end user customers with the hope of minimizing future maintenance expense. As noted in Attachment A, the Cooperative’s current multi-year construction plans continue to progress and, in the Cooperative’s estimation, its current projects are expected to be achieved during the time noted. Routine construction projects as well as those arising from unanticipated circumstances (*e.g.*, weather, residential development and/or commercial expansion, etc.) will also be undertaken on an “as necessary” basis to address service issues and network requirements that may arise. Maintenance of all network facilities will likewise occur to ensure quality universal service to the customers that the Cooperative serves. In the Cooperative’s view, these projects along with its

---

*Regulation, Prescribing the Authorized Rate of Return for Interstate Services of Local Exchange Carriers, Second Report and Order and Further Notice of Proposed Rulemaking in CC Docket No. 00-256, Fifteenth Report and Order in CC Docket No. 96-45, and Report and Order in CC Docket Nos. 98-77 and 98-166, CC Docket Nos. 00-256, 96-45, 98-77 and 98-166, 16 FCC Rcd 19613, 19652-19653 (¶86), 19710 (¶235)(2001).* Thus, spikes in investment may occur sporadically as facilities or switching investments are upgraded or replaced, or as unforeseen circumstance arise. Moreover, future technological advancements in network will also need to be considered by the Cooperative.

**47 C.F.R. §54.313 Information Submission of  
Highland Telephone Cooperative, Inc.  
Status: Rate of Return and Rural Telephone Company  
Study Area No: 290565  
Filing Deadline -- April 1, 2012**

**Page 4 of 6**

historical and on-going operations and commitment to providing Universal Service within the entirety of its Study Area amply meet its on-going network improvement targets.

With respect to "coverage maps," and in light of this service availability commitment, the Cooperative provides a map, attached as Attachment B, of the Cooperative's service area throughout which service is generally available. To that end, the Cooperative notes that there are no households where the facilities of the Cooperative cannot reasonably be made available.

During calendar year 2011, the Cooperative received \$2,346,036 in federal USF high cost disbursements associated with Local Switching Support, High Cost Loop Support, and Interstate Common Line Support. As indicated above, the Cooperative receives its federal USF through the application of explicit rules and procedures that are based on the Cooperative's historical costs within its service area, which includes its exchange/wire center areas. Thus, for at least High Cost Loop Support, the USF disbursements for calendar year 2011 that the Cooperative received were for costs that had *already* been incurred by the Cooperative and monies *already* spent.

- B. Detailed information on any outage in the prior calendar year, as that term is defined in 47 CFR 4.5, of at least 30 minutes in duration for each service area in which an eligible telecommunications carrier is designated for any facilities it owns, operates, leases, or otherwise utilizes that potentially affect (i) At least ten percent of the end users served in a designated service area; or (ii) A 911 special facility, as defined in 47 CFR 4.5(e). (47 C.F.R. §54.313(a)(2))**

The Cooperative reports that no such outage occurred during the most recent calendar year.

- C. The number of requests for service from potential customers within the recipient's service areas that were unfulfilled during the prior calendar year. The carrier shall also detail how it attempted to provide service to those potential customers. (47 C.F.R. §54.313(a)(3));**

To the best of my information and belief, there were no unfilled requests for service during calendar year 2011.

- D. The number of complaints per 1,000 connections (fixed or mobile) in the prior calendar year. (47 C.F.R. §54.313(a)(4))**

During calendar year 2011, and to the best of my information and belief, the Cooperative

**47 C.F.R. §54.313 Information Submission of  
Highland Telephone Cooperative, Inc.  
Status: Rate of Return and Rural Telephone Company  
Study Area No: 290565  
Filing Deadline -- April 1, 2012**

**Page 5 of 6**

received no complaints from the Commission for its operations which equates to 0 complaints per 1000 lines.

**E. Certification that it is complying with applicable service quality standards and consumer protection rules. (47 C.F.R. §54.313(a)(5))**

Although the Cooperative is not subject to the regulatory oversight of the TRA, the Cooperative, to the best of my information and belief, meets the applicable service quality standards and consumer protection rules set forth by the TRA within its rules and regulations.

**F. Certification that the carrier is able to function in emergency situations as set forth in §54.202(a)(2). (47 C.F.R. §54.313(a)(6))**

The Cooperative has a reasonable amount of back-up power to ensure functionality without an external power source for a reasonable period of time. While the Cooperative has engineered its network based on accepted industry engineering practices, changing call routing may, to some extent, permit the Cooperative to manage traffic patterns throughout its network during emergency situations. Accordingly, I also certify that, to the best of my information and belief and absent catastrophic failure of the network or elements of it, the Cooperative is, to some extent, able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations.

**G. A listing of the carrier's price offerings in a format as specified by the Wireline Competition Bureau. (47 C.F.R. §54.313 (a)(7))**

The Cooperative is waiting further instructions from the Commission's Wireline Competition Bureau regarding the filing of this information.

