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Montana Telecommunications

February - March 2003

United We Stand

Cutting Edge in Montana -

One of the first companies anticipating their equipment move into *i*Connect Montana's new fiber hotel in Missoula is Modwest, a provider of web-hosting services. Founded in early 2000 by Internet veterans who focused on a robust, easy-to-use and economical web-hosting service, Modwest specializes in comprehensive and affordable web hosting service that matches the needs of professionals and beginners alike. With an expanding customer base located on six continents, Modwest attributes its rapid growth to a commitment to provide service that exceeds clients' expectations. They are firmly committed to providing quick, friendly and complete answers to every customer inquiry.

Vice president and founder John Masterson reflects, "We've been growing so fast, we hardly noticed the signups from web design companies in Australia, Ukrainian dating services, car dealerships in Trinidad, British webloggers and Bolivian banks. Once we took the 10,000 foot view, we found we hosted websites for customers in fifty countries."

Modwest's shared hosting infrastructure was designed from the ground up to accommodate rapid and massive growth. The company builds and maintains customer satisfaction by leveraging open-source software and tools (such as Linux, Apache, PHP, and MySQL) and building computerized efficiencies into its daily workflow. Detailed information on Modwest can be found at www.modwest.com.

$15.5 million for *Tops*

On February 20, 2003, Congress appropriated $15.5 million for FY 2003 for the Technology Opportunities Grant Program (TOP). The National Telecommunications and Information Administration will soon release a Notice of Availability of Funds in the Federal Register, describing the rules and deadlines for applying for a TOP grant. A link to the notice is found at www.ntia.doc.gov/top.

Due to the appropriations delay, applicants will have a limited period of time to prepare applications. Visit the TOP Web site for detailed information on availability of grants and project eligibility or contact a Program Officer at (202) 482-2048. TOP has inaugurated an email list to provide interested parties with updates and other information about the program. Interested persons can sign up for the email updates at the TOP Web site listed above.

Mark Your Calendar

√**Mar 16-19:** Current Issues Challenging Utility Industries- New Mexico State University Center for Public Utilities (Santa Fe, NM)

√**Mar 18:** Northern Telephone Cooperative Annual Meeting (Sunburst High School Auditorium 7-9 pm)

√**March 24-26:** NTCA Legislative Conferences (Washington, D.C.)

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Providing Professional Services to the Telecommunications Industry since 1994

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City of Missoula Welcomes *i*Connect Montana

***i*Connect Montana**, a division of MITS, continues to deploy advanced technology infrastructure across Montana. ***i*Connect** already operates three "fiber hotels" in Montana - - in Billings, Helena and Great Falls - - and is pleased to announce that it has started construction on its fourth facility which is located in downtown Missoula.

Missoula Fiber Hotel

Fiber hotels are highly specialized facilities that provide "conditioned" space suitable for housing telecom and information technology equipment such as switches, routers, servers, data storage/retrieval devices, etc. Companies locating equipment within a fiber hotel have access to multiple fiber and wireless networks also located in the "hotel". They can access diverse high-speed networks simply by connecting their equipment from rack to rack or cage to cage in a safe, controlled, competitively-neutral environment.

***i*Connect's** Missoula facility will be built with secured access, environmental conditioning including air temperature controls, specialized fire suppression, AC and DC power with generator backup and connectivity to multiple telecommunications backbone networks. ***i*Connect's** presence should significantly enhance the technology infrastructure in Missoula by allowing e-commerce merchants, Internet service providers, competitive telecommunications companies and others needing a location for their specialized telecommunications and networking equipment up and running quickly.

The facility is expected to be operational in approximately 60 days and, according to Mike Sheard, ***i*Connect's** Director of Operations, a handful of high-tech companies are eagerly waiting to install equipment. The fiber hotel is located in the First Security Bank building on the corner of Broadway and Higgins in downtown Missoula.

Rural Telephone Companies Face Greater Challenges to Providing Universal Service

The term "universal service" refers to the requirement under federal law that rates and services in rural areas be reasonably comparable to rates and services in urban areas. Universal service has actually been a national policy for nearly 70 years, but it was finally codified in the Telecommunications Act of 1996.

The Telecommunications Act also codified the national policy of deregulating and promoting competition in the telecommunications industry. In the seven years since the Act was passed, there has been a fundamental tension between competition and universal service especially in rural areas. It is important that we keep both goals in mind because our nation's track record in protecting rural areas as regulated industries have become deregulated has been at best dismal (observe, for example, rural airline service).

Some companies with less-than-admirable agendas have tried to utilize financial support programs intended to promote universal service as a way to boost profits without a commitment to maintaining quality service in rural areas. Through poorly considered rules, the FCC has facilitated this kind of behavior in the name of promoting competition without fully appreciating the real world affect on rural subscribers.

MITS recently tried to enact a few basic service quality requirements on all telephone providers that receive financial support in order to protect rural subscribers from poor service by proposing Senate Bill 290. To its credit, the Public Service Commission understood and supported the provisions of Senate Bill 290. Unfortunately, the Senate committee hearing the bill clearly did not understand the bill or the dangers it attempted to address. Therefore, despite support from virtually every provider of rural telephone service in Montana, as well as support from the Public Service Commission, the bill failed to emerge from committee.

