JS/HB
RW

TC03-191

DOCKET NO. TC03-191

In the Matter of IN THE MATTER OF THE FILING BY WWC LICENSE, LLC D/B/A CELLULARONE FOR DESIGNATION AS AN ELIGIBLE TELECOMMUNICATIONS CARRIER IN OTHER RURAL AREAS

folder 1

Public Utilities Commission of the State of South Dakota

DATE	MEMORANDA
11/5 03	Filed and Docketed;
11/6 03	Weekly Filing;
11/10 03	Certificate of Service;
11/21 03	Petition to Intervene (James Valley Coop Telephone);
11/21 03	SDTA Petition to Intervene;
11/21 03	Petition to Intervene of Alliance Comm. Coop. Inc + Splitrock Properties, Inc);
11/21 03	Petition to Intervene (West River Tele. Coop);
11/21 03	Petition to Intervene (Gold West Tele Coop);
11/21 03	Petition to Intervene (Vivian Telephone Co.);
11/21 03	Petition to Intervene (Venture Comm. Coop);
11/21 03	Petition to Intervene (Tri-County Telcom);
11/25 03	Order (granting Mark J. Ayotte admission);
12/17 03	Order Granting Intervention;
12/30 03	Direct Testimony of James R. Blundell on behalf of WWC Holding Co., Inc + WWC License LLC)
1/2 04	Motion to Amend Petition;
1/28 04	Order Granting Motion to Amend Petition;
2/13 04	Order for and Notice of Procedural Schedule and Hearing;
3/5 04	Intervenors Motion to Compel Discovery;
3/5 04	Intervenors Motion to Expand Procedural Schedule;
3/11 04	Motion to Withdraw Petition to Intervene of Alliance and Splitrock;
3/12 04	Western Wireless' Opposition to Intervenors Motion to Expand Procedural Schedule;
3/12 04	Western Wireless' Opposition to Intervenors Motion to Compel Discovery;
3/12 04	WWC License, LLC d/b/a Cellular One Affidavit of Gene DeJordy;

STATE PUBLISHING CO., PIERRE, SOUTH DAKOTA—SMEAD 62 SP14130

3/12/04	Petitioner's Response to Intervenors' Discovery Requests;
3/16/04	Direct Testimony of Randy W. Haydek on behalf of Venture Comm. Coop.
3/16/04	Direct Testimony of George Strandell on behalf of Golden West Tele Coop and Vivian Tele. Co.
3/16/04	Direct Testimony of James Groft on behalf of James Valley Coop. Tele. Co.
3/16/04	Direct Testimony of Sue Vanicek;
3/16/04	Direct Testimony of Glenn H. Brown;
3/22/04	Notice to Withdraw Petition (West River Tele. Coop);
3/25/04	Order Granting Motion to Expand Procedural Schedule; Order Granting in Part and Denying in Part Motion to Compel Discovery, Granting Motion to Strike and Denying in Part Motion
4/6/04	Rebuttal Testimony of Don J. Wood on behalf of WWC;
4/6/04	Rebuttal Testimony of James H. Glendell on behalf of WWC;
4/16/04	Surrebuttal Testimony of Randy W. Haydek on behalf of Venture Comm. Coop.
4/16/04	Surrebuttal Testimony of George Strandell on behalf of Golden West Tele. and Vivian Tele. Co.
4/16/04	Surrebuttal Testimony of James Groft on behalf of James Valley Tele. Co.
4/16/04	Surrebuttal Testimony of Sue Vanicek
4/16/04	Surrebuttal Testimony of Glenn H. Brown on behalf of SDTA;
4/19/04	Order Granting Motions to Withdraw;
4/27/04	Surrebuttal Testimony of James H. Glendell on Behalf of WWC License LLC;
4/27/04	Surrebuttal Testimony of Don Wood on behalf of WWC License LLC;
5/4/04	Order (Admitting Benjamin H. Dickens, Jr. to Practice);
5/21/04	Transcript of Hearing held May 4-6, 2004;
6/14/04	Post-Hearing Brief of WWC;
7/13/04	Staff's Brief;
7/16/04	Post-Hearing Brief of James Valley;
7/16/04	Reply Brief of Intervenors;
8/5/04	Post-Hearing Reply Brief of WWC;
9/2/04	Order Designating Western Wireless as an ETC; Find. of Fact and Con. of Law, and Notice of Entry of Order;
9/2/04	Docket Closed.
9/30/04	Petition for Reconsideration and Clarification by WWC License LLC;
10/20/04	Intervenors' Answer to Petition for Reconsideration and Clarification;
10/20/04	Objection of James Valley Tele. Co. to Petition for Reconsideration and Clarification by WWC License;
1/3/05	Order Granting in Part and Denying in Part Western Wireless Petition for Reconsideration and Clarification; Find. of Fact & Con. of Law; & Notice of Entry of Order
1/3/05	Amended Order Designating Western Wireless as an ETC; Find. of Fact & Con. of Law; and Notice of Entry of Order
1/3/05	Docket Closed.
2/8/05	Letter Regarding WWC's Reporting Rates Signed by Rae Ann Kelsch.

