



March 27, 2012

Dear Senator:

Not long after the FCC's National Broadband Plan (NBP) was issued in March 2010, its primary author was reportedly surprised by the lack of outrage among the small rural telecommunications companies (hereinafter refer to as the "small companies") in response to the proposed reforms. We believe the expected "outrage" from small companies did not occur for the following reasons:

- Due to the ambiguities, continuous differing interpretations of what the proposal would do, and the complexity of the issues addressed in the NBP, it was difficult for small companies to assess the impact of the proposed changes on their businesses.
- Small companies were busy dealing with the many challenges associated with running their businesses and tending to the needs of their customers, leaving the issues for others in Washington, DC, to address.
- Small companies were lulled into a false sense of security based on an assumption that "everything would be okay" based on the industry associations' ability to overcome challenges in the past.
- Based on the flawed assumption that if the small companies could just do a better job of "educating" the FCC, they would see where they made huge mistakes in judgment and would modify the proposed changes to make the modifications less detrimental to the small companies.

As you may know, on November 18, 2011, many of the shocking proposals contained in the NBP became a grim reality through the issuance of the FCC's Order reforming the Universal Service Funding and Intercarrier Compensation mechanisms. Simply stated, the FCC's Order is an attack on the small companies that have been largely responsible for building and maintaining state-of-the-art networks serving rural Americans. This NBP was supposed to be a plan that improved and increased broadband access to all Americans over a ten-year period. The Order and Further Notice do not include incentives to build out infrastructure in rural areas. Instead, the FCC has elected to make severe cuts to support programs for rural telephone companies at a time when this country needs to be encouraging expenditures in our network for the future. This FCC ruling will have the exact opposite effect of its stated purpose. **Services in rural America, both broadband and telecommunications, will be severely impacted.**

Despite what you may have heard from the FCC, for small companies and small-town residents there are no winners, only losers. Additionally, we are being told that these new rules and proposed rules cannot be quantified, that the real impact to our companies cannot be determined. This is simply not true; **the attached analysis shows the overall impact of the Order on the small companies, by state.** Additionally, if the FCC's Order is implemented as written, **large telecommunications carriers will realize a multi-billion dollar windfall at the expense of the small companies and their rural customers. We have estimated that over the next 5 years the large carriers stand to gain over \$8.8 billion, consisting of new Access Recovery Charges (ARC) and Connect America Fund (CAF) monies, and foregone inter-carrier compensation charges paid to rural carriers. There is no consumer benefit to this massive transfer of dollars. The mega-carriers will most likely add the windfall to the bottom line, benefitting Wall Street and their shareholders. Small-town customers and those on fixed incomes will likely see FCC-mandated, significant local rate increases from \$10 to \$17 per month just to help fund the mega-carrier windfall.**

We are submitting this letter on behalf of the **Small Company Coalition (SCC)** recently established to educate Congress and rural customers on the devastating impact the FCC's Order will have on small companies and their rural customers across the country. **We have access to a powerful tool that can calculate the specific impact of the FCC's Order on the small companies.** In fact, we have already performed many calculations for every small company in the nation, and the results are very troublesome to say the least. **Implementation of the Order as written will result in some or all of the following devastating consequences:**

- Over the next few years, a large percentage of small companies across the nation will either be driven into bankruptcy or forced to merge. As these small companies close their doors, connectivity to wireless tower sites will go dark, causing wireless customers to lose service along with wireline customers in rural areas. With mergers, the larger entity tends to keep more money for new construction in the urban areas, allowing rural networks to deteriorate.
- Emergency 911 services may no longer exist for some rural consumers.
- Well-paying jobs will be lost in the rural communities served by the small companies in spite of the questionable claim by the FCC that the Order will create 500,000 additional jobs. The economic development efforts of these communities will come to an abrupt end with no broadband to attract new businesses and new residents. Hundreds of schools, several colleges, and a host of healthcare providers will, over time, lose their lifeline to the Internet.
- The rural broadband network will deteriorate in spite of the FCC's claim that the Order will result in 7 million new rural customers connected to the broadband network over the next six years.
- Small companies will be forced to default on RUS loans that were used to finance the deployment of the rural broadband networks.
- Rural customers will experience substantial rate increases which are mandated by the FCC, despite its claim that "for the vast majority of consumers, rates should decline or stay the same".
- Many new regulatory filings and certification requirements will be imposed on small companies resulting in significant increases in what is already an over-burdened FCC oversight process.

Of special note, the FCC will certainly point out that there is a waiver process in effect for small companies that experience severe hardship as a result of the Order. However, **the FCC has made it very clear that a waiver will not be granted without a rigorous, thorough and searching review comparable to a total company earnings review.** In addition, the waiver will not be granted until the company is in severe financial distress, as determined only by the FCC.

