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REDACTED – FOR PUBLIC INSPECTION

By Hand Delivery

November 7, 2013

Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

**Re: Request for Confidentiality - Ex Parte Presentation
WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135,
WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45
WC Docket No. 03-109, WT Docket No. 10-208**

Dear Ms. Dortch:

This request for confidentiality is made on behalf of Hopi Telecommunications, Inc. (“HTI”). HTI seeks confidential treatment of financial data attached to the above-referenced Notice of Ex Parte Presentation under the Third Protective Order in WC Docket Nos. 10-90, 07-135, 05-337, 03-109, GN Docket No. 09-51, CC Docket Nos. 01-92, 96-45 and WT Docket No. 10-208.¹ Pursuant to the Order, one copy of the confidential document and two copies of the redacted version are provided. The redacted version is also being filed on the Electronic Comment Filing System.

Please contact the undersigned with any questions.

Respectfully submitted,

John Kuykendall
Vice President

Attachments

¹ See Third Protective Order, WC Docket Nos. 10-90 *et al.*, DA 12-1418 rel. Aug. 30, 2012 (“Order”).



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WC Docket No. 03-109, WT Docket No. 10-208
Notice of *Ex Parte* Presentation**

Dear Ms. Dortch:

On November 5, 2013, Carroll Onsaie, Darlene Burden and James Underwood of Hopi Telecommunications, Inc. (“HTI”), and John Kuykendall and Dan Weaver of John Staurulakis, Inc. (collectively, “HTI representatives”), met with Irene Flannery and Rebecca Lockhart of the Office of Native Affairs and Policy, and with Chin Yoo, Pamela Arluk, Erin Boone, Jamie Susskind, Deena Shetler, Chris Koves and Joseph Sorresso (by telephone conference), of the Wireline Competition Bureau (“WCB”). Irene Flannery and Rebecca Lockhart also joined the WCB meeting. In addition, HTI representatives met with Nicholas Degani of Commissioner Pai’s office and with Christi Barnhart of Commissioner Rosenworcel’s office. Discussion focused on the Commission’s proceeding to re prescribe the authorized rate of return as initiated in the USF/ICC Reform Order.¹

Carroll Onsaie described HTI’s service as a Tribally-owned Eligible Telecommunications Carrier providing voice and broadband service to the Hopi Tribe in rural Arizona and HTI’s mission to develop and improve the telecommunications infrastructure and economic condition of the members of the Hopi Tribe.

¹ *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 17870, para. 640 (2011) (“USF/ICC Reform Order”), *pets. for review pending sub nom.* In re: FCC 11-161, No. 11-9900 (10th Cir. filed Dec. 8, 2011).

HTI representatives presented the HTI Statement of Operations - Forecasted to demonstrate the impact of reducing the rate of return to 8.72% or 8.06% as recommended in the FCC's staff report. The forecasted effects of reducing the rate of return will negatively impact HTI's ability to make Times Interest Earned Ratio ("TIER") and will frustrate its mission to improve telecommunications infrastructure on and near the Hopi Reservation.

HTI representatives concluded by urging the Commission not to reduce the rate of return in light of the negative impacts that would occur if the Commission were to take such action when the full impacts of the USF/ICC Reform Order have not yet been analyzed.

Attached are materials provided to meeting participants. Please contact the undersigned with any questions.

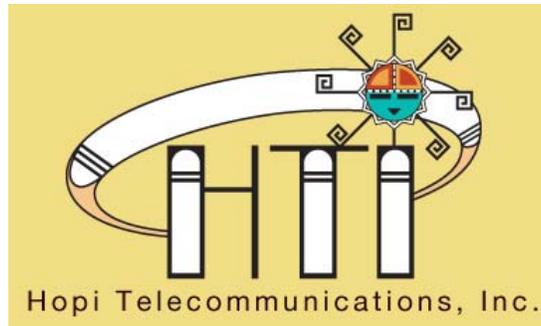
Respectfully submitted,



John Kuykendall
Vice President

cc: Irene Flannery
Rebecca Lockhart
Chin Yoo
Pamela Arluk
Erin Boone
Joseph Sorresso
Jamie Susskind
Deena Shetler
Chris Koves
Nicholas Degani
Christi Barnhart