TC03-191

GUNDERSON, PALMER, GOODSELL & NELSON, LLP

ATTORNEYS AT LAW

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J. CRISMAN PALMER
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November 5, 2003

RECEIVED
NOV 06 2003
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

FAX Received NOV 05 2003

VIA FACSIMILE 1-605-773-3809
Pamela Bonrud
Executive Director
SD Public Utilities Commission
500 E Capitol Avenue
Pierre SD 57501

RE: Western Wireless Corporation's Petition for Designation as an ETC and Request to Expedite Proceedings
GPGN File No. 5925.020641

Dear Ms. Bonrud:

Enclosed please find a Verified Petition for Designation as an Eligible Telecommunications Carrier and Request to Expedite Proceedings filed on behalf of WWC Holding Co., Inc., d/b/a CellularOne ("Western Wireless"). This filing requests designation of Western Wireless as an Eligible Telecommunications Carrier.

Mr. Blundell's certification of the Petition is to serve as a statement incorporating the materials set forth at length in the Petition and supporting the Petition. See A.R.S.D. 20:10:32:43. Any contact on this file may be made directly to me at the above address or to co-counsel, Mark Ayotte. Once a file number has been assigned to this proceeding, I will obtain a Pro Hac Vice admission of Mr. Ayotte for this matter. Once obtained, a copy of the Pro Hac Vice Order will be filed with the Commission. Also, I have provided Richard Coit of South Dakota Telecommunications Association a copy of these proceedings with the intent that service upon him qualifies as the required service under A.R.S.D. 20:10:32:46.

The original of the enclosure, this letter and the verification, along with ten copies shall be provided by U.S. Mail. If you need anything further at this time, please let me know.

Sincerely,

Talbot J. Wieczorek

TJW:klw
c: James Blundell
Richard Coit
Mark Ayotte

South Dakota Public Utilities Commission
WEEKLY FILINGS
For the Period of October 30, 2003 through November 5, 2003

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five business days of this report. Phone: 605-773-3201

CONSUMER COMPLAINTS

CT03-155 In the Matter of the Complaint filed by John Reints, Rapid City, South Dakota, against Black Hills FiberCom, L.L.C. Regarding its Late Payment Charge.

Complainant is disputing late fees charged on balances due that are less than the amount of the security deposit that the Respondent has required him to post. The Complainant is requesting that the Commission prevent the Respondent from charging its customers that are required to post security deposits late fees and to refund all of the late fees that have been collected.

Staff Analyst: Jim Mehlhaff
Staff Attorney: Kelly Frazier
Date Docketed: 11/03/03
Intervention deadline: N/A

ELECTRIC

EL03-028 In the Matter of the Joint Request for an Electric Service Territory Boundary Change between Butte Electric Cooperative, Inc. and Black Hills Power.

