

# THE TELE NETWORK


## The Key to Broadband in Washington

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“Goal of reform is to provide everyone with affordable voice and broadband.”

National Broadband Plan at p. 141



“Broadband is becoming a prerequisite to economic opportunity for individuals, small businesses and communities. Those without broadband ... are becoming more isolated from the modern American economy.”

National Broadband Plan at p. 265



## WITA MEMBER COMPANIES BROADBAND COVERAGE

- Twenty Companies – Percent Coverage
  - Ten 100%
  - Two 99%
  - Four 90-98%
  - Three 80-89%
  - One <80% (will be at 80% by EOY)
  
- Common speed 10 M down/786 K up or better (10 companies)


Note: 10 M down/786 K up is not generally available to 100% of the customers in an exchange. Common availability is 50-70% of customers. Often 1.5/512 is available in remaining area of the exchange (speed availability varies considerably by company). Lowest top speed currently offered by a company is 756/384.

- Middle Mile costs and availability limits speeds for many companies. To improve speeds, Middle Mile costs need to be supported.
  
- The network cannot be advanced, or even maintained, without support. The level of coverage described above will disappear without an adequate level of support for ongoing maintenance and operation.



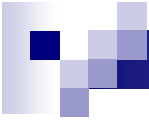
# THE PROBLEM:

How to Advance and Preserve the Network in an Era of Declining Revenues and Changing Federal Universal Service so Rural Washington has Adequate Broadband Service

