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Five-Year Network Improvement Plan
For Western Telephone Company

In its *USF/ICC Transformation Order* and subsequent Orders, the Federal Communications Commission (“FCC” or “Commission”) requires Eligible Telecommunications Carriers (“ETCs”) to submit a five-year build-out plan in a manner consistent with Section 54.202(a)(1)(ii) of the Commission’s Rules by July 1, 2014 and to submit annual progress reports thereafter.¹ Section 54.202(a) (1) (ii) states in part that ETCs are to “[s]ubmit a five-year plan that describes with specificity proposed improvements or upgrades to the [ETC’s] network throughout its proposed service area. Each [ETC] shall estimate the area and population that will be served as a result of the improvements”²

In its *March 5, 2013 Order*, the FCC specified that for rate-of-return carriers, the five-year plans “should describe the carrier’s network improvement plan, which should provide greater visibility into current plans to extend broadband service to unserved locations in rate-of-return service territories.”³ Western Telephone Company

¹ See *Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform—Mobility Fund*; WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-61 (rel. Nov. 18, 2011) (*USF/ICC Transformation Order*) at Para. 587; pets. for review denied, Direct Comm. Cedar Valley, et al v. FCC, No. 11-9900, www.ca10.uscourts.gov/opinions/11/11-9900.pdf (10th Cir. May 23, 2014); see also *Connect America Fund et al.*, WC Docket 10-90 et al., Order, DA 12-147 (rel. Feb. 12, 2012) at Para. 5 (amending Section 54.313(a)(1) to clarify this requirement); *Connect America Fund et al.*, WC Docket 10-90 et al., Third Order on Reconsideration, FCC 12-52 (rel. May 14, 2012) at Para. 10 (changing the filing deadline for the annual reports from April 1 to July 1); *Connect America Fund et al.*, WC Docket 10-90 et al., Order, DA 13-332 (rel. Mar. 5, 2013) (“*March 5, 2013 Order*”) at Para’s. 4, 6-9. Delaying Five Year Plan until July 1, 2014 see WC Docket No. 10-90, Order, DA 13-1115, Para. 8 (released May 16, 2013).

² 47 C.F.R. § 54.202(a) (1) (ii).

³ *March 5, 2013 Order* at Para. 9 citing Section 54.202(a) (1) (ii).

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(“Western” or the “Company”) is a rate-of-return carrier ETC and hereby submits its five-year network improvement plan.

I. The Challenges Faced by the Company in Providing Voice and Broadband to its Rural Service Area

A. Description of the Company and its Service Area

Western Telephone Company provides telephone service to nearly [REDACTED] access lines and also provides high-speed internet service and IP video service to [REDACTED] customers. Western completed a full rebuild of all its exchanges in 2011 to a fiber-to-the-home technology. Western’s service territory covers over 1,000 square miles with an overall customer density of [REDACTED] access lines per square mile. Western serves three separate exchanges in the central region of South Dakota. Because all residential and business subscribers currently have service provided via fiber facilities, there are no further significant upgrade plans for the near future.

B. The Exchanges Contained Within the Company’s Study Area

Venture Communications Cooperative serves the combined exchange area(s) of:

Cresbard, SD	Orient, SD
Faulkton, SD	

II. The Company Has Used and Will Use Universal Service Support Only For the Intended Purposes

Section 254(e) of the Communications Act of 1934, as amended requires ETCs to use Universal Service support (“USF”) “only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.”⁴ Pursuant to Section 54.314 of the FCC’s rules, in order for state-designated ETCs to receive USF for the coming year, states must annually file certifications by October 1 stating that all federal high-cost support provided to such carriers within the state “was used in the

⁴ 47 U.S.C. § 254(e).

preceding calendar year and will be used in the coming calendar year only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.”⁵ ETCs not designated by a state must file similar certifications with the FCC.⁶