On November 3, 2003, Butte Electric Cooperative, Inc. (Butte) and Black Hills Power (BHP) submitted a joint request for Commission approval to exchange electric service territory. The exchange includes the following service territory: Lots 2, 3, 4, 5, 6, and 7, located in Spruce Mountain Estates No. 2, all of which are located in Section 24 of Township 6 North, Range 4 East, Black Hills Meridian, Lawrence County, South Dakota, would be transferred from BHP territory to Butte territory; and Lots 1, 6, and 5, located in Spruce Mountain Ranches, all of which are located in Section 18 of Township 6 North, Range 5 East, Black Hills Meridian, Meade County, South Dakota, would be transferred from Butte territory to BHP territory.

Staff Analyst: Michele Farris
Staff Attorney: Karen Cremer
Date Docketed: 11/03/03
Intervention Deadline: 11/21/03

EL03-029 In the Matter of the Filing by MidAmerican Energy Company for Approval of Tariff Revisions.

Application by MidAmerican Energy for approval of tariff revisions reflecting redesign of the stub portion of both the regular bill and disconnect notice. The revisions are intended to clean up the appearance of the stub and allow for easier identification of written customer notations.

Staff Analyst: Dave Jacobson
Staff Attorney: Kelly Frazier
Date Docketed: 11/5/03

Intervention Deadline: 11/21/03

NATURAL GAS

NG03-006 In the Matter of the Filing by MidAmerican Energy Company for Approval of Tariff Revisions.

Application by MidAmerican Energy for approval of tariff revisions reflecting redesign of the stub portion of both the regular bill and disconnect notice. The revisions are intended to clean up the appearance of the stub and allow for easier identification of written customer notations.

Staff Analyst: Dave Jacobson
Staff Attorney: Kelly Frazier
Date Docketed: 11/5/03
Intervention Deadline: 11/21/03

TELECOMMUNICATIONS

TC03-191 In the Matter of the Filing by WWC Holding Co., Inc. d/b/a CellularOne for Designation as an Eligible Telecommunications Carrier in Other Rural Areas

On November 5, 2003, WWC Holding Co., Inc., d/b/a CellularOne (Western Wireless) filed a petition to be designated as an eligible telecommunications carrier (ETC) for purposes of qualifying to obtain federal universal service support in the study areas of certain rural telephone companies. This petition seeks an order immediately designating Western Wireless as an ETC in the study areas of the following rural telephone companies: Golden West Telephone Cooperative Inc., James Valley Cooperative Telephone Company, Splitrock Properties Inc., Sully Buttes Telephone Cooperative Inc., Tri-County Telecom Inc., Vivian Telephone Co., West River Telecommunications Coop (Mobridge) - SD, and West River Telecommunications Cooperative - SD.

Staff Analyst: Harlan Best
Staff Attorney: Karen E. Cremer
Date Docketed: 11/05/03
Intervention Deadline: 11/21/03

You may receive this listing and other PUC publications via our website or via internet e-mail. You may subscribe or unsubscribe to the PUC mailing lists at http://www.state.sd.us/puc

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NOV 07 2003
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

November 6, 2003

Pam Bonrud
Executive Director
SD Public Utilities Commission
500 E Capitol Avenue
Pierre SD 57501

RE: Western Wireless Corporation's Petition for Designation as an ETC and Request to Expedite Proceedings
Docket TC 03-191 GPGN File No. 5925.020641

Dear Ms. Bonrud:

On November 5, 2003, I filed Western Wireless Corporation's Petition for Designation as an Eligible Telecommunications Carrier and Request to Expedite Proceedings. This petition included a faxed copy of the Certification of James H. Blundell, as I did not have in my possession the original. Today, I received the original document and request it be part of the Petition.

Pursuant to a telephone conversation today between Delaine Kolbo of your office and my secretary, enclosed please find the original Certification of James H. Blundell. It is my understanding the faxed copy will be replaced with the original and it is not necessary for me to include ten copies of the document.

If you need anything further at this time, please let me know.