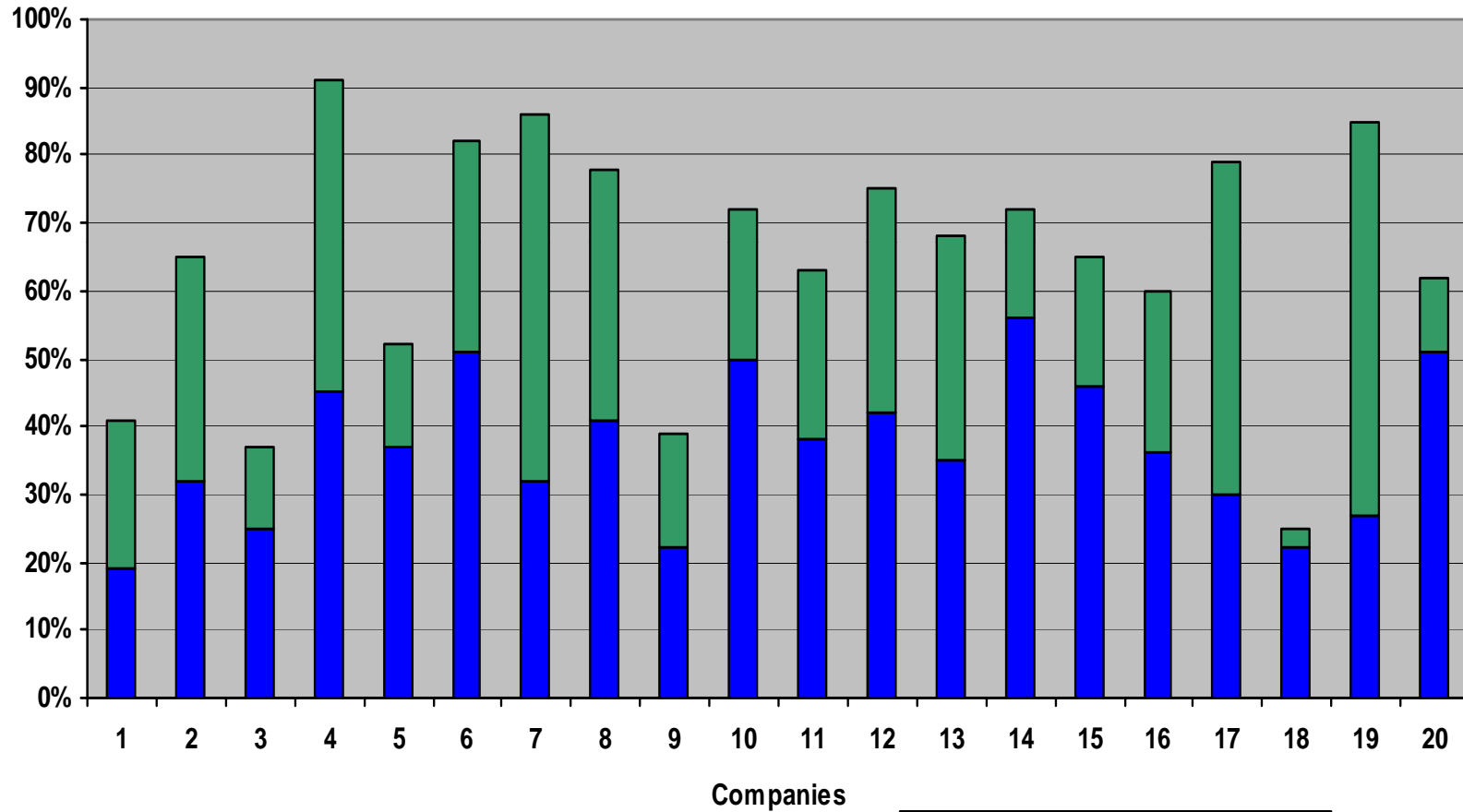


“In rural America USF and ICC represent a significant portion of revenues for some of the smallest carriers – i.e., 60% or more of their regulated revenue.”

National Broadband Plan at p. 140




# WITA Member Companies Percent Total Regulated Telecommunication Revenue From ICC/USF (Company Average – 65%)



Source: As reported by each company for 2008 revenues.