Attachments



Hopi Telecommunications, Inc.
FCC Ex Parte Meetings
November 5, 2013

RATE OF RETURN REPRESRIPTION IMPACT ON HTI

- Hopi Telecommunications Inc. (HTI) is a Tribally-owned Eligible Telecommunications Carrier serving the Hopi Tribe in rural Arizona with voice and broadband service whose mission is to develop and improve the telecommunications infrastructure and economic condition of the members of the Hopi Tribe.
- Presentation of HTI's Statement of Operations – Forecasted, which demonstrates the impact of reducing the rate of return to 8.72% or 8.06% as recommended in the FCC's staff report.
- Reducing the rate of return will negatively impact HTI's ability to make TIER and frustrate its mission to improve telecommunications infrastructure on and near the Hopi Reservation.

IMPACT ON TRIBALLY-OWNED RLECS

- In its comments, the National Tribal Telecommunications Association (NTTA) found that reducing the rate of return to 8.5% would “cause real and adverse effects on the ability to bring quality voice and broadband services to Tribal areas.” Specifically, NTTA found that reducing the rate of return to 8.5%:
 - Would cause an average 11% reduction In High Cost Loop Support or approximately \$220,000 annually, for each NTTA member (the decreases in annual HCLS range from a low of \$70,000 to a high of \$530,000);
 - Would decrease revenues by an average of 7%, or approximately \$132,000 annually for each NTTA member in interstate common line and special access (including DSL/other broadband access).

- NTTA stated that overall, the 8.5% reduction would cause an approximate 8% average decrease, or \$326,000, in annual revenues for NTTA member companies and that “[t]hese losses will translate into real and immediate hardships for NTTA members - on top of those already experienced upon adoption of the *ICC/USF Transformation Order*.”
- NTTA also noted that the losses would be in addition to the general access line reductions (NTTA estimates that on average, its members have lost over 12% of their access lines since 2008) and would greatly hinder broadband deployment.

IMPACT ON ALL RLECS

- Comments by rural carriers and associations describe how a reduction in the rate of return is a threat to RLECs’ financial stability, their ability to repay loans, and their obligations to build and maintain telecommunications facilities and services at quality and price reasonably comparable to urban areas.
- In its comments, JSI cited an analysis that it conducted of 151 of its cost company clients and found that if the rate of return for these companies is lowered to 8.06 percent, these companies would experience an average of \$4.99 per line less per month in regulated revenues, and the collective total revenue reduction for the entire group would be \$64,983,870. The analysis also found that if the rate of return is lowered to 8.72 percent, the total revenue loss would still exceed \$50 million.

RISKS ARE HIGHER FOR RLECS

- In its comments, NTTA observes that the various changes including those brought about by the *USF/ICC Transformation Order* “from a pure regulatory standpoint . . . serve to *increase* the risk of operating an RLEC, which should in a rational world, *increase* the [rate of return].”
- NTCA – The Rural Broadband Association, USTelecom, NECA, Eastern Rural Telecom Association and Western Telecommunications Alliance submitted a statement by Professor Randall S. Billingsley in which he asks, “which is riskier, a pure landline, small rural telecommunications company or a broadly diversified, large telecommunications firm with extensive wireless holdings? Which would you be more comfortable investing in and how would you adjust your return requirements in light of your intuition?”

CONCLUSION

- Commenters in support of the staff report do not take these impacts into consideration – however, a reduction in the rate of return could harm consumers by loss of service or increase in rates.
- HTI urges the FCC to not reduce the rate of return in light of all of the negative impacts that would occur if the Commission were to take such action, especially given the fact that the full impacts of the *USF/ICC Transformation Order* have yet to be analyzed.

