



June 27, 2012

ORIGINAL

Ms. Marlene H. Dortch  
Office of the Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street SW  
Washington, D.C. 20554

FILED/ACCEPTED

Ms. Karen Majcher  
Vice President – High Cost Low Income Division  
Universal Service Administrative Company  
2000 L Street NW, Suite 200  
Washington, D.C. 20036

JUN 29 2012  
Federal Communications Commission  
Office of the Secretary

RE: WC Docket No. 10-90: Annual Reporting Requirements for High-Cost Recipients §54.313 (a)(2) through (a)(6) and (h)

Pursuant to Section 54.313(a)(2) through (a)(6) and (h) of the Federal Communications Commission's rules, enclosed are the 2012 annual reporting requirements and certifications for Penasco Valley Telephone Cooperative, Inc., Study Area Code 492270. Penasco Valley Telephone Cooperative, Inc. is a state-designated ETC, and as such, is submitting to the Commission relevant information from reports it files with its state commission for §54.313 (a)(2) through (a)(4).

Should you have any questions, please contact me via email at [kbartley@pvt.com](mailto:kbartley@pvt.com) or by phone at 575-748-1241.

Sincerely,

Kevin Bartley  
CFO

Enclosures

Cc: New Mexico Public Regulation Commission

No. of Copies rec'd 0+4  
LIC: ABCODE

ORIGINAL

**Annual Reporting Requirements pursuant to § 54.313(a)(2)-(6)**

**WC Docket No. 10-90**

§ 54.313(a)(2) – Outage reporting

My company was not required to collect this information in 2011.

My company collected this information pursuant to state utility commission requirement. A copy of the report is attached.

§ 54.313(a)(3) – Unfulfilled service requests

My company was not required to collect this information in 2011.

My company collected this information pursuant to state utility commission requirement. A copy of the report is attached.

§ 54.313(a)(4) – Customer complaints per 1000 connections

My company was not required to collect this information in 2011.

My company collected this information pursuant to state utility commission requirement. A copy of the report is attached.

§ 54.313(a)(5) – Service quality standards and consumer protection rules

I certify that the reporting carrier is in compliance with applicable service quality standards and consumer protection rules.

§ 54.313(a)(6) – Ability to function in emergency situations

I certify that the reporting carrier can function in emergency situations as set forth in 47 CFR §54.202(a)(2). Specifically, the reporting carrier has a reasonable amount of back-up power to ensure functionality without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations.

I am authorized to make this certification on behalf of the company named above and, to the best of my knowledge the information reported on this form is accurate. This certification is for the study area(s) listed below. **(Please enter your Company Name, State and Study Area Code)**

Company Name	State	Study Area Code
Penasco Valley Telephone Coop., Inc.	New Mexico	492270

(If necessary, attach a separate list of additional study areas and check this box.)

**ADDITIONAL VOICE RATE DATA – §54.313(h)**

All incumbent local exchange carrier recipients of high-cost support must report all rates for residential local service, as well as state fees as defined pursuant to §54.318(e) of this subpart, 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 June 1.

*Option 1.* As of June 1, 2012, Penasco Valley Telephone Cooperative, Inc. did not have any rates for residential local service, as well as state fees as defined pursuant to §54.318(e), that are below the local urban rate floor as defined in §54.318.

**Signed,**

  
[Signature of Corporate Officer]

Date: 6/27/2012

Kevin Bartley  
[Printed Name of Corporate Officer]

CFO  
[Title of Corporate Officer]

Carrier's Name Penasco Valley Telephone Cooperative, Inc.  
Carrier's Address 4011 W. Main Artesia, NM 88210  
Carrier's Telephone Number 575-748-1241



June 27, 2012

Records  
New Mexico Public Regulation Commission  
PERA Building, 1120 Paseo de Peralta  
Santa Fe, New Mexico 87501

Re: In the Matter of the Filing of 2012 Annual Reports by Eligible  
Telecommunications Carriers – Case No. 12-00165-UT