■ % ICC Revenue ■ % USF Revenue

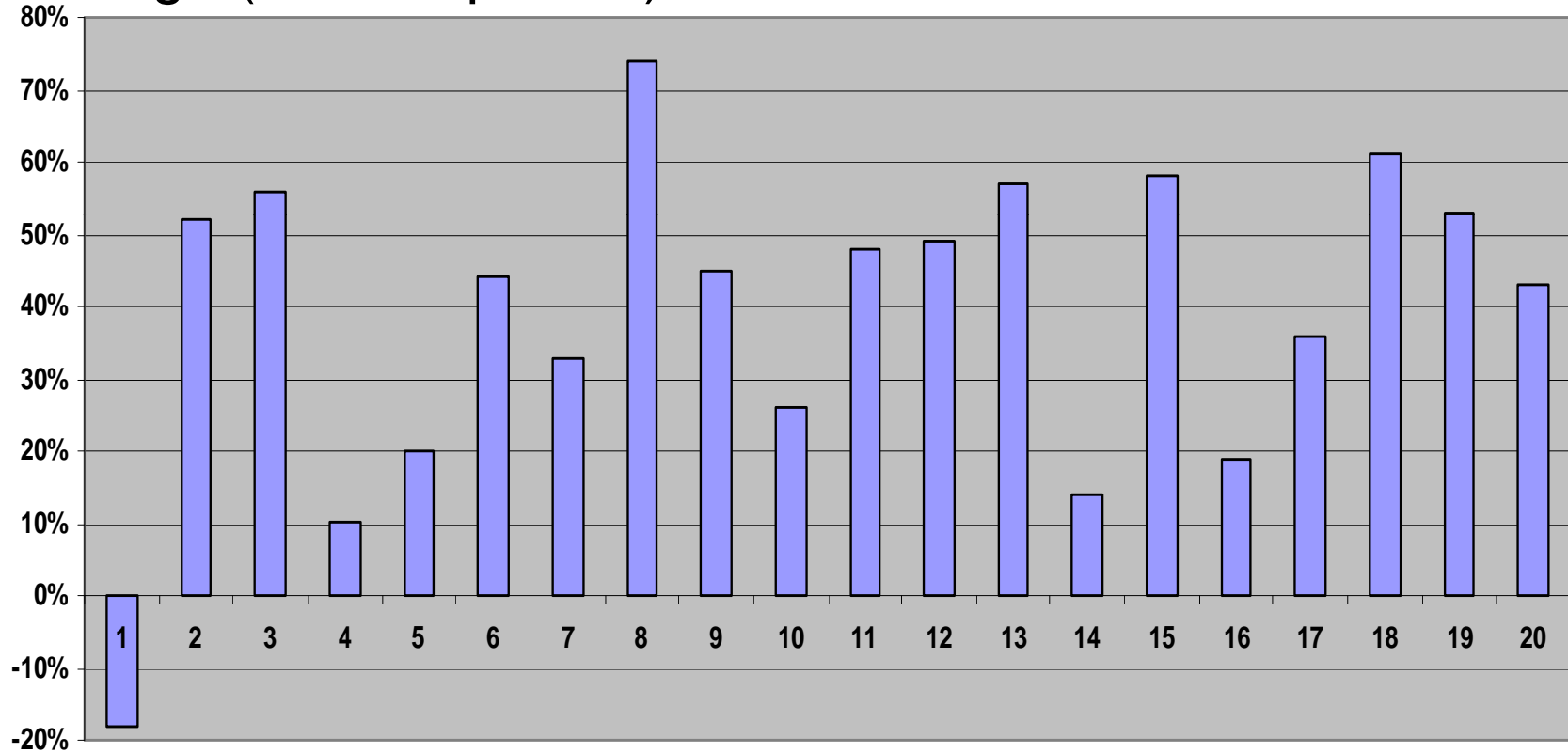


The FCC reports that between 2000 and 2008, there was a 56% drop in minutes of use for incumbent carriers.

National Broadband Plan at p. 141



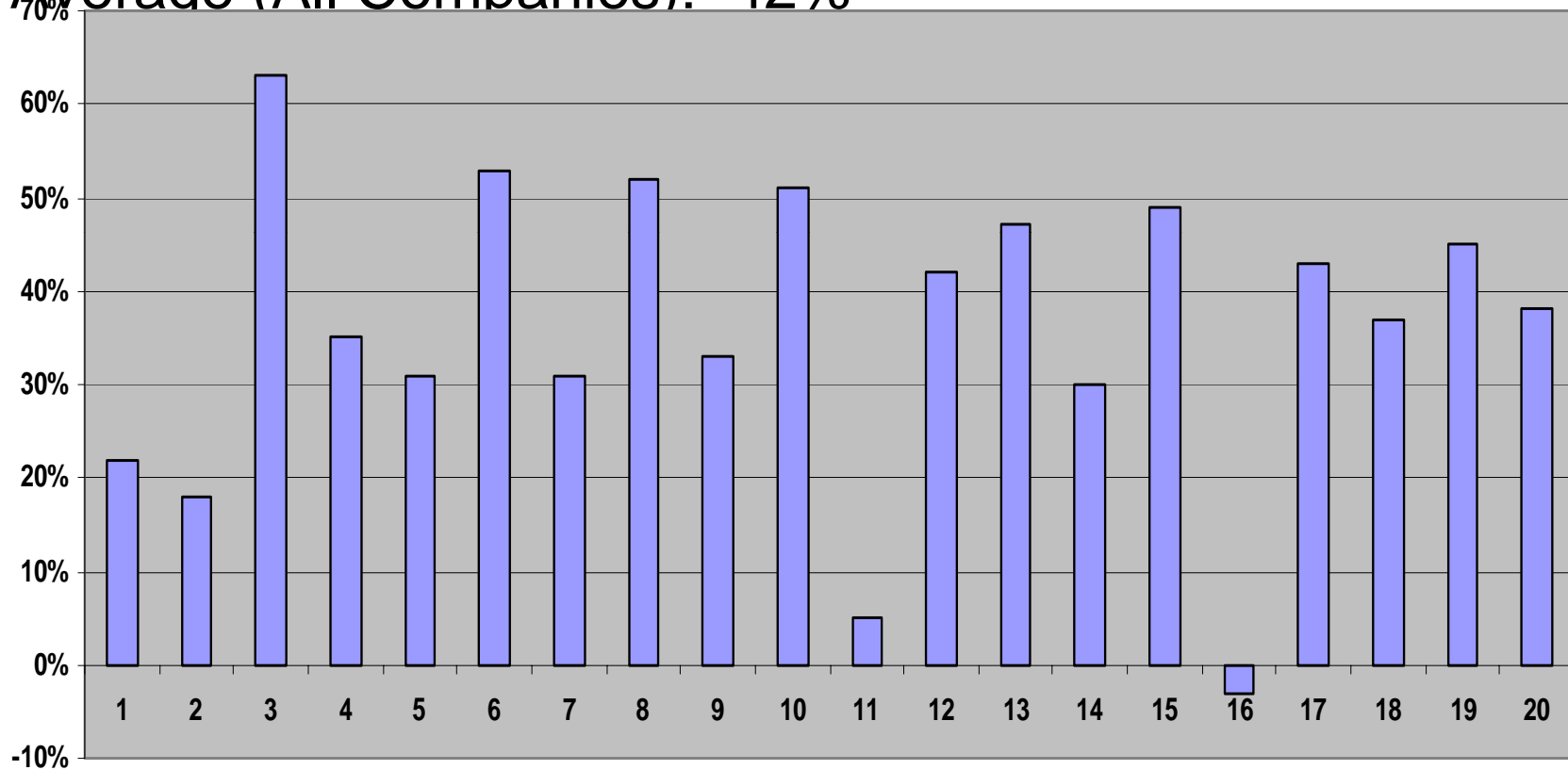
# WECA Member Companies Percentage Intrastate Access Minute Loss Terminating Minutes (2004-2009) Average (All Companies): 48%