In its *USF/ICC Transformation Order*, the FCC clarified that prior to making the Section 254(e) certifications, states should conduct a “rigorous examination of the factual information” contained in the annual Section 54.313 reports, of which the five year network improvement plan and annual progress reports are a part, in determining whether they can certify that carriers’ support has been used and will be used only for the purpose for which the support was intended.⁷ The FCC said that it would also use the reports to verify certifications filed by ETCs that are not state-designated.⁸ In this context, the Commission stated, “[i]n light of the public interest obligations we adopt in this Order, a key component of this [Section 254(e)] certification will now be that support is being used to maintain and extend modern networks capable of providing voice and broadband service.”⁹

Essentially, under the existing rules and processes, the federal USF received by the Company and other incumbent rural telephone companies are, in fact, an integral part of the recovery of expenditures of rural incumbent local exchange carriers incurred in the provision, maintenance and upgrading of their provision of facilities and services for

⁵ 47 C.F.R. § 54.314(a).

⁶ 47 C.F.R. § 54.314(b).

⁷ See *USF/ICC Transformation Order* at Para. 612.

⁸ *Id.*

⁹ *Id.* (emphasis supplied).

which the USF is intended. Western depends upon its receipt and utilization of federal universal service support to provide rural telephone customers with affordable and quality voice and broadband services.

Accordingly, given the critical role the network improvement plan and the progress reports will have in the annual Section 254(e) certification process, Western Telephone Company's plan and progress reports will demonstrate not only how Western has used and will use USF not only for improvements and upgrades, but also for the provision and maintenance of the facilities and services to which the support was intended.

III. The Company's Five-Year Network Improvement Plan

When the Commission adopted its five-year plan requirements for FCC-designated ETCs in its *2005 ETC Order*, it set forth the following criteria as to how the ETC is to describe with "specificity" the proposed improvements or upgrades to the ETC's network throughout its service area:

- (1) how signal quality, coverage, or capacity will improve due to the receipt of high-cost support throughout the area for which the ETC seeks designation; (2) the projected start date and completion date for each improvement and the estimated amount of investment for each project that is funded by high-cost support; (3) the specific geographic areas where the improvements will be made; and (4) the estimated population that will be served as a result of the improvements.¹⁰

In that order, the FCC clarified that service quality improvements in the five-year plan "do not necessarily require additional construction of network facilities."¹¹ Accordingly,

¹⁰ *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, FCC 05-46 (rel. Mar. 17, 2005) ("*2005 ETC Order*").

¹¹ *Id.*

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the improvements listed in the plan may be projects related to the expansion of the network (one or multiple services), projects related to updating technology to accommodate new services or higher bandwidth or maintenance projects, such as to reduce trouble reports or replace outdated equipment. Additionally, in some cases, the projects may be ones that improve or upgrade the entire network rather than discrete areas within a study area or they may be ones that are ongoing projects that have no specific start and completion dates.

The instructions to the Form 481 state “[r]ecipients may describe where improvements are expected to occur by wire center or census block, as appropriate. To the extent no improvements are planned in specific areas, the five-year plan should so indicate.”¹² The instructions also require that in subsequent years, ETCs must file a progress report on the five-year plan, pursuant to 47 C.F.R. §54.313(a)(1), including maps explaining progress towards meeting the deployment targets, the amount of universal service support received, how support 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 regarding the total amount of universal service support received must also be broken out separately by the amount spent on capital expenses and the amount spent on operating expenses.¹³ Accordingly, the Company’s five-year plan separately provides both capital expenditures and operating expenses.

¹² Instructions for Completing FCC Form 481, OMB Control No. 3060-0986 (High-Cost), OMB Control No. 3060-0819 (Low-Income), March 2014, Line 112

¹³ Instructions for Completing FCC Form 481, OMB Control No. 3060-0986 (High-Cost), OMB Control No. 3060-0819 (Low-Income), March 2014, Line 112

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A. The Company's Major Network Improvement Projects

Based upon this framework, Appendix A reflects Western Telephone Company's major network improvement projects for the year 2015 through calendar year 2019¹⁴ along with the start and completion dates, capital costs, areas and population associated with those projects. At this time, there are no major network improvement plans in place as Western Telephone Company rebuilt all of its facilities in 2011 in all three exchanges (Cresbard, Faulkton, and Orient) using a fiber-to-the-home technology.