Dear Sir or Madam:

Pursuant to the Commission's ETC Reporting Requirements Rule, 17.11.27.8 (B) NMAC, attached for filing in the above referenced case are the original and five (5) copies of the 2012 Annual ETC Report for Penasco Valley Telephone Cooperative, Inc. ("PVT"). The Report consists of several parts: (i) the basic form of the Report that contains certain certifications and factual information required by the Commission's ETC Reporting Requirements Rule; (ii) the Affidavit of Glenn Lovelace verifying the Report and providing justification for the submission of certain confidential information under seal is attached to the Report as Exhibit A; (iii) a Table reflecting the 2011 and the 2012 USF Disbursements to PVT and the 2011 USF Data Collection Form submitted by PVT to the National Exchange Carrier Association ("NECA") is attached to the Report as Exhibit B; (iv) PVT's Service Quality Improvement Plan for 2012 is attached to the Report as Exhibit C; and (v) PVT's Progress Report for January 1 through December 31, 2011 is attached to the Report as Exhibit D.

PVT's completed USF 2011 Data Collection Form contained in Exhibit B to the Report covers calendar year 2011. It was submitted by PVT to NECA in mid-2012 in conformance with the rules of the Federal Communications Commission ("FCC") which require all incumbent local exchange carriers to submit loop count and Uniform System of Account (Part 32) investment and expense data to NECA at least annually. The data is used to determine the amount of high-cost support to which each incumbent LEC ETC is entitled. FCC rules require that a company officer or employee responsible for the overall submission of the data to NECA sign a certification statement regarding the accuracy of the information.

NECA performs initial audits of the data submitted by ILECs to detect anomalous data inputs. NECA procedures also permit periodic audits and require that data submitted

by each company be reconciled with that company's Annual Report to the FCC. NECA provides the FCC and USAC with Part 32 reported account information from each company's annual USF Data Collection Form and this information can be found on the FCC's website. Any interested party can access this information and utilize it to validate NECA's calculations or to review and analyze the data for individual companies over time.

NECA's role, as detailed in Part 36 of the FCC rules, is to collect the required data and develop an average cost per loop for each ILEC study area based on its historical data. PVT's NECA Data Collection Report for 2012 reports PVT's financial information which includes USF related capital expenditures and operations and maintenance expenses for the calendar year 2011. PVT receives federal universal service fund support from the Universal Service Administrative Company ("USAC") for high cost loop support on a per loop basis based on an embedded cost methodology which utilizes selected actual expenses for 2 years prior contained in the NECA Data Collection Report. The information collected by NECA from PVT in the NECA Data Collection Report for 2012 (calendar year 2011) will partially determine the High Cost Loop Support per loop rate for each eligible company for Calendar year 2013. The data supplied in the NECA data Collection Report combined with factors such as cap-related calculations, access line loss, and cost of living factors, are used in the NECA Cost Company Loop Cost Algorithm to determine the study area specific Expense Adjustment Projection which then determines how much support per line the eligible carrier will receive.

Thus, there is not a one-to-one relationship for the USF related capital and operations and maintenance related expenditures made by each wireline carrier and the actual per line support received through USAC. Each wireline carrier's USF Support is based on costs that include not only capital expenditures but also operating expenses and maintenance of the existing network which subsidize local exchange rates in high cost/low density rural areas as well as provide support for net capital plant investment and network improvements and upgrades.

PVT's 2012 Quality Improvement Plan (confidential Exhibit C to the Report) describes PVT's planned service quality improvements for the 2012 calendar year in PVT's New Mexico service territory, and PVT's Progress Report (Exhibit D to the Report) sets out PVT's progress toward completion of the projects identified in the Company's 2011 Quality Improvement Plan.

Exhibit C to the Report - PVT's 2012 Quality Improvement Plan - contains company-specific forward-looking information regarding certain construction projects and equipment upgrades that PVT considers to be confidential, competitively sensitive information and is, therefore, submitted under seal pursuant to the Commission's Protective Order issued June 12, 2012.