Source: Calculated from data reported by the Washington Exchange  
Carrier Association for calendar years 2004 and 2009.


Companies

# WECA Member Companies Percentage Intrastate Access Minute Loss Total Minutes (2004-2009) Average (All Companies): 42%



Source: Calculated from data reported by the Washington Exchange  
Carrier Association for calendar years 2004 and 2009.

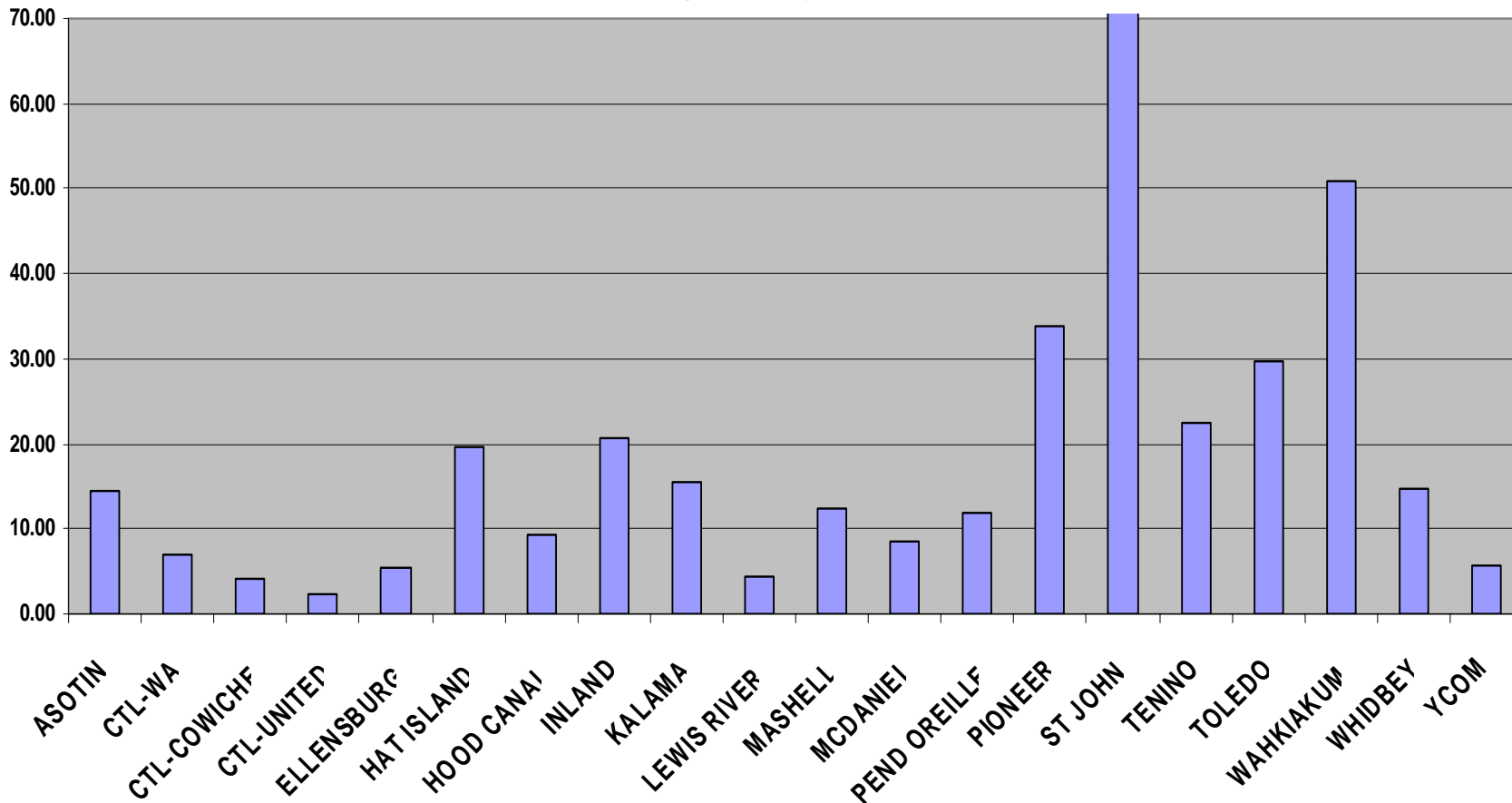