As someone who has a genuine interest in constituents living in the rural areas of your state, **we urge you on their behalf to please look into this matter.** If you do, we are confident you will agree that the FCC's Order clearly misses the mark and it will have the opposite effect of the stated objectives of the NBP. **We ask that you initiate a hearing in the Senate to uncover the devastating impact of the FCC's Order before consumers start feeling the effects, beginning this July, and become outraged.** We ask that you hold the FCC accountable for its blatant disregard for the small companies and the communication service needs of their rural customers. With our industry experts, we are prepared to dismiss the validity of the FCC's new rules; show how many parts of the Telecommunications Act of 1996 have been violated; and educate rural stakeholders, Congress, and others who will stand up and hear us out.

Please contact one of the undersigned SCC Executive Committee members at your earliest convenience to discuss the issues further and determine what can be done to prevent the coming train wreck. **Time is of the essence since the Order is being implemented as we speak.**

Thank you in advance for your consideration and prompt attention concerning this matter. We look forward to hearing from you soon.

Sincerely,

Small Company Executive Committee:

James J. Kail
 President & CEO
 Laurel Highland Telephone Company &
 Yukon-Waltz Telephone Company
 Email: jjkail@lhtot.com
 Telephone: (724) 593-2411

Glenn Lovelace
 Chief Executive Officer
 Peñasco Valley Telecommunications
 Email: GLovelace@pvt.com
 Telephone: (575) 748-1241

Godfrey Enjady
 CEO/General Manager
 Mescalero Apache Telecom, Inc.
 Email: genjady@matinetworks.net
 Telephone: (575) 464-4039