Records  
New Mexico Public Regulation Commission  
June 27, 2012  
Page 3

With this filing, PVT submits this it has complied with the Commission's ETC Reporting Requirements Rule and requests, in accordance with 17.11.27.8 (D) NMAC, that the Commission timely provide appropriate certification to the FCC of PVT's use of federal USF support in accordance with applicable federal law.

Please contact me with any questions.

Respectfully submitted,

PENASCO VALLEY TELEPHONE COOPERATIVE, INC.

A handwritten signature in blue ink, appearing to read "K. Bartley".

Kevin Bartley  
Chief Financial Officer

cc: Mike Ripperger w/encl  
Ken Smith w/encl.

2012 ANNUAL ETC REPORT  
FOR  
PEÑASCO VALLEY TELEPHONE COOPERATIVE, INC.

Peñasco Valley Telephone Cooperative (“PVT”), a telecommunications carrier designated by the New Mexico Public Regulation Commission (“NMPRC” or “Commission”) as an Eligible Telecommunications Carrier (“ETC”) certified to receive disbursements from the state rural universal service fund (“state USF”) and the federal universal service fund (“federal USF”), submits this 2012 Annual ETC Report pursuant to the Commission’s June 7, 2012 Order in Case No. 12-00165-UT. The Report is supported by the Affidavit of Mr. Glenn D. Lovelace, attached hereto as Exhibit A.

PVT certifies as follows:

1. PVT will use its federal USF support only for the provision, maintenance and upgrading of facilities and services for which such support is intended.

a. Factual presentation regarding federal USF support for January 1 – December 31, 2011.

(i) See cost documentation for 2011 submitted by PVT to the National Exchange Carrier Association (“NECA”) attached hereto as Exhibit B.

b. Narrative description.

(i) Service Quality Improvement Plan for 2012.  
See attached Exhibit C.

(ii) Progress Report for January 1 – December 31, 2011.  
See attached Exhibit D.

2. PVT will use its state USF support in a manner consistent with the New Mexico Rural Telecommunications Act, the Federal Telecommunications Act, and the Commission’s rules and orders, i.e. for the provision, maintenance, and upgrading of facilities and services for which the support is intended.

a. Report for state USF support received January 1 – December 31, 2011 (excluding state USF support received in connection with the revenue neutral recovery of intrastate access charge reductions).

PVT received \$4,359.75 in state USF support in 2011 as reimbursement for state Lifeline credits it provided to qualifying Lifeline customers.

3. PVT is in compliance with the FCC’s Outage Report Regarding Disruptions to Communications, 47 C.F.R. 63.100. PVT has not had service interruptions during the reporting period that required reporting to the FCC.

4. PVT had no requests for USF supported services from potential customers in 2011 that were unfilled at year end.

5. PVT provides its customers with the toll-free number for the Commission's Consumer Relations Division and, advises its customers that they may contact the Commission if they are unable to resolve services or billing problems.

6. PVT had no customer complaints reported to the Commission relating to USF supported services per 1000 lines for January 1 through December 31, 2011.

7. PVT is in compliance with applicable service quality standards and customer protection rules.

8. PVT is in compliance with its plan for emergency situations, including procedures for loss of a switch, maintaining sufficient reserve power, and minimizing service interruption.

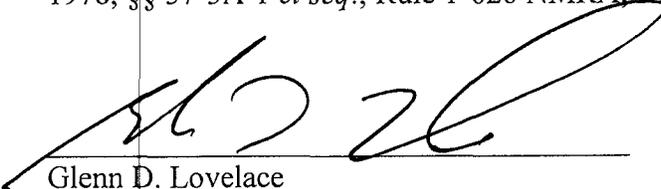
9. PVT advertises or publicizes the availability of and charges for USF supported services and Lifeline services using media of general distribution, including advertisements or publications reasonably calculated to reach those likely to qualify. PVT placed one such advertisement or publication during January 1 – December 31, 2011. It published a notice in a local paper and it provided an insert in customer's bills notifying its customers of the availability of USF supported services and Lifeline services. PVT does not provide services on Tribal lands.

