Southern Montana Telephone Company
PO Box 205
Wisdom, MT 59761
406-689-3333
Fax: 406-689-3959

June 1, 2012

Ms. Sharon Gillett
Chief, Wireline Competition Bureau
Federal Communications Commission
445 Twelfth Street, S. W.
Washington, D.C. 20554

Re: WC Docket Nos. 10-90,07-135,05-337,03-109; CC Docket Nos. 01-92, 96-45; GN Docket Nos. 09-51
Written Ex Parte Communication

Dear Ms. Gillett:

Southern Montana Telephone Company ("SMTC") is a rate-of-return incumbent local exchange carrier providing communications services in rural Montana. We are seeking clarification and further details from the Wireline Competition Bureau with respect to the effects of the Quantile Regression Analysis (QRA) and related caps on Universal Service Fund (USF) support on SMTCs operations.

As of April 2012 SMTC served 934 voice customers, 453 of whom are also broadband customers, across approximately 2,200 square miles in Southwest Montana. With less the 0.5 subscribers per square mile SMTC serves one of the most rural areas of Montana, indeed the nation.

In 2006 SMTC recognized the need for broadband services and began replacing decades-old copper with a fiber network to provide reliable voice and broadband services to its subscribers. Our build-out to date has replaced copper loops with fiber-to-the-home for about half our subscribers and has shortened copper loop lengths, allowing SMTC to provide faster broadband speeds to more of our customers. While the electronics deployed in our network will theoretically deliver 4Mbps/1Mbps broadband speeds out to approximately 2.6 miles over copper, with 382 copper loops over 2.6 miles (40% of our subscribers) and an average loop length of 1.97 miles SMTC still has work to do to achieve the National Broadband Plan's targeted speeds to all customers. However, the unpredictability of support, partly due to QRA, has forced SMTC to suspend further investment in rural broadband, placing our upgrade on hold to the detriment of our subscribers in addition to the jobs lost as a consequence of curtailed construction.

Although SMTC is apparently not adversely affected by the caps on USF support at this time it appears we are very close. In an effort to determine whether continued investment is a viable option for our customers, we want to assess what, if anything, can be done now to avoid the application of these caps in future years. To achieve this objective, we need further information or guidance from the Bureau. Specifically, we need to understand:

(1) How our study area boundary was established in the algorithms used to develop the caps?
(2) What census blocks were included within those study area boundaries used in the algorithms applicable to SMTC?
(3) What, if anything, SMTC can do to avoid the application of caps in subsequent years through changes or continued practices in operations or investment methodologies?
(4) How SMTC can determine what changes, if any, might occur to the algorithms and caps in subsequent years so that SMTC can plan accordingly to operate and invest in as "efficient" and "prudent" a manner as possible by reference to the caps?

This information, and any related underlying data that the Bureau can provide with respect to how and why the caps may or may not affect SMTC, is essential as we struggle to develop network investment and operating plans that account for the effect of the caps but continue to satisfy the public interest goals of deploying broadband service in rural America. For example, while SMTC is unaffected by the caps today, we need to be able to evaluate the potential effects of the caps in considering any future network construction or upgrade plans; currently there is no clear path as to how such analysis can be done. Without this information, SMTC fails to see how the caps will encourage further investment in broadband infrastructure, promote "efficient" or "prudent" behavior, or provide a predictable support mechanism because we will not know what is expected by the new rules or how they will affect future investment decisions.

Please provide this information and guidance as soon as possible so that we may make every reasonable effort to plan for the possible effects of the caps in our strategic planning. Thank you for your attention to this request.

Sincerely,

Larry B. Mason
Vice-President and General Manager

cc: Senator Max Baucus
Senator Jon Tester
Congressman Denny Rehberg