Companies



The National Broadband Plan  
recommends that Interstate  
Common Line Support be  
frozen on a per loop basis.

National Broadband Plan at p. 147

# WITA Member Companies Frozen Per Line ICLS (IAS)



Source: USAC Report HC01 1st Quarter 2010; Loops  
from USAC Report HC05 2nd Quarter 2010

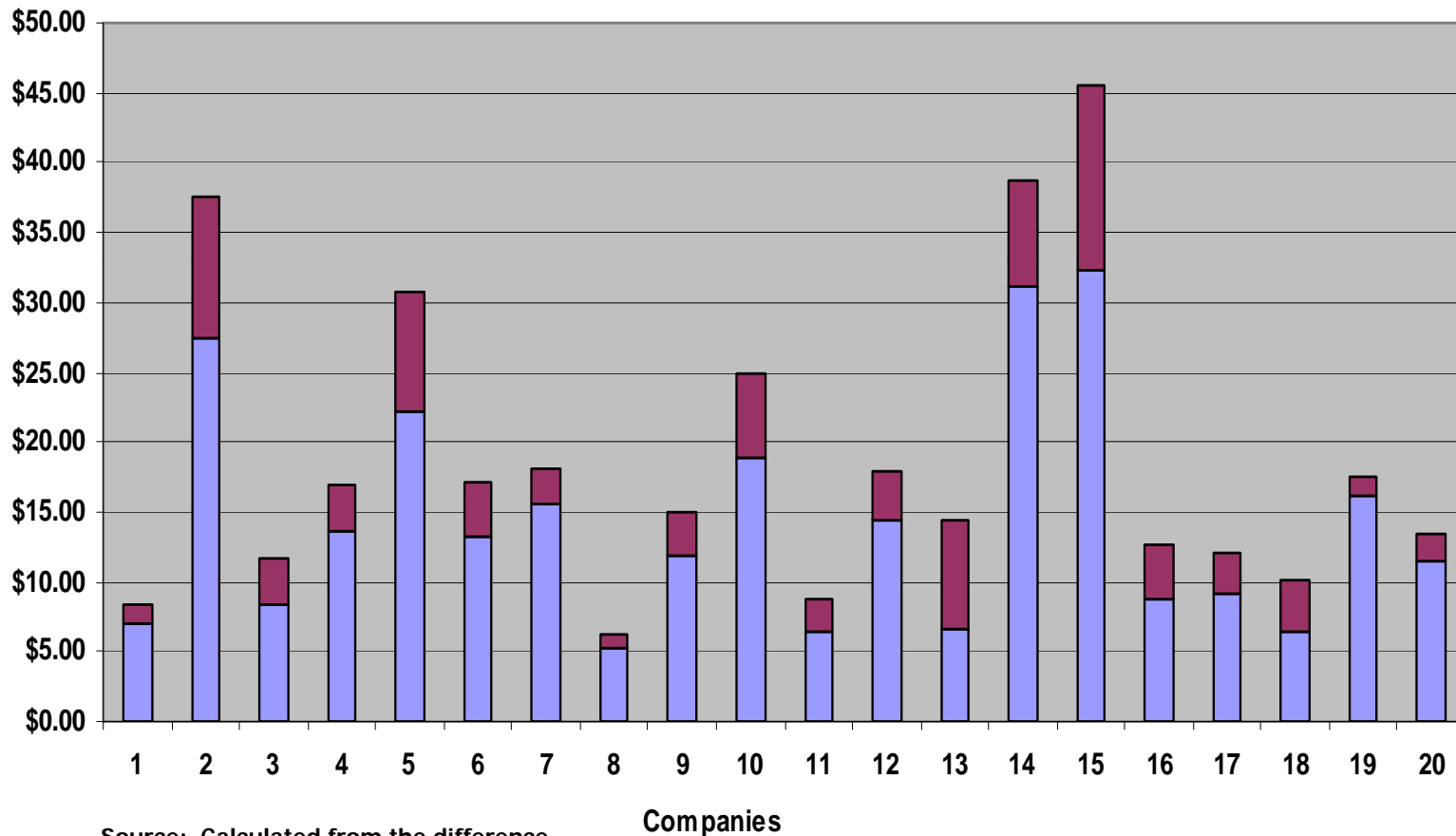
## WASHINGTON ILEC LOOP LOSS (2005-2010)