Exhibit A  
to 2012 Annual ETC Report  
for  
Peñasco Valley Telephone Cooperative, Inc.

**AFFIDAVIT OF GLENN D. LOVELACE**

Glenn D. Lovelace, being first duly sworn upon oath, states:

1. I am employed by Peñasco Valley Telephone Cooperative, Inc. as its Chief Executive Officer.
2. In my capacity as Chief Executive Officer for Peñasco Valley Telephone Cooperative, Inc., I am personally familiar with the Company's New Mexico operations and its receipt and use of federal and state universal service fund support.
3. I have reviewed the foregoing 2012 Annual ETC Report of Peñasco Valley Telephone Cooperative, Inc., and hereby declare that the contents of the Report are true and correct to the best of my knowledge and belief.
4. Exhibit C to Peñasco Valley Telephone Cooperative, Inc.'s 2012 Annual ETC Report is Peñasco Valley Telephone Cooperative, Inc.'s Service Quality Improvement Plan for 2012. It contains information regarding construction projects and equipment upgrades planned by Peñasco Valley Telephone Cooperative, Inc. for 2012. This forward-looking information is considered by Peñasco Valley Telephone Cooperative, Inc. to be proprietary, competitively sensitive, confidential and a trade secret, and it is not generally disclosed by Peñasco Valley Telephone Cooperative, Inc. to the public.
5. Disclosure of this confidential and competitively sensitive forward-looking information to current or potential competitors of Peñasco Valley Telephone Cooperative, Inc. would enable them, based on Peñasco Valley Telephone Cooperative, Inc.'s plans, to establish or adjust their own marketing, investment and construction plans in order to obtain market share and cause competitive harm to Peñasco Valley Telephone Cooperative, Inc.
6. Peñasco Valley Telephone Cooperative, Inc. submits that the confidential forward-looking information regarding construction projects and equipment upgrades constitutes a trade secret that is protected from disclosure under the enumerated exceptions of the New Mexico Inspection of Public Records Act, NMSA 1978, §§ 14-2-1(A)(6), - 1(A)(12); NMSA 1978, §§ 57-3A-1 *et seq.*; Rule 1-026 NMRA; Rule 11-508 NM Rules of Evidence.

  
\_\_\_\_\_  
Glenn D. Lovelace



## EXHIBIT B

Exhibit B  
To 2012 Annual Report  
For Penasco Valley Telephone Cooperative, Inc.

In the table below, PVT provides the actual USF High Cost support for the year 2011, with a 2012 projection for USF support based on PVT's actual reimbursement from USAC through April of 2012 and an estimate based on the FCC's Reforms from the latest USAC filings to the FCC for the remaining eight months.

High Cost Program Disbursements at: <http://universalservice/hc/tools/disbursements>

	USF HIGH Cost Support 2011	USF HIGH Cost Support 2012		TOTAL
	DISBURSED	DISBURSED THRU April/	PROJECTED/	
HCL	\$3,406,755	\$1,061,241 /	\$2,119,790 /	\$3,181,031
ICLS	\$2,185,728	\$651,212 /	\$1,073,861 /	\$1,725,073
LSS	\$526,452	\$33,560 /	\$80,212 /	\$113,772
SNA	\$121,416	\$19,604/	\$9,802/	\$29,406
CAF			\$499,709	\$499,709
Total	\$6,240,351	\$1,765,617/	\$3,783,374 /	\$5,548,991

NATIONAL EXCHANGE CARRIER ASSOCIATION  
UNIVERSAL SERVICE FUND  
Data Collection Form

SA Name Penasco Valley Telephone Cooperative, Inc  
SAC. 492270  
Filing Period 2012-1