**H. Report of the carrier's holding company, operating companies, affiliates, and any branding (a "dba," or "doing-business-as company" or brand designation), as well as universal service identifiers for each such entity by Study Area Codes, as that term is used by the Administrator. For purposes of this paragraph, "affiliates" has the meaning set forth in section 3(2) of the Communications Act of 1934, as amended (47 C.F.R. §54.313 (a)(8))**

Pursuant to paragraph 12 of the *Clarification Order*, the Cooperative will await further instructions from the Commission's Wireline Competition Bureau regarding the filing of this information. See *Clarification Order* at para. 12.

**47 C.F.R. §54.313 Information Submission of  
Highland Telephone Cooperative, Inc.  
Status: Rate of Return and Rural Telephone Company  
Study Area No: 290565  
Filing Deadline -- April 1, 2012**

**Page 6 of 6**

- I. A full and complete annual report of the company's financial condition and operations as of the end of the preceding fiscal year, which is audited and certified by an independent certified public accountant in a form satisfactory to the Commission, and accompanied by a report of such audit. The annual report shall include balance sheets, income statements, and cash flow statements along with necessary notes to clarify the financial statements. The income statements shall itemize revenue, including non-regulated revenue, by its sources. (47 C.F.R. §54.313 (f)(2))**

Pursuant to paragraph 13 of the *Clarification Order*, the Cooperative will await further instructions from the Commission's Wireline Competition Bureau regarding the filing of this information. See *Clarification Order* at para. 13.

- J. A report all of the carrier's flat rates for residential local service, as well as state fees as defined pursuant to § 54.318(e) of this subpart. Carriers must also report all rates that are below the local urban rate floor as defined in § 54.318 of this subpart, and the number of lines for each rate specified. Carriers shall report lines and rates in effect as of January 1. (47 C.F.R. §54.313(h))**

The Cooperative is waiting further instructions from the Commission's Wireline Competition Bureau regarding the filing of this information.

**CERTIFICATION**

I, G. Mark Patterson, Chief Executive Officer and General Manager of Highland Telephone Cooperative, Inc. (the "Cooperative"), do hereby declare under penalties of perjury that I have read the foregoing, and the information contained therein regarding the Cooperative is true and accurate to the best of my knowledge, information, and belief.



G. Mark Patterson  
Chief Executive Officer & General Manager

Date: March 27, 2012

47 C.F.R. §54.313 Information Submission of  
Highland Telephone Cooperative, Inc.  
Status: Rate of Return and Rural Telephone Company  
Study Area No: 290565

Filing Deadline -- April 1, 2012

Attachment A  
Page 1 of 2

<u>Estimated Start Date</u>	<u>Estimated Completion Date</u>	<u>Affected Wire Center</u>	<u>Description</u>
-------------------------------------	--	---------------------------------	--------------------

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
------------	------------	------------	------------

