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Rural Associations Commend FCC for Taking Near-Term Steps to Address Certain Concerns With USF Reforms; Eager for Continuing Dialogue and Resolution of Outstanding Concerns

WASHINGTON (February 27, 2013) – The National Telecommunications Cooperative Association (NTCA) and the Western Telecommunications Alliance (WTA) welcome steps taken by the FCC today to address certain concerns that rural telcos have voiced regarding Universal Service Fund (USF) reforms.

In a sixth order on reconsideration of its 2011 USF/intercarrier compensation reform order, the commission responded to feedback from the rural associations and their members surrounding the statistical models used to cap USF support for some telcos. In numerous filings and *ex parte* meetings with the FCC since early 2012, rural stakeholders have expressed repeated concern about the transparency, accuracy, and predictability of these statistical models and the resulting caps.

The FCC's sixth order on reconsideration takes several important steps to respond to some of these concerns. In particular, the reconsideration order combines separate caps on capital expenditures and operating expenditures into a single overall cap in 2013, and contemplates some similar means of recognizing common-sense business tradeoffs by carriers between investments and operational costs starting in 2014. The reconsideration order also modifies the phase-in of the caps so that any telco capped by the statistical models will not lose more than 15% of its USF support for the remainder of 2013 as a result. Finally, the FCC eliminated the requirement that the caps change every year, taking the important step of directing the staff to examine ways of addressing concerns about predictability and providing sufficient certainty in the models going forward.

The FCC further noted in the reconsideration order its desire to pursue a data-driven, transparent process as it considers any further USF or intercarrier compensation reforms. The

rural associations are encouraged by the commission's professed commitment to take true and accurate account of the impacts of those reforms that have already been adopted and are still being implemented on consumers and carriers of last resort as part of considering any next steps.

"We appreciate the work of all five commissioners and the FCC staff in taking note of and taking steps to address concerns raised by rural telcos in making these changes," said NTCA Chief Executive Officer Shirley Bloomfield. "While there's more to be done to address questions surrounding the transparency, accuracy, and predictability of these models and to assess the true effects of reforms to date on consumers and broadband deployment, we hope that the near-term changes adopted in this reconsideration order will serve as a springboard for productive discussions with policymakers moving forward about how to fulfill the statutory mandate for sufficient and predictable universal service in a broadband-oriented, IP-enabled world."

"The changes being made today in this 6th Order on Reconsideration are an encouraging step in the process of making sure the transition to a reformed USF and ICC system doesn't threaten the gains rural America has already achieved in broadband," said WTA Executive Vice President Kelly Worthington. "But there is more to be done. We appreciate all the time the Commissioners, their staff and the bureau staff have spent listening to the concerns of rural broadband providers in this process, and we hope this cooperative relationship will continue as this process moves forward."

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The National Telecommunications Cooperative Association is the premier association representing more than 580 locally owned and controlled telecommunications cooperatives and commercial companies throughout rural and small-town America. NTCA provides its members with legislative, regulatory and industry representation; meetings; publications and educational programs; and an array of employee benefit programs. Visit us at www.ntca.org.

The Western Telecommunications Alliance (WTA) is a trade association whose membership is comprised of approximately 250 rural telecommunications carriers providing high-quality voice, video and data services throughout rural areas in the 24 states west of the Mississippi River. On average, WTA member companies serve fewer than 3,000 access lines with fewer than 500 customers in each exchange. WTA's members serve some of the most rural and hard-to-serve communities in the country and are on the forefront of bringing 21st Century telecommunications services to rural America. Visit us at www.w-t-a.org.