AL Line	Description	Formula
1	Cable & Wire Facilities plus C&WF portion of Capital Leases assigned to Category 1 [(Acct 2410 x (Cost Study C&WF/ CS C&WF Exc. WB)) + Acct 2680 2410]	\$ 39,777,691
2	Central Office Equipment plus COE portion of Capital leases assigned to Cat. 4 13 [COE Cat 4 13 + Acct 2680 2230]	\$ 4,569,970
3	"A" Factor - C&WF C&WF Cat 1 divided by Total C&WF [AL1/(Acct 2410 + Acct 2680.2410)]	78 171107%
4	"B" Factor - COE. COE Cat 4 13 divided by Total COE [AL2/[Accts (2210+2220+2230) + (2680.2230)]]	35 488680%
5	"C" Factor - C&WF (Gross Allocator) C&WF Category 1 divided by Total Plant in Service [AL1/Acct 2001]	51.763271%
6	"D" Factor - COE (Gross Allocator). COE Category 4 13 divided by Total Plant in Service [AL2/Acct 2001]	5.946967%
7	Materials & Supplies assigned to C&WF Cat 1 [AL5 x Acct 1220]	\$ 126,961.84

AL Line	Description	Formula
8	Material & Supplies assigned to Central Office Equipment Category 4 13 [AL6 x Acct 1220]	\$ 14,586
9	Accumulated Depreciation plus Net Noncurrent Deferred Operating Income Taxes assigned to C&WF Category 1 [AL3 x [(Accts 3100 2410 + 4340.2410) + (Accts 2680 2140/ Acct 2680) x Acct 3400]]	\$ 21,259,952
10	Accumulated Depreciation plus Net Noncurrent Deferred Operating Income Taxes assigned COE Category 4 13 [AL4 x [(Accts 3100.COE + 4340 COE) + ((Accts 2680 COE/ Acct 2680) x Acct 3400)]]	\$ 3,261,263
11	"E" Factor - CW&F (Net Allocator) NET C&WF Category 1 divided by NET TPIS [(AL1 + AL7 - AL9)/Accts (2001+ 1220 - 3100 - 4340)]	56 87212%
12	"F" Factor - Central Office Equipment (Net Allocator) NET COE Category 4 13 divided by NET TPIS. [(AL2 + AL8 - AL10)/Accts (2001+ 1220 - 3100 - 4340)]	4.03645%

AL Line	Description	Formula
13.	Cable & Wire Facilities Maintenance Expense assigned to Category 1 [(AL3 x (Acct 2410 - Benefits - Rents))]	\$ 451,438
14	Central Office Equipment Maintenance Expense assigned to Category 4.13 [AL4 x [Accts(6210 + 6220 + 6230 - Benefits - Rents)]]	\$ 241,547
15	Network Support Expenses plus General Support Expenses assigned to C&WF Category 1 and COE Category 4 13 [(AL5 + AL6) x [Accts(6110+ 6120 - Benefits - Rents)]]	\$ 435,622
16	Network Operations Expenses assigned to C&WF Category 1 and COE Category 4 13 [(AL5 + AL6) x (Acct 6530- Benefits)]	\$ 280,097
17	Depreciation and Amortization Expense assigned to C&WF Category 1 [AL3 x [(Acct 6560 C&WF + (Acct 2680 2410/Acct 2680) x Acct 6560 2680)]]	\$ 1,530,262

AL Line	Description	Formula
18	Depreciation and Amortization Expense assigned to COE Cat 4 13 [AL4 x [(Acct 6560 COE) + (Acct 2680 2230/Acct 2680) x Acct 2680.6560]]	\$ 240,546
19	Corporate Operations Exp. assigned C&WF Cat 1 and COE Cat 4 13 (Corporate Expense Limitation - Benefits)	\$ 679,838
20	Operating Taxes assigned C&WF Cat 1 and COE Cat 4 13 [(AL5 + AL6) x Acct 7200]	\$ 122,495
21	Benefits assigned C&WF Cat 1 and COE Cat 4 13 [(AL5 + AL6) x Benefits]	\$ 618,075
22	Rents assigned C&WF Cat 1 and COE Cat 4 13 [(AL5 + AL6) x Rents]	\$ 64,747 39
23	RETURN COMPONENT for C&WF Cat 1 [(AL1 + AL7 - AL9) x 1125]	\$ 2,097,529
24	RETURN COMPONENT for COE Cat 4 13 [(AL2 + AL8 - AL10) x 1125]	\$ 148,870
25	TOTAL UNSEPARATED COSTS for SA 492270 [Sum of lines AL13 thru AL24]	\$ 6,911,067