Sincerely,

Talbot J. Wieczorek

TJW:klw
Enclosure
c: James Blundell
Richard Coit
Mark Ayotte

GUNDERSON, PALMER, GOODSELL & NELSON, LLP

ATTORNEYS AT LAW

WYNN A. GUNDERSON
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November 7, 2003

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SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Pamela Bonrud
Executive Director
SD Public Utilities Commission
500 E Capitol Avenue
Pierre SD 57501

RE: WWC Petition for Designation as an ETC
Docket TC03-191

Dear Ms. Bonrud:

Enclosed please find the original and ten copies of the Certificate of Service on the individual telephone companies for filing in the above matter. A copy of this letter has been sent to Mr. Coit.

If you have any questions, please call me.

Sincerely,

Sara Frankenstein for

Talbot J. Wieczorek

TJW:klw
Enclosure
c: Clients
Mr. Coit

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SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Petition of	)	
WWC Holding Co., Inc. d/b/a	)	
CellularOne© for Designation	)	DOCKET NO. TC03-191
as an Eligible Telecommunications	)	
Carrier	)	

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 7th day of November, 2003, I served a true and correct copy of the Western Wireless Corporation's Verified Petition for Designation as an Eligible Telecommunications Carrier and Request to Expedite Proceedings by U.S. Mail, postage prepaid, to:

Golden West Telephone Cooperative, Inc.
Vivian Telephone Co.
George Strandell
PO Box 411
Wall SD 57790

James Valley Cooperative Telephone Company
Doug Eidahl, Registered Agent
235 E. 1st Avenue
PO Box 260
Groton, SD 57445-0260

Splitrock Properties, Inc.
Don Snyders, Registered Agent
612 Third Street
PO Box 249
Garretson, SD 57030-0349

Randy Houdek
Venture Communications Cooperative, Inc.
PO Box 157
218 Commercial Avenue, SE
Highmore, SD 57345

John Pudwill
Tri-County Telecom, Inc.
PO Box 304
202 3rd Street
Emery, SD 57332

Mike Grosz
West River Telecommunications Cooperative
PO Box 467
Hazen, ND 58546

GUNDERSON, PALMER, GOODSELL
& NELSON, LLP

Ted Frankenstein for

Talbot J. Wieczorek
Attorney for Western Wireless Corporation
PO Box 8045
Rapid City SD 57709
1-605-342-1078

Bantz, Gosch & Cremer, L.L.C.

♦Attorneys at Law ♦

Douglas W. Bantz (1909-1983)
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Rory King
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Melissa E. Neville
*Also Licensed in North Dakota



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Fax (605) 225-2497

www.bantzlaw.com
Writer's E-mail: jcremer@midco.net

November 20, 2003

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NOV 21 2003
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

08416-003
Ms. Pamela Bonrud
Executive Director
S.D. Public Utilities Commission
500 E. Capitol Ave.
Pierre, SD 57501

Re: Docket Number TC03-191

Dear Ms. Bonrud:

Enclosed is an original and ten copies of a PETITION TO INTERVENE for filing in TC03-191 on behalf of James Valley Cooperative Telephone.

By copy of this letter, I am also serving those parties named on the service list attached to the Petition.

Sincerely,

JAMES M. CREMER

JMC:mvs
\jvt\wwc\bonrud

Enclosures

pc Nancy Larsen
Richard Coit, SDTA
Service List

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NOV 21 2003
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of WWC Holding Co., Inc., d/b/a CellularOne© for Designation as an Eligible Telecommunications Carrier	Docket No. TC03-191 PETITION TO INTERVENE

Pursuant to ARSD 20:10:01:15.02, James Valley Cooperative Telephone Company ("James Valley") petitions to intervene in Docket Number TC03-191 for the following reasons:

1. James Valley is an independent facilities-based incumbent local exchange company offering local exchange service in approximately 14 exchanges in northeastern South Dakota. James Valley is also a "rural telephone company" as defined in 47 U.S.C. § 153(37) and SDCL 49-31-1(22).

2. WWC Holding Company, Inc., d/b/a CellularOne© ("WWC") has applied to the South Dakota Public Utilities Commission ("Commission") to be designated as an eligible telecommunications carrier ("ETC") for purposes of qualifying to obtain federal universal service support in the service areas of seven rural telephone companies.

