

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
High-Cost Universal Service Support)	WC Docket No. 05-337
)	
Petition for Waiver of)	
Central Texas Telephone Cooperative, Inc.)	

**REPLY COMMENTS OF
THE WESTERN TELECOMMUNICATION ALLIANCE**

The Western Telecommunications Alliance (“WTA”) hereby submits reply comments in the captioned proceedings in support of the September 4, 2012 petition of Central Texas Telephone Cooperative, Inc. (“Central Texas”) for waiver of the Wireline Competition Bureau’s (“WCB’s”) regression model benchmarks that will limit the High Cost Loop Support (“HCLS”) distributed to Central Texas during 2012 and subsequent years.

WTA is a trade association that represents more than 250 small rural telecommunications companies that operate in 24 states west of the Mississippi River, including Texas.

WTA agrees with Central Texas and the sole entity filing initial comments, the National Telecommunications Cooperative Association (“NTCA”), that the regression model benchmarks, as currently calculated and used, do not take into account the legitimate cost factors that affected the reasonable and prudent capital expenditures of Central Texas. Specifically, Central Texas serves a large (3,272 square miles) and sparsely populated (1.5 customers and 1.8 access lines per square mile) area containing only a single small population center (San Saba, Texas – population: 3,099). Over and above the normal above-average costs of long loop lengths,

Central Texas was forced by recurring extreme weather conditions and wildlife depredations that frequently damaged or destroyed its aerial plant to take the economically reasonable and prudent action of burying most of its outside plant. However, the rocky terrain and thick surface bedrock found in the Central Texas service area substantially increased the capital expenditures necessary to bury this cable. In sum, the regression model's capital expenditures benchmark does not reflect the facts that the infrastructure investment decisions of Central Texas were reasonable and prudent when they were made and that they continue to reflect reasonable and prudent capital expenditures that will permit Central Texas to provide quality, reliable, affordable and urban-comparable service to its rural customers at an economical cost and without significant interruptions for decades to come. Instead, absent the requested waiver, the regression model's capital expenditure benchmark will arbitrarily penalize Central Texas by substantially reducing its HCLS support without considering any of the specific facts and circumstances affecting its investment decisions.

WTA further agrees with NTCA that the Central Texas situation demonstrates the disadvantages and distortions that result from the current regression model's failure to recognize the trade-offs between capital expenditures and operating expenses. The decision of Central Texas to bury most of its outside plant has enabled it to reduce its maintenance and repair costs to levels such that its actual operating expenses per loop (\$480) are less than half of its operating expense benchmark (\$1,063). However, in the absence of a waiver, Central Texas will lose HCLS support because its current capital expenditure cost per loop (\$991) exceeds its capital expenditure benchmark (\$695). Put another way, Central Texas will lose HCLS support even though its aggregated capital expenditure and operating expense cost per loop (\$1,471) is far below the level of its summed Capex and Opex benchmarks (\$1,758). It will receive no

consideration for reducing its operating expenses and operating efficiently and effectively, but rather will be deprived of HCLS support for the capital expenditures that made such substantial operating economies possible.

WTA urges the Commission to grant the waiver requested by Central Texas. It agrees that Central Texas has been an efficient and effective steward of its high cost support to date, that it has reasonably and prudently balanced its capital expenditures and operating expenses to serve its area in an efficient and economic manner, that it has reasonable plans in place to upgrade its network further to meet the needs of its rural customers, and that the requested targeted waiver will serve the public interest.

Respectfully submitted,
WESTERN TELECOMMUNICATIONS ALLIANCE

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