AL Line	Description	Formula
26	STUDY AREA COST PER LOOP [AL25/Loops 1 1-1 3]	\$ 2,379.02
27	National Average	\$ 570.15
28.	National Average X 1 15	\$ 655 67
29	National Average X 1 50	\$ 855.23
30	Amount of cost per loop over 150% of National Average	\$ 1,523 80
31	Applicable loop cost between 115-150% of National Average	\$ 199 55
32	EXPENSE ADJUSTMENT AT 65 RATE [Applies to Loop Cost between 115-150% of National Average at 65 rate]	\$ 129 71
33	EXPENSE ADJUSTMENT AT 75 RATE [Applies to Loop Cost over 150% of National Average at at 75 rate]	\$ 1,142 85
34	TOTAL SA. 492270 EXPENSE ADJUSTMENT	\$ 3,666,242 12
ANNUAL COMPENSATION		
	[Line 34 Expense Adjustment at Full Transition of USF]	\$ 3,666,242.12

## CONFIDENTIAL EXHIBIT C

Exhibit C  
To 2012 Annual Report  
For Penasco Valley Telephone Cooperative, Inc.

### Quality Improvement Plan for 2012

PVT's 2012 plans include: central office and switch upgrades, subscriber carrier equipment, continued work on extensive fiber optic cable projects. These projects will significantly improve the service coverage, quality and capacity of the Company's network and will significantly expand broadband services available to PVT's customers. The Company anticipates approximately a \$12.4 million increase in plant investment, including plant under construction, and \$3.8 million in operating expenses, exclusive of depreciation and corporate expenses, in 2012. The Company notes that from year-to-year, the number and size of network improvement projects change. Therefore, the total capital expenditures and operating expenses will vary year-to-year regardless of the amount of USF received in each year.

### Significant Improvement Projects for 2012 include:

#### COE and digital switching upgrades:

1) Install patch panels, new batteries, OC-192 fiber optic cards, and Symmetricom Stratum 3 clock.

Estimated cost \$183,000

#### Subscriber Carrier Equipment:

2) Install electronic sites in our Lakewood, Hondo, and Mayhill exchanges. Turn up electronic sites that are associated with the fiber projects to get increased broadband penetration.

Estimated Cost \$540,000

#### Cable and Wire:

3) Complete buried fiber optic projects to many of our remote areas to increase broadband penetration and increase speeds. Replacement of fiber that is currently at capacity. Engineering of more fiber routes to bring fiber to remote areas and the build out for these will be in 2013.

Estimated cost \$11,711,000

## **EXHIBIT D**

Exhibit D  
To 2012 Annual Report  
For Penasco Valley Telephone Cooperative, Inc.

The total increase in plant in service and under construction in 2011 was \$9,178,000. Operating expenses, exclusive of depreciation and corporate expenses totaled \$3,631,000 in 2011.

Significant Improvement Projects completed in 2011 include:

- 1) Completed construction on a buried fiber optic cable project from Carlsbad to Hobbs for a redundant fiber route.
- 2) Completed 3 contracts associated with ARRA to construct fiber facilities for increased broadband penetration.
- 3) Installed fiber transmission equipment to feed digital loop carrier sites in all exchanges and installed fiber transmission equipment.
- 4) Constructed fiber and copper upgrades and line extensions in all exchanges to replace damaged cable, provide fiber to digital loop carrier sites and provide service to new subscribers.
- 5) Completed installation of DC power at microwave sites in the Hope and Hondo exchanges and installed generators and replaced batteries at digital loop carrier sites.