MITS and its members are undaunted. We will continue to fight for rural Montanans so they will not fall behind their urban counterparts as the telecommunications industry continues down the very difficult road toward a fully competitive marketplace. While the telecommunications industry concepts and terminology we must explain are sometimes difficult, the values of fairness and integrity that we seek to promote are simple and straightforward. We very much appreciate the support of the Public Service Commission and those members of the Senate committee who voted with us on this issue.

MITS MEMBER COMPANIES

Central Montana Communications, Inc. **Nemont Telephone Cooperative** **Northern Telephone Cooperative Inc.**
Project Telephone Company **Triangle Telephone Cooperative Association** **Valley Telecommunications**
InterBel Telephone Cooperative, Inc. **CC Communications, Inc.**

Hilltop Commentary

2003 Montana Legislature Perspectives

SB234, requiring PSC approval for acquisition or transfer of public utilities and for selling, assigning, leasing or transferring utility property, was indefinitely postponed in committee on Feb 18. MITS joined Montana Telecommunications Association (MTA), Montana Dakota Utilities, Qwest, and NorthWestern Energy in opposing the bill supported by the PSC, the Montana Consumer Counsel and the Northwest Power Planning Council.

HB479 has taken the long, winding road out of the House Energy and T-Com Committee. The bill revises Montana's anti-slamming and cramming laws, giving the PSC more clout to curb consumer scamming via telephone bills. While MITS' member companies are likewise frustrated by unscrupulous entities that place charges for unsolicited services on the bills of telephone subscribers, the PSC's initial draft of HB479 lumped the good apples in with the bad in one broad scoop. The bill imposed enforcement responsibilities on local telephone companies requiring the local phone companies to police each and every charge an outside aggregator or service provider submits for billing. The PSC also proposed that local phone companies absorb losses caused by fraudulent billing by other entities. Working with the PSC and other telecom representatives, MITS facilitated amendments acceptable to the committee which passed the bill.

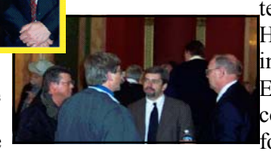
The House Energy and Telecom Committee is considering **SB641,** requiring telecommunications carriers to identify traffic that is delivered on another carrier's network so that the terminating carrier can appropriately charge for the traffic it delivers on behalf of the originating carrier. The same committee passed to the floor **HB580,** authorizing the PSC to establish a "rocket docket" proceeding to resolve interconnection disputes.

Legislative Snapshots...

Co-Op Days at the Capitol in January

Governor Martz with Nemont's Ron Ostberg

HB96, eliminating the advanced telecom infrastructure tax credit, and **HB168,** creating a state special revenue account for deposits of money from Qwest should they fail to meet certain performance standards in competitive markets, have passed both Houses and are on their way to the Governor for signature. The sponsor of **SB67,** originally providing for continued oversight of the electric utility industry restructuring, had proposed amendments to broaden the bill to provide oversight for all the PSC's activities including telecommunications regulation. The bill now sleeps in the Senate Energy/T-Com Committee. **SB175,** prohibiting the use of cell phones while driving, rests in the Senate Highways and Transportation Committee. **SB215,** a revenue producing bill mandating a $1 per foot annual fee on utility lines on state right-of-ways, died in the Senate Energy-T-Com Committee. Rep. Hal Jacobson's **HB266** revises the Montana Telecom Access Program (MTAP), the "711" program providing telecommunications for the hearing impaired. The bill changes eligibility requirements and clarifies that assistance from the MTAP account must be used for purposes of the program. The bill passed all money from the House to the Senate where it currently lies with the Energy/T-Com committee.



Wayne Vick, Ron Warnick, Mike Strand and Ron Ostberg

SB198, known in the capitol halls as the "cell tower siting bill", took significant blows during its Senate committee hearing. The proponents then went back to the drawing board, as did the opponents, both then suggesting amendatory language to the sponsor. The committee tabled the bill, then on a following day reconsidered their action and passed a significantly amended bill that replaced county siting and permitting provisions with a telco notification requirement limited to fixed towers exceeding 60 feet. **SB132,** sponsored by Senator Walter McNutt, authorizes the Department of Administration to adopt rules to assist in the implementation of a statewide 9-1-1 emergency telephone system. It flew out of committee and off the Senate floor without a negative vote. **HB642** allows a utility company to separately disclose state and local taxes and fees on customers' bills and to automatically adjust rates to recover the expenses. **HB392** eliminates the Montana Universal Access Program that provided funding assistance to connect communities to the Internet. The program funds were directed to the state's general fund during the last special session of the legislature. Telemarketing is a hot topic in the session and is addressed in bills including **HB266, HB424, SB2, SB62, SB308** and **SB327** with discussions of how best to protect consumers from those pesky and unwanted telemarketing calls. **HB30** authorizes the MT Dept of Transportation to install electronic communication equipment, including kiosks, on highway right-of-ways.