3. The criteria for designation of ETC status are found in 47 U.S.C. § 214(e), SDCL 49-31-78, and ARSD 20:10:32:42 through 49. Pursuant to these sections of state and federal law, the Commission has authority to grant or deny a petition for designation of a carrier as an ETC.

4. WWC has applied for ETC designation in James Valley's service area. James Valley disputes WWC's request on the following grounds:

A. WWC is unable to provide the services and functionalities required by the FCC in 47 CFR § 54.201.

B. WWC is unable to provide services throughout and coextensive with James Valley's service area, as required by 47 U.S.C. § 214(e)(1)(A) of the Act, and ARSD 20:10:32:42.

C. Granting WWC ETC status within James Valley's service area is not consistent with the public interest, convenience and necessity of customers in James Valley's service area, as required by 47 U.S.C. § 214(e)(2) and ARSD 20:10:32:42.

D. Granting WWC ETC designation in James Valley's service area is not in the public interest, as required by 47 U.S.C. § 214(e)(2), SDCL 49-31-78, and ARSD 20:10:32:42.

5. It is necessary for James Valley's Petition for Intervention to be granted in this case and to enable James Valley to have party status in this docket in order to allow James Valley to protect its interests and present evidence in opposition to WWC's Petition. James Valley is entitled to be granted intervention in this docket pursuant to ARSD 20:10:01:15.05 because the outcome of this proceeding will have a profoundly adverse effect on James Valley.

6. James Valley further contests WWC's request for an expedited proceeding in this docket.

7. WWC presents no authority for its request for expedited proceedings.

8. Nothing in the Commission's general rules (ARSD 20:10:01) nor in the rules governing ETC designation (ARSD 20:10:32:42 through 49) provide for expedited proceedings.

9. Under the Administrative Procedures and Rules in South Dakota, a party must present evidence showing that a case involves issues of pressing concern to the public or to litigants, or other good cause, in order to request a suspension of rules and an expedited review. The moving party must also demonstrate that parties will not be substantially prejudiced by expedited review (SDCL Chapter 1-26). WWC has failed to present any evidence in support of its request for expedited review.

10. To grant such a request, absent specific statutory authority and findings, would be particularly inappropriate in this docket, as the Commission is required to make specific findings as to public interest. Accordingly, all parties should be allowed a full and complete opportunity to present evidence to the Commission, which can be accomplished only in a non-expedited process.

Wherefore, James Valley respectfully requests:

1. That its Petition to Intervene be granted; and

2. That WWC's request for an expedited proceeding be denied.

Dated this 20th day of November, 2003.



James M. Cremer
Bantz, Gosch & Cremer, L.L.C.
P. O. Box 970
Aberdeen, South Dakota 57402-0970
Telephone (605) 225-2232
Attorney for James Valley Cooperative
Telephone Company

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of WWC Holding Co., Inc., d/b/a CellularOne© for Designation as an Eligible Telecommunications Carrier	Docket No. TC03-191 CERTIFICATE OF SERVICE

James M. Cremer, of Bantz, Gosch & Cremer, L.L.C., hereby certifies that on the 20th day of November, 2003, he mailed by United States mail, first class postage thereon prepaid, a true and correct copy of the foregoing **Petition to Intervene** in the above-captioned action to the following at their last known addresses, to-wit:

Talbot J. Wieczorek
Gunderson, Palmer, Goodsell & Nelson
P.O. Box 8045
Rapid City, SD 57709

Mark J. Ayotte
Kevin M. Decker
Briggs and Morgan, P.A.
2200 First National Bank Building
St. Paul, MN 55101

George Strandell
Golden West Telephone Cooperative, Inc.
Vivian Telephone Co.
P.O. Box 411
Wall, SD 57790

Don Snyders, Registered Agent
Splitrock Properties, Inc.
612 Third St.
P.O. Box 249
Garretson, SD 57030-0349

Randy Houdek
Venture Communications Cooperative, Inc.
218 Commercial Ave. SE
P.O. Box 157
Highmore, SD 57345

John Pudwill
Tri-County Telecom, Inc.
202 3rd St.
P.O. Box 304
Emery, SD 57332

Mike Grosz
West River Telecommunications
Cooperative
P.O. Box 467
Hazen, ND 58546

Darla Pollman Rogers
Riter, Rogers, Wattier, & Brown
P.O. Box 280
Pierre, SD 57501

Dated this 20th day of November, 2003.

