



Energy and Telecommunications Interim Committee

PO BOX 201706
Helena, MT 59620-1706
(406) 444-3064
FAX (406) 444-3036

61st Montana Legislature

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TODD EVERTS, Staff Attorney
DAWN FIELD, Secretary

September 10, 2010

The Honorable Julius Genachowski, Chairman
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

Re: *In the Matter of* Connect America Fund (WC Docket No. 10-90); A National Broadband Plan for our Future (GN Docket No. 09-51); and High-Cost Universal Service (WC Docket No. 05-337)

Dear Mr. Chairman,

The Montana State Legislature's Energy and Telecommunications Interim Committee wishes to express its concern about the negative effects of the Commission's proposed universal service reforms on investment and economic development in Montana.

Universal service has contributed substantially to the deployment of a robust, advanced telecommunications infrastructure in Montana. Rural telecom providers are significant employers in Montana's economy, and often are the largest taxpayers in the counties in which they operate. They have deployed broadband telecommunications services to between 75 percent (in the most remote "frontier" areas of the state) and as much as 100 percent of their customers in several areas. Montana's rural telecom providers have used universal service to build advanced telecommunications networks in Montana, and they continue to invest heavily in maintaining and growing this investment.

The Commission's proposed universal service reforms threaten to put both current and future investment in broadband facilities at risk—contrary to the Commission's goal of ubiquitous broadband deployment in America. By freezing the size of the Universal Service Fund, while proposing expanded uses of high cost, rural health care, low income, and school and library support—all laudable goals—the high cost fund will be squeezed. By mandating rural telecom providers to abandon rate-of-return funding and to adopt a flawed model, which fails to account for operations and maintenance associated with both existing and future broadband networks, rural telecom providers fear that high cost support may be reduced by as much as 90 percent.

A substantial reduction in universal service support either will result in less broadband investment or higher rates for rural Montanans, or both. Montana's rural telecom providers estimate some rates could triple, or more. Lenders have already warned that current loans are



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threatened, and they have begun to restrict the availability of new capital as a result of the uncertainty created by the proposed reforms.

We commend the Commission for adopting the national goal of ubiquitous access to broadband communications. However, we strongly urge you to modify substantially the proposed universal service rules to preserve the statutory mandates for comparable service, comparable rates, and sufficient, predictable universal service support for investment in high cost areas of the nation.

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Sen. Cliff Larsen

cc. Commissioner Meredith Attwell Baker
Commissioner Mignon Clyburn
Commissioner Michael Copps
Commissioner Robert McDowell
The Honorable Max Baucus
The Honorable Jon Tester
The Honorable Denny Rehberg