Attachment

Universal Service Fund Impact
2012 Annualized
State Summaries

	# of companies	TOTAL USF SUPPORT (with Redistributed HCL)				TOTAL USF SUPPORT (without Redistributed HCL)					
		Before Reforms	After Reforms	Change \$	Change %	Change \$ per loop	Before Reforms	After Reforms	Change \$	Change %	Change \$ per loop
AL	20	\$ 27,414,949	\$ 24,697,668	\$ (2,717,281)	-9.91%	\$ (29.73)	\$ 27,414,949	\$ 23,268,660	\$ (4,146,289)	-15.12%	\$ (45.37)
AK	19	\$ 59,390,074	\$ 54,591,657	\$ (4,798,418)	-8.08%	\$ (53.59)	\$ 59,390,074	\$ 51,295,866	\$ (8,094,208)	-13.63%	\$ (90.40)
AZ	12	\$ 40,549,204	\$ 35,520,209	\$ (5,028,995)	-12.40%	\$ (156.50)	\$ 40,549,204	\$ 34,776,531	\$ (5,772,673)	-14.24%	\$ (179.64)
AR	19	\$ 32,496,446	\$ 27,708,426	\$ (4,788,019)	-14.73%	\$ (69.42)	\$ 32,496,446	\$ 26,799,726	\$ (5,696,719)	-17.53%	\$ (82.60)
CA	14	\$ 56,275,912	\$ 41,693,113	\$ (14,582,799)	-25.91%	\$ (117.80)	\$ 56,275,912	\$ 40,480,945	\$ (15,794,967)	-28.07%	\$ (127.59)
CO	21	\$ 21,890,667	\$ 20,060,665	\$ (1,830,002)	-8.36%	\$ (62.95)	\$ 21,890,667	\$ 19,753,623	\$ (2,137,045)	-9.76%	\$ (73.52)
FL	4	\$ 7,709,123	\$ 5,521,241	\$ (2,187,882)	-28.38%	\$ (68.00)	\$ 7,709,123	\$ 5,400,344	\$ (2,308,779)	-29.95%	\$ (71.75)
GA	26	\$ 57,322,182	\$ 45,168,254	\$ (12,153,928)	-21.20%	\$ (69.72)	\$ 57,322,182	\$ 43,314,523	\$ (14,007,659)	-24.44%	\$ (80.35)
HAWAII	1	\$ 22,903,412	\$ 2,278,748	\$ (20,624,664)	-90.05%	\$ (8,836.62)	\$ 22,903,412	\$ 2,278,748	\$ (20,624,664)	-90.05%	\$ (8,836.62)
HI	13	\$ 21,476,423	\$ 20,466,845	\$ (1,009,578)	-4.70%	\$ (35.19)	\$ 21,476,423	\$ 19,813,197	\$ (1,663,226)	-7.74%	\$ (57.97)
IL	38	\$ 31,366,083	\$ 27,942,798	\$ (3,423,285)	-10.91%	\$ (48.29)	\$ 31,366,083	\$ 26,361,397	\$ (5,004,686)	-15.96%	\$ (70.60)
IN	33	\$ 62,132,455	\$ 55,932,378	\$ (6,200,077)	-9.98%	\$ (53.81)	\$ 62,132,455	\$ 54,632,529	\$ (7,499,926)	-12.07%	\$ (65.09)
IA	148	\$ 65,764,206	\$ 62,938,148	\$ (2,826,058)	-4.30%	\$ (14.65)	\$ 65,764,206	\$ 58,448,359	\$ (7,315,847)	-11.12%	\$ (37.94)
KANSAS	34	\$ 123,208,419	\$ 98,310,817	\$ (24,897,602)	-20.21%	\$ (263.60)	\$ 123,208,419	\$ 97,643,141	\$ (25,565,278)	-20.75%	\$ (270.67)
KENTUCKY	14	\$ 45,049,442	\$ 38,941,464	\$ (6,107,977)	-13.56%	\$ (42.69)	\$ 45,049,442	\$ 38,131,488	\$ (6,917,953)	-15.36%	\$ (48.35)
LOUISIANA	10	\$ 44,312,037	\$ 38,288,866	\$ (6,023,171)	-13.59%	\$ (95.26)	\$ 44,312,037	\$ 38,066,727	\$ (6,245,309)	-14.09%	\$ (98.77)
MAINE	15	\$ 7,955,550	\$ 7,800,449	\$ (155,101)	-1.95%	\$ (2.55)	\$ 7,955,550	\$ 7,392,367	\$ (563,183)	-7.08%	\$ (9.26)
MARYLAND	1	\$ 911,988	\$ 873,684	\$ (38,304)	-4.20%	\$ (6.45)	\$ 911,988	\$ 788,274	\$ (123,714)	-13.57%	\$ (20.84)
MASSACHUSETTS	2	\$ 285,966	\$ 210,238	\$ (75,728)	-26.48%	\$ (22.91)	\$ 285,966	\$ 210,238	\$ (75,728)	-26.48%	\$ (22.91)
MICHIGAN	30	\$ 15,489,637	\$ 14,426,511	\$ (1,063,126)	-6.86%	\$ (15.36)	\$ 15,489,637	\$ 13,086,713	\$ (2,402,924)	-15.51%	\$ (34.72)
MINNESOTA	78	\$ 64,390,876	\$ 63,180,655	\$ (1,210,221)	-1.88%	\$ (4.55)	\$ 64,390,876	\$ 57,734,802	\$ (6,656,074)	-10.34%	\$ (25.04)
MISSISSIPPI	15	\$ 18,514,212	\$ 16,656,261	\$ (1,857,951)	-10.04%	\$ (46.60)	\$ 18,514,212	\$ 16,082,079	\$ (2,432,133)	-13.14%	\$ (61.00)
MISSOURI	35	\$ 55,563,018	\$ 52,818,931	\$ (2,744,087)	-4.94%	\$ (28.60)	\$ 55,563,018	\$ 50,859,011	\$ (4,704,007)	-8.47%	\$ (49.02)