James M. Cremer
Bantz, Gosch & Cremer, L.L.C.
P.O. Box 970
Aberdeen, SD 57402-0970
(605) 225-2232
Attorney for James Valley
Cooperative Telephone Company

SDTA
Rural roots, global connections

South Dakota Telecommunications Association
PO Box 57 ■ 320 East Capitol Avenue ■ Pierre, SD 57501
605/224-7629 ■ Fax 605/224-1637 ■ sdtaonline.com

November 21, 2003

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NOV 21 2003
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Ms. Pamela Bonrud, Executive Director
South Dakota Public Utilities Commission
500 East Capitol Ave.
State Capitol Building
Pierre, SD 57501

RE: Docket TC03-191, WWC Petition for ETC Designation

Dear Ms. Bonrud:

Attached for filing with the Commission in the above referenced docket are the original and ten (10) copies of a Petition to Intervene of the South Dakota Telecommunications Association.

You will also find attached to the Petition a certificate of service verifying service of this document, by mail, on counsel for Western Wireless Corporation in this matter.

Thank you for your assistance in filing and distribute these documents.

Sincerely,

Richard D. Coit
Executive Director and General Counsel
SDTA

RECEIVED
NOV 21 2003
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION OF WWC HOLDING CO., INC., d/b/a CELLULAR ONE FOR DESIGNATION AS AN ELIGIBLE TELECOMMUNICATIONS CARRIER	)	**DOCKET TC03-191** **PETITION TO INTERVENE**

SDTA Petition for Intervention

The South Dakota Telecommunications Association ("SDTA") hereby petitions the Commission for intervention in the above captioned proceeding pursuant to SDCL 1-26-17.1 and ARSD §§ 20:10:01:15.02, 20:10:01:15.03 and 20:10:01:15.05. In support hereof, SDTA states as follows:

1. WWC Holding Company, Inc., d/b/a CellularOne© (hereinafter referenced as "WWC") has applied to the South Dakota Public Utilities Commission ("Commission") to be designated as an eligible telecommunications carrier ("ETC") for purposes of qualifying to obtain federal universal service support in the service areas of seven rural telephone companies. The rural telephone companies named in WWC's "Petition for Designation as an ETC and Request to Expedite Proceedings" include: Golden West Telephone Cooperative, Inc.; James Valley Cooperative Telephone Company; Splitrock Properties, Inc.; Sully Buttes Telephone Cooperative, Inc.; Tri-County Telecom, Inc.; Vivian Telephone Company; West River Telecommunications Coop (Mobridge); and West River Telecommunications Cooperative.

2. SDTA is an incorporated organization representing the interests of numerous cooperative, independent and municipal telephone companies operating throughout the State of South Dakota, including the rural telephone companies named in WWC's Petition for ETC Designation (operating in those study areas where WWC is requesting eligible telecommunications carrier status).

3. The criteria applicable to additional ETC designations are found in 47 U.S.C. § 214(e), SDCL 49-31-78, and ARSD 20:10:32:42 through 49. Pursuant to these sections of state and federal law, the Commission has authority to grant or deny a petition for designation of a carrier as an ETC. In areas served by rural telephone companies, it is not permissible for the Commission to designate an additional ETC absent first making a finding that the additional designation is in the public interest.

4. SDTA seeks intervention in this proceeding based on the direct interests of its telephone company members named in the WWC Petition for ETC designation and based on the likelihood that determinations made by the Commission in this matter will impact future similar proceedings involving other SDTA member companies. Accordingly, SDTA has an interest in this proceeding and seeks intervention herein.

5. SDTA opposes the WWC request for ETC designation for the same reasons stated in the Petitions to Intervene filed by its member companies in this docket. Further, SDTA contests WWC's request for an expedited proceeding.