PSC Staff & Telcos Discuss Draft Service Standard Rules

Representatives of Montana telcos, including MITS staff, met informally Feb 14th with the PSC's legal and consumer information staff to discuss the latest draft of the PSC's proposal to amend its telecom service standard rules. The PSC has authorized a notice of hearing on the proposed rules, but no notice has yet been issued. The informal open discussion was beneficial both to PSC staff and to the telcos. Previous discussions on the proposed rule changes were held nearly four years ago.

Regulatory Rap

FCC – State Joint Board on Universal Service Seeks Comments on FCC High-Cost Support Rules and ETC Designation Process

The FCC has requested the federal-state joint board to review the rules relating to federal universal service high cost support mechanisms (USF) and to examine the process for designating carriers eligible for universal service funding (ETC). They will review FCC rules relating to support in areas served by competitive carriers and make recommendations on public interest factors the FCC and states should consider prior to designating more than one carrier eligible for USF funding in the same service area. (CC Docket 96-45, FCC 03J-1)

FCC Seeks Comments on Staff Study Regarding Alternative USF Contribution Methodologies

FCC staff has developed a working paper that estimates potential Universal Service assessments under the FCC's newly modified revenue-based system and three connection based-proposals for USF contributions. Public Notice FCC03-31 released Feb 25th seeks comment on the staff study and its underlying assumptions.

FCC Seeks Comments on Joint Board's Decision Regarding Definition of Telecom Services Supported by USF

The FCC-State Universal Service Joint Board in July 2002 generally recommended that the FCC not modify the existing list of telecom services supported by universal service funding, but was unable to reach agreement on whether equal access to interexchange service should be added to the list of supported services. On February 25 the FCC released a Notice of Proposed Rulemaking (FCC03-13) seeking comments on the Joint Board's recommendations and positions.

Triangle, Central Montana & Northern Telephone Ask PSC to Agree that Communities of Interest for Subscribers Goes Beyond their Present Local Calling Area Boundaries

The first hurdle Triangle, Central Montana (CMC) and Northern telephone companies must clear in getting PSC approval for larger local calling areas is the Phase I Community of Interest Determination. The PSC examines the calling patterns of telephone subscribers to see just where long distance calls are being made. The telephone companies conduct call usage studies for a three month period and then submit the data to the PSC. If the studies support a minimum level of calling between various local calling areas, the PSC can rule that local communities of interest are in fact larger than the present local calling area. The PSC can also consider where folks attend school and church, where they have access to law enforcement, fire protection and medical services, where they shop and conduct their business, etc. in determining whether calling to such entities should be long distance toll calls or local non-toll calls.

Triangle, CMC and Northern have submitted call studies to the PSC supporting regional local calling areas (extended area service or EAS) that would include a Havre region, a Lewistown region, a Great Falls region and a Sunburst-Shelby-Cut Bank region. CMC also asked the PSC for flexibility in examining alternative calling area proposals designed to meet the needs of subscribers in the Martinsdale, Harlowton and White Sulphur Springs areas. After the PSC's determination of the expanded communities of interest, Phase II will begin where the PSC will look at cost analyses and rate design proposals. Phase II will include public hearings giving the public an opportunity to voice their support or opposition to the proposals.

Blackfoot Also Files for Extended Service Area for Local Calling

Blackfoot Telephone has applied for larger local calling areas including expansions into the Helena and Missoula local calling areas now served by Qwest. If approved, the customers in Blackfoot's Avon exchange and the Qwest Helena region will be able to call each other locally, as will customers in Qwest's Missoula region and in the Blackfoot exchanges of Alberton, Alta, Arlee, Avon, Charlo, Clinton, Condon, Dixon, Drummond, Haugan, Noxon, Ovando, Plains, Potomac, Seeley Lake, South Alberton, St. Ignatius, St. Regis, Superior and Powell, ID. The PSC has initiated the Community of Interest Phase I proceeding.

3 Rivers Seeks ETC Designation for Shelby and Western Wireless for all Qwest Areas

3 Rivers Telephone Cooperative has petitioned the PSC to designate them as an ETC, a carrier eligible for federal universal service funding in the Shelby exchange. Qwest, the incumbent "nonrural" telephone company serving Shelby, has previously been designed an ETC for their entire Montana service area. Pursuant to federal law, the PSC must designate ETCs in nonrural areas provided the applicant meets certain criteria. The FCC's designated ETC service criteria are minimal. The PSC has the ability to supplement the FCC's ETC designation criteria with additional requirements. 3 Rivers has provided competitive local exchange service in Shelby since Feb 2001. It offers service in the Shelby exchange over its own facilities and through a resale of Qwest's services.

WWC Holding Co. Inc., doing business as CellularOne or Western Wireless, is seeking PSC ETC designation in all of Qwest's Montana exchanges. Their application states they meet all FCC ETC criteria throughout the entire Qwest service area (voice-grade access to the public switched network; local usage; touch-tone dialing; single party service; access to 911 operator services; interexchange service; directory assistance; and toll blocking for qualifying Lifeline customers). Western Wireless states they provide signal coverage throughout all Qwest's wire centers and they're asking the PSC to designate them eligible for federal universal service funding without a determination of public interest.