MONTANA	15	\$ 56,738,776	\$ 55,381,182	\$ (1,357,593)	-2.39%	\$ (14.91)	\$ 56,738,776	\$ 53,065,370	\$ (3,673,406)	-6.47%	\$ (40.34)
NEBRASKA	33	\$ 39,187,966	\$ 36,853,857	\$ (2,334,110)	-5.96%	\$ (27.67)	\$ 39,187,966	\$ 34,464,108	\$ (4,723,858)	-12.05%	\$ (56.00)
NEVADA	8	\$ 9,914,149	\$ 9,934,420	\$ 20,270	0.20%	\$ 0.71	\$ 9,914,149	\$ 9,352,786	\$ (561,363)	-5.66%	\$ (19.64)
NEW HAMPSHIRE	9	\$ 5,564,540	\$ 5,262,197	\$ (302,343)	-5.43%	\$ (7.15)	\$ 5,564,540	\$ 5,232,011	\$ (332,529)	-5.98%	\$ (7.86)
NEW JERSEY	1	\$ 490,581	\$ 486,558	\$ (4,023)	-0.82%	\$ (0.70)	\$ 490,581	\$ 486,558	\$ (4,023)	-0.82%	\$ (0.70)
NEW MEXICO	12	\$ 49,009,504	\$ 42,051,713	\$ (6,957,791)	-14.20%	\$ (198.43)	\$ 49,009,504	\$ 41,139,611	\$ (7,869,893)	-16.06%	\$ (224.44)
NEW YORK	28	\$ 13,515,926	\$ 12,754,208	\$ (761,718)	-5.64%	\$ (8.54)	\$ 13,515,926	\$ 12,128,924	\$ (1,387,002)	-10.26%	\$ (15.56)
NORTH CAROLINA	17	\$ 28,366,935	\$ 24,353,750	\$ (4,013,184)	-14.15%	\$ (16.15)	\$ 28,366,935	\$ 23,869,694	\$ (4,497,241)	-15.85%	\$ (18.10)
NORTH DAKOTA	22	\$ 54,381,168	\$ 53,295,248	\$ (1,085,920)	-2.00%	\$ (8.15)	\$ 54,381,168	\$ 49,651,307	\$ (4,729,862)	-8.70%	\$ (35.49)
OHIO	31	\$ 18,928,357	\$ 14,280,199	\$ (4,648,158)	-24.56%	\$ (66.62)	\$ 18,928,357	\$ 13,705,659	\$ (5,222,697)	-27.59%	\$ (74.86)
OKLAHOMA	34	\$ 83,498,033	\$ 68,921,738	\$ (14,576,294)	-17.46%	\$ (91.54)	\$ 83,498,033	\$ 67,261,882	\$ (16,236,151)	-19.44%	\$ (101.97)
OREGON	26	\$ 34,681,040	\$ 31,954,622	\$ (2,726,418)	-7.86%	\$ (42.10)	\$ 34,681,040	\$ 30,287,631	\$ (4,393,409)	-12.67%	\$ (67.84)
PENNSYLVANIA	16	\$ 6,999,967	\$ 6,468,835	\$ (531,132)	-7.59%	\$ (4.97)	\$ 6,999,967	\$ 5,849,295	\$ (1,150,672)	-16.44%	\$ (18.28)
SOUTH CAROLINA	21	\$ 89,288,227	\$ 60,627,953	\$ (28,660,274)	-32.10%	\$ (78.89)	\$ 89,288,227	\$ 58,004,351	\$ (31,283,876)	-35.04%	\$ (86.11)
SOUTH DAKOTA	30	\$ 55,889,593	\$ 55,881,768	\$ (7,825)	-0.01%	\$ (0.06)	\$ 55,889,593	\$ 52,310,212	\$ (3,579,381)	-6.40%	\$ (29.01)
TENNESSEE	19	\$ 44,598,323	\$ 40,832,551	\$ (3,765,772)	-8.44%	\$ (14.27)	\$ 44,598,323	\$ 38,538,579	\$ (6,059,744)	-13.59%	\$ (22.96)
TEXAS	44	\$ 153,257,942	\$ 116,049,800	\$ (37,208,141)	-24.28%	\$ (168.20)	\$ 153,257,942	\$ 114,467,864	\$ (38,790,077)	-25.30%	\$ (175.25)
UTAH	11	\$ 17,840,067	\$ 16,665,264	\$ (1,174,804)	-6.59%	\$ (32.06)	\$ 17,840,067	\$ 15,986,261	\$ (1,853,807)	-10.39%	\$ (50.59)
VERMONT	8	\$ 7,047,211	\$ 5,205,840	\$ (1,841,371)	-26.13%	\$ (36.73)	\$ 7,047,211	\$ 4,968,288	\$ (2,078,923)	-29.50%	\$ (41.47)
VIRGINIA	15	\$ 12,059,928	\$ 11,643,612	\$ (416,316)	-3.45%	\$ (4.64)	\$ 12,059,928	\$ 10,771,299	\$ (1,288,630)	-10.77%	\$ (75.42)
WASHINGTON	18	\$ 17,044,042	\$ 14,151,019	\$ (2,893,022)	-16.97%	\$ (70.04)	\$ 17,044,042	\$ 13,928,776	\$ (3,115,266)	-18.28%	\$ (75.42)
WEST VIRGINIA	6	\$ 4,770,204	\$ 5,067,949	\$ 297,746	6.24%	\$ 18.99	\$ 4,770,204	\$ 4,573,790	\$ (196,414)	-4.12%	\$ (12.53)
WISCONSIN	63	\$ 63,908,068	\$ 60,331,760	\$ (3,576,308)	-5.60%	\$ (14.18)	\$ 63,908,068	\$ 56,998,885	\$ (6,909,183)	-10.81%	\$ (27.39)
WYOMING	7	\$ 23,183,223	\$ 21,944,330	\$ (1,238,894)	-5.34%	\$ (37.72)	\$ 23,183,223	\$ 21,231,273	\$ (1,951,951)	-8.42%	\$ (59.44)
TOTAL	1,097	\$ 1,772,236,049	\$ 1,526,428,399	\$ (245,807,649)	-13.87%	\$ (54.85)	\$ 1,772,236,049	\$ 1,464,905,914	\$ (307,330,135)	-17.34%	\$ (68.57)