6. WWC presents no authority for its request for expedited proceedings. Nothing in the Commission's general rules (ARSD 20:10:01) nor in the rules governing ETC designation (ARSD 20:10:32:42 through 49) provide for expedited proceedings. Under the Administrative Procedures and Rules in South Dakota, a party must present evidence showing that a case involves issues of pressing concern to the public or to litigants, or other good cause, in order to request a suspension of rules and an expedited review. The moving party must also demonstrate that parties will not be substantially prejudiced by expedited review (SDCL Chapter 1-26). WWC has failed to present any evidence in support of its request for expedited review.

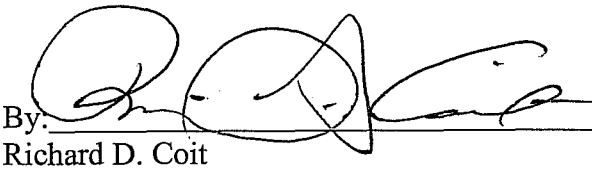
7. To grant such a request, absent specific statutory authority and findings, would be particularly inappropriate in this docket, as the Commission is required to make specific findings as to public interest. Accordingly, all parties should be allowed a full and complete opportunity to present evidence to the Commission, which can be accomplished only in a non-expedited process.

8. Based on all of the foregoing, SDTA seeks intervening party status in this proceeding and opposes any expedited process.

Dated this 21st day of November, 2003.

Respectfully submitted:

THE SOUTH DAKOTA
TELECOMMUNICATIONS ASSOCIATION



By: _____
Richard D. Coit
Executive Director and General Counsel

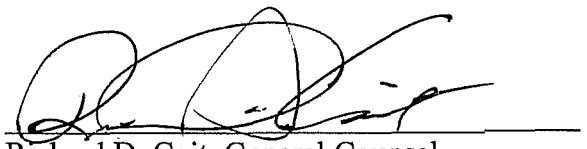
CERTIFICATE OF SERVICE

I hereby certify that an original and 10 (10) copies of the foregoing document were hand-delivered on November 21, 2003 to:

Executive Director
South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501

A copy was sent by First Class Mail via U.S. Postal Service to:

Talbot Wieczorek
Attorney for Western Wireless Corp.
440 Mt. Rushmore Road
PO Box 8045
Rapid City, SD 57709-8045



Richard D. Coit, General Counsel
South Dakota Telecommunications Association
320 East Capitol Avenue – PO Box 57
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MICHAEL D. BORNITZ †
TRENT A. SWANSON *
KIMBERLY R. WASSINK
RYAN J. TAYLOR *†
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DAVID L. EDWARDS

JEAN BROCKMUELLER, CPA (Inactive)
BUSINESS MANAGER

* Also licensed to practice in Minnesota
• • Also licensed to practice in Minnesota and Iowa
† Also licensed to practice in Nebraska
†† Also licensed to practice in Minnesota and Missouri
*† Also licensed as a Certified Public Accountant

November 21, 2003

Via Facsimile Transmission: (605) 773-3809

RECEIVED
NOV 24 2003
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

FAX Received NOV 21 2003

Pam Bonrud, Executive Director
South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501

RE: *TC 03-191 In the Matter of the Application of WWC Holding Co., Inc. d/b/a/ CellularOne© for Designation as an Eligible Telecommunications Carrier*

Dear Ms. Bonrud:

Please find enclosed the original and ten copies of the Petition to Intervene of Alliance Communications Cooperative, Inc. and Splitrock Properties, Inc. Please do not hesitate to contact me if you have any questions. Thank you for your assistance. By copy of this correspondence, I am intending service upon all interested parties.

Sincerely,

CUTLER & DONAHOE, LLP

Meredith A Moore

Meredith A. Moore
For the Firm

MAM/jlh
cc: Interested Parties

FAX Received NOV 21 2003

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NOV 24 2003
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of WWC Holding Co., Inc. d/b/a/ CellularOne© for Designation as an Eligible Telecommunications Carrier	Docket No. TC 03-191 **PETITION TO INTERVENE OF ALLIANCE COMMUNICATIONS COOPERATIVE, INC. AND SPLITROCK PROPERTIES, INC.**

COME NOW, Alliance Communications Cooperative, Inc. and Splitrock Properties Inc., by and through their undersigned counsel, and pursuant to A.R.S.D. 20:10:01:15.02, petition this Commission for leave to intervene in the above entitled proceeding.