Company	2005 Working Loops*	2010 Working Loops*	Number Lost	% Loss
Asotin	1,464	1,217	247	16.87%
CenturyLink-WA	182,045	137,697	44,348	24.36%
CenturyLink-Cowiche	2,171	1,879	292	13.45%
Ellensburg	24,295	18,812	5,483	22.57%
Hat Island	108	83	25	23.15%
Hood Canal	1,465	1,377	88	6.01%
Inland	2,790	2,645	145	5.20%
Kalama	3,294	2,968	326	9.90%
Lewis River	6,490	5,717	773	11.91%
Mashell	3,789	3,652	137	3.62%
McDaniel	4,597	4,041	556	12.09%
Pend Oreille	2,132	1,941	191	8.96%
Pioneer	899	765	134	14.91%
St. John	631	614	17	2.69%
Tenino	3,796	3,421	375	9.88%
Toledo	2,245	2,020	225	10.02%
United Telephone	83,122	66,585	16,537	19.89%
Wahkiakum	1,244	1,169	75	6.03%
Whidbey	13,703	12,780	923	6.74%
YCOM	12,329	10,880	1,449	11.75%
Verizon-WA	755,073	490,339	264,734	35.06%
Verizon-WA (Contel)	89,868	70,770	19,098	21.25%
Qwest	2,328,093	1,598,944	729,149	31.32%
<b>TOTAL</b>	<b>3,525,643</b>	<b>2,440,316</b>	<b>1,085,327</b>	<b>30.78%</b>

\*Source: USAC Report HC05 for 1st Quarter 2005 and 2nd Quarter 2010.



# WITA Member Companies Amount Per Loop Per Month to Transition to Access Rates



Source: Calculated from the difference between 2009 interstate access rates and intrastate access rates contained in tariff using 2008 intrastate access minutes as reported by the Washington Exchange Carrier Association. Loop counts taken from USAC Report HC05 for 3<sup>rd</sup> Quarter 2009.





# THE SOLUTION: LEGISLATION

## MAJOR POINTS FOR LEGISLATION –

- Establish standards for carriers that may be designated as to receive support from Washington universal service fund
- Provide a plan to transition intrastate access rates to interstate access rates over four years with support from the state universal service fund based on simplified earnings review
- Establish as a condition for drawing from the fund that a carrier must offer (or submit a plan that within four years will offer) a certain level of broadband service at speeds determined by the Commission to an identified percentage of the households in the area for which it is designated as an ETC
- Establish a transition period to transition the Washington USF to a broadband fund. The transition period is seven years after the parity to interstate access rates is achieved. In such a plan, the Commission would have authority to address middle mile issues and create COLR obligations for broadband service. In addition, the Commission could replace access charges with capacity charges
- Limit the designation of carriers eligible for support to one wireline and one wireless per area