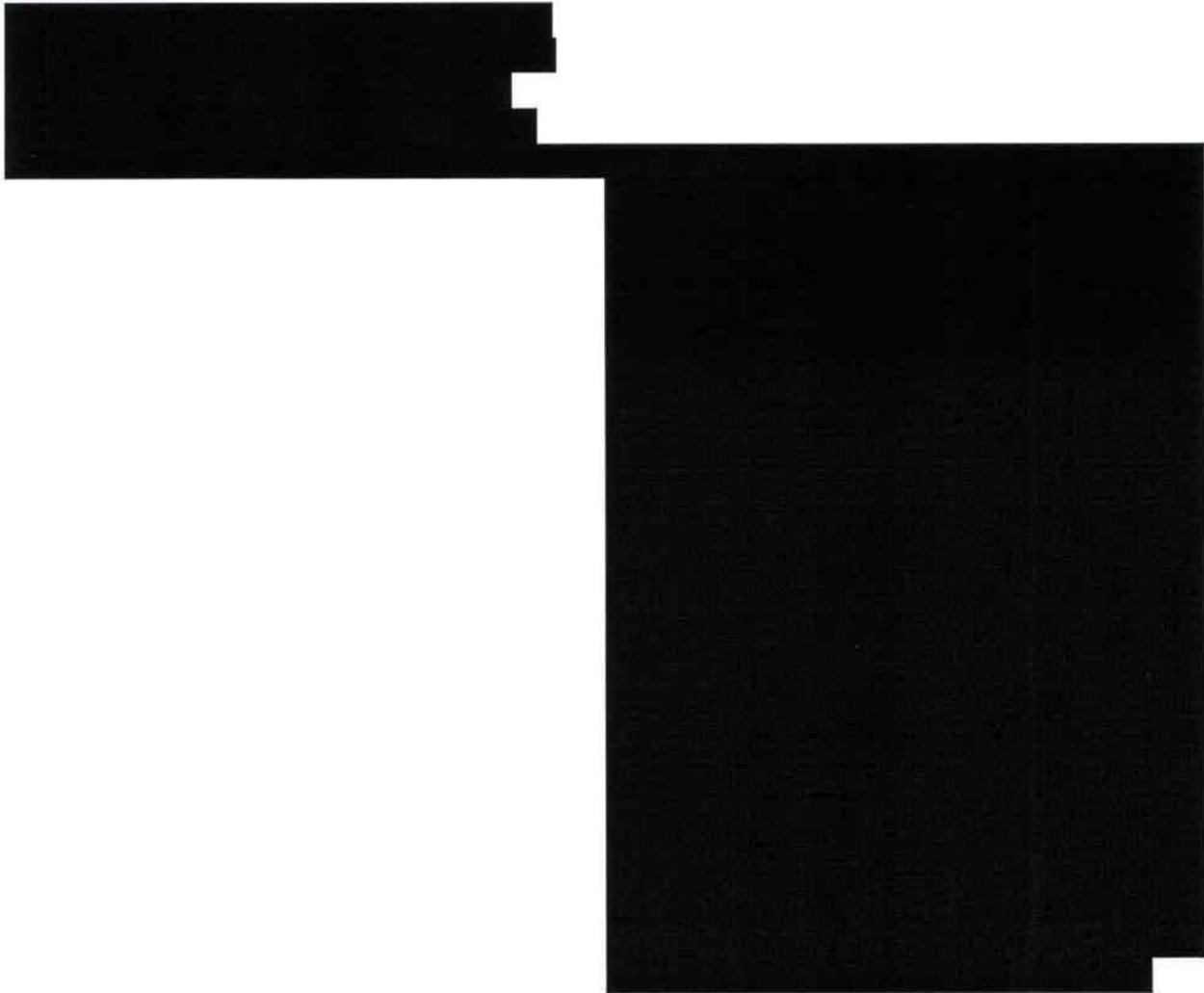
<sup>1</sup> As a rural Incumbent Local Exchange Carrier, the amount of the Cooperative's investment that will be recovered from federal high cost support will be determined by the application of the specific FCC rules. In addition, the Cooperative notes that it recently received a broadband stimulus grant from the USDA Rural Utility Service that required matching funds that the Cooperative has secured for this project. It is currently anticipated that aspects of the expenditures noted herein will be funded through this grant and that, consistent with its existing plans, local loop service will be improved as a result.

47 C.F.R. §54.313 Information Submission of  
Highland Telephone Cooperative, Inc.  
Status: Rate of Return and Rural Telephone Company  
Study Area No: 290565

Filing Deadline -- April 1, 2012

Attachment A  
Page 2 of 2

<u>Estimated Start Date</u>	<u>Estimated Completion Date</u>	<u>Affected Wire Center</u>	<u>Description</u>
-------------------------------------	--	---------------------------------	--------------------



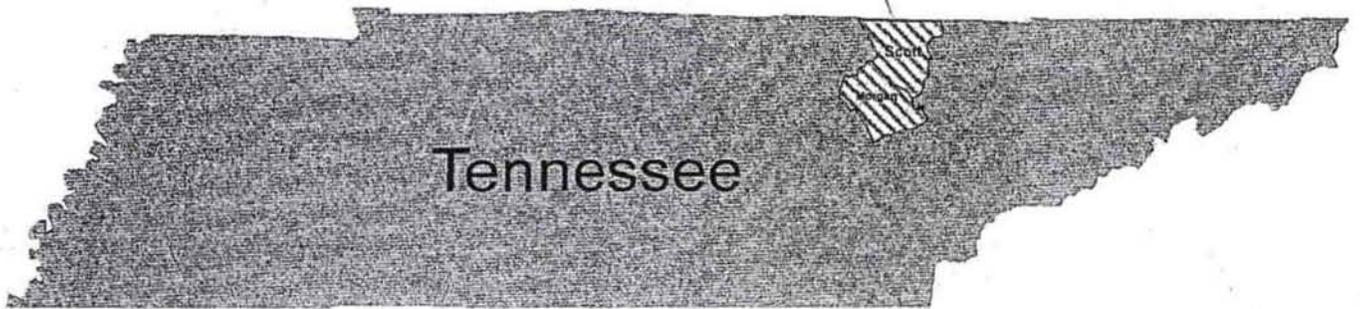
<sup>1</sup> As a rural Incumbent Local Exchange Carrier, the amount of the Cooperative's investment that will be recovered from federal high cost support will be determined by the application of the specific FCC rules. In addition, the Cooperative notes that it recently received a broadband stimulus grant from the USDA Rural Utility Service that required matching funds that the Cooperative has secured for this project. It is currently anticipated that aspects of the expenditures noted herein will be funded through this grant and that, consistent with its existing plans, local loop service will be improved as a result.

**47 C.F.R. §54.313 Information Submission of  
Highland Telephone Cooperative, Inc.  
Status: Rate of Return and Rural Telephone Company  
Study Area No: 290565**

**Filing Deadline -- April 1, 2012**

**ATTACHMENT B**

# Highland Telephone Cooperative



Tennessee