B. How These Projects Will Improve the Network

As mentioned previously, Western Telephone Company rebuilt all of its facilities in 2011 using a fiber-to-the-home technology. Future projects include increasing broadband speed up to 1 Gigabyte service. Western Telephone Company has [REDACTED] in outstanding loans to USDA's Rural Utility Service for the fiber-to-the-home construction that was completed in 2011. Western will rely on future universal service funding to help make the loan payments related to this investment.

C. Estimated Capital Expenditures and Operating Expenses

The first table in Appendix B included herein specifies the Capital Expenditures (projects) in Appendix A, by Part 32 account, along with the respective year in which the expenditures are expected to occur. In the second table of Appendix B, the projected operating expenses are provided, including depreciation expense for both embedded plant

¹⁴ Although the FCC has not specified what it considers to be "year one" of the five year plan, the Company believes that it is the FCC's intent for the calendar year 2015 to be considered "year one" due to the fact that the first progress report on the plan is due July 1, 2015 and all of the other reporting requirements contained in Section 54.313 are based on the calendar year.

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investment and for Capital Expenditures, which begins when the Capital Expenditures are projected to be placed into service.

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Study Area Code 391688
 Study Area Name Western Telephone Company
 Company Contact Name Janelle Jessen
 Contact Telephone Number 605-852-2224
 Contact Email Address janellej@venture.coop

PART A - PROJECT LIST FOR 2015-2019

Project	Start Date	Completion	Areas	Population(1)	Total Dollars
New Buried Drops	5/1/2015	12/31/2015	Cresbard, Faulkton & Orient	1,000	██████████
New Buried Drops	5/1/2016	12/31/2016	Cresbard, Faulkton & Orient	1,000	██████████
New Buried Drops	5/1/2017	12/31/2018	Cresbard, Faulkton & Orient	1,000	██████████
New Buried Drops	5/1/2018	12/31/2018	Cresbard, Faulkton & Orient	1,000	██████████
New Buried Drops	5/1/2019	12/31/2019	Cresbard, Faulkton & Orient	1,000	██████████
Totals					\$ 75,000.00

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Study Area Code	391688
Study Area Name	Western Telephone Company
Company Contact Name	Janelle Jessen
Contact Telephone Number	605-852-2224
Contact Email Address	janellej@venture.coop

Part B: 5-Year Proposed Capital Expenditures and Operating Expenses

Regulated Capital Expenditure (CapEX) Projections						
Account	Description	2014	2015	2016	2017	Total Projected CapEx 2015-2019
2111 & 2121	Land & Building	\$ -	\$ -	\$ -	\$ -	\$ -
2112	Vehicles	\$ -	\$ -	\$ -	\$ -	\$ -
2122-2124	Support Assets	\$ -	\$ -	\$ -	\$ -	\$ -
2210	Switching Equipment	\$ -	\$ -	\$ -	\$ -	\$ -
2232	Circuit Equipment	\$ -	\$ -	\$ -	\$ -	\$ -
2410	Cable & Wire Facilities	\$ [REDACTED]				
1220	Materials & Supplies	\$ -	\$ -	\$ -	\$ -	\$ -
	Total Capital Expenditures	\$ [REDACTED]				

Regulated Operating Expenditure (OpEx) Projections						
Account	Operating Expenses	2014	2015	2016	2017	Total Operating Expenses 2015-2019
6110-6120	General Support Maintenance	\$ [REDACTED]				
6210	Switching Maintenance	\$ [REDACTED]				
6230	COE Transmission Maintenance	\$ [REDACTED]				
6410	Cable & Wire Facilities	\$ [REDACTED]				
6530	Non-Specific (Testing, Plant Op., Engineering)	\$ [REDACTED]				
6561-2110	General Support Depreciation	\$ [REDACTED]				
6561-2210	Switching Depreciation	\$ [REDACTED]				
6561-2230	Circuit Equip Depreciation	\$ [REDACTED]				
6561-2410	Cable & Wire Depreciation	\$ [REDACTED]				
6610-6620	Customer Operations	\$ [REDACTED]				
6711-6720	Corporate Operations	\$ [REDACTED]				
7240	Ad Valorem Expense	\$ [REDACTED]				
	Total Operating Expenses	\$ [REDACTED]				