

# United States Senate

October 9, 2012

**1201**

President Barack Obama  
The White House  
1600 Pennsylvania Avenue, NW  
Washington, D.C. 20500

Chairman Julius Genachowski  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, D.C. 20554

Dear Mr. President and Chairman Genachowski:

I write today to share my continued concerns about actions taken by the Federal Communications Commission (FCC) to reform and modernize the Universal Service Fund (USF) and the intercarrier compensation system. As I mentioned in my July 8<sup>th</sup> letter to President Obama and in my April 6<sup>th</sup> letter to Chairman Genachowski, I believe that comprehensive reform is long overdue, but I remain extremely concerned about the aggressive reforms currently being considered. That's why I encourage you to shelve the current proposal and work to promote smart telecommunications policy that won't adversely affect Rural Local Incumbent Carriers (RLEC).

The aggressive action taken by the FCC has placed regulatory uncertainty into a marketplace that wasn't there before, threatens jobs in rural America, and cuts off access to much needed capital for rural America's telecommunications carriers. The FCC's establishment of the Quantile Regression Analysis (QRA), which determines the appropriate funding for the high cost fund portion of the USF, not only threatens rural communication carriers' ability to invest in new infrastructure, but it also affects their ability to maintain current infrastructure. The QRA has already forced carriers across rural America to freeze build-out plan, cut back on jobs, and it is preventing carriers from ordering new equipment. This is unacceptable and we can do better.

The USF and the intercarrier compensation system are crucial to RLECs' ability to connect rural America's schools, libraries, rural health care clinics, low-income residents and our nation's veterans who use tele-medicine, with the rest of the country. This public-private partnership has done great things for rural America, but I remain concerned that if the FCC continues down this path, this decades-old partnership will cease to exist.

As I stated in my July 8<sup>th</sup> letter, I continue to ask that the FCC prioritize the three following items:

1. Remove uncertainly currently facing rural companies by shelving the current proposal to impose further cuts to carriers in rural America until the full impact of the Order released in November of last year can be fully understood.
2. Create a fund that is similar to the "Connect America Fund" for RLECs. This will allow companies in rural America to make the much needed investments in their communities and will allow them to continue connecting rural America.
3. Establish a meaningful waiver mechanism for companies who believe they will be negatively impacted by the Order. The current waiver system is cumbersome and will only be considered if voice service could be lost, even though this Order is supposed to bring the fund into the broadband world. And many carriers cannot afford the \$8,000 waiver, let alone the fees many of them will have to pay outside companies to prepare the paperwork for the waiver.

I, along with the rural telecommunication companies in Montana, have tried to work with the FCC, but have yet to get a meaningful response. I appreciate your attention to this matter and look forward to working with you to expand broadband in rural America.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jon Tester", is written over the typed name.

Jon Tester



FEDERAL COMMUNICATIONS COMMISSION

January 8, 2013

JULIUS GENACHOWSKI  
CHAIRMAN

The Honorable Jon Tester  
United States Senate  
724 Hart Senate Office Building  
Washington, D.C. 20510

Dear Congressman Tester:

Thank you for your letter regarding the FCC's Universal Service Fund reforms. I appreciate your interest in this matter and am pleased to provide the enclosed letter on this issue from the Chief of the Wireline Competition Bureau's Telecommunications Access Policy Division.

If you have any additional questions or need any further assistance, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to be "J. Genachowski", written over the typed name.

Julius Genachowski

Enclosure



Federal Communications Commission  
Washington, D.C. 20554

January 8, 2013

The Honorable Jon Tester  
United States Senate  
724 Hart Senate Office Building  
Washington, D.C. 20510

Dear Senator Tester:

Thank you for your letter expressing concerns about the effect of the Commission's Universal Service Fund (USF) reforms on rural telecommunications providers. I want to assure you that the Commission will continue to work with all stakeholders, including rural carriers, throughout the reform process.

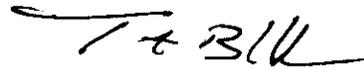
The Commission's implementation of the *Transformation Order* continues to be guided by three key goals: expanding broadband to the millions of unserved Americans, increasing fiscal responsibility and accountability in USF spending to ensure the long term sustainability of the Fund, and setting forth transition periods that recognize business realities. In addition as we hear from stakeholders about concerns with implementation, we will make adjustments as appropriate. For instance, on April 25, 2012, the Commission extended the transition for originating intercarrier compensation payments, a concern raised by many smaller carriers. Likewise, in the Wireline Competition Bureau's April *Benchmarks Order*, the Bureau revised the initially proposed high-cost loop support benchmark categories to respond to a number of the concerns raised by smaller carriers. In particular, the revised methodology accounts for several additional drivers of cost in comparing spending between carriers, it takes recent investment into consideration, it extends the transition period to give carriers greater time to adjust, and it provides a streamlined process to address any concerns about the accuracy of carriers' data. The Commission also extended a number of reporting deadlines for smaller carriers.

Even as we continue to make necessary adjustments, the Chairman believes that it is important to keep moving forward with implementation of the Commission's once-in-a-generation reforms and not roll back progress that we have made. As we do, the Commission and staff will continue to run a fair, open process in which the valid concerns of stakeholders are addressed – working closely with affected carriers to ensure that residents of the nation's rural

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and high-cost areas receive the quality voice and broadband services that all Americans need. I appreciate your interest in this very important matter. Please let me know if I can be of any further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "T. B. Harkrader". The signature is fluid and cursive, with a long horizontal stroke at the beginning.

Trent B. Harkrader  
Chief  
Telecommunications Access Policy Division  
Wireline Competition Bureau