IN SUPPORT THEREOF, Petitioners do state and declare as follows:

1. Alliance Communications Cooperative, Inc. ("Alliance") is a South Dakota corporation headquartered in Garretson, South Dakota. Alliance is an independent facilities-based incumbent local exchange company offering local exchange service in approximately 6 exchanges in South Dakota. Alliance is also a "rural telephone company" as defined in 47 U.S.C. § 153(37) and SDCL 49-31-1(22).

2. Splitrock Properties, Inc. ("Splitrock") is a South Dakota corporation also headquartered in Garretson, South Dakota. Splitrock is an independent facilities-based incumbent local exchange company offering local exchange service in approximately 2 exchanges in South Dakota. Splitrock is also a "rural telephone company" as defined in 47 U.S.C. § 153(37) and SDCL 49-31-1(22).

3. Alliance and Splitrock have a direct and substantial interest in these proceedings because this Commission's decision may, directly or indirectly, affect the quality or cost of

telecommunications services provided by Alliance and Splitrock to those consumers within their study areas.

4. On November 7, 2003, WWC Holding Co., Inc. d/b/a CellularOne© ("Western Wireless") applied (the "Application") to this Commission for designation as an eligible telecommunication carrier ("ETC") in the study areas of several rural telephone companies, including the study areas of Alliance and Splitrock.

5. Pursuant to 47 U.S.C. § 214(e), 47 C.F.R. § 54.101(a), SDCL § 49-31-78 and ARSD 20:10:32:42, this Commission is vested with the authority to grant or deny the Application of Western Wireless.

6. In its Application for designation as an ETC, and pursuant to 47 C.F.R. § 54.101, 47 U.S.C. § 214(e) and SDCL § 49-31-78, Western Wireless sets forth those criteria which it believes support its Application for designation as an ETC. See Application at ¶¶6-12.

6. 47 U.S.C. § 214(e)(1)(A) and ARSD 20:10:32:42 require that a common carrier seeking designation as an ETC must provision those services required by 47 C.F.R. § 54.101 throughout the service area for which the designation is sought.

7. Western Wireless fails to satisfy the requirements of 47 U.S.C. § 214(e)(1)(A) and ARSD 20:10:32:42 because it is unable to provision the above-referenced services throughout the entirety of the Alliance and Splitrock study areas.

8. In its Application for designation as an ETC, and pursuant to 47 U.S.C. (e)(2) and SDCL § 49-31-78, Western Wireless also states that its designation as an additional ETC in study areas of rural telephone companies is in the public interest.

9. 47 U.S.C § 214(e)(2) and SDCL § 49-31-78 require that before this Commission may designate an additional ETC in an area already served by a rural telephone company, it must make a finding that the designation of an additional ETC in that particular area is in the interest of the public.

10. Western Wireless fails to establish that its designation as an ETC in the involved study areas would be a benefit to the public. Western Wireless relies upon the cursory statement contained in ¶12 of its Application that this Commission has previously determined that its designation as an additional ETC in study areas of rural telephone companies is in the public interest. See Application at ¶12, citing In the Matter of the Filing By GCC License corporation for Designation As An Eligible Telecommunications Carrier, Docket No. TC 98-146, Findings of Fact and Conclusions of Law; Notice of Filing of Entry of Order (Oct. 18, 2001). This previous finding is insufficient to satisfy the stringent requirements of 47 U.S.C. § 214(e)(2) and this Commission.

11. This Commission has set forth a two-part test for determining whether the designation of an additional ETC in an area already serviced by a rural telephone company is in the best interest of the rural area. The party seeking ETC designation must affirmatively establish the following:

1. Whether consumers will realize benefits from increased competition;

2. Whether the rural area is capable of supporting competition.

12. Western Wireless has failed to produce evidence which shows that its designation as an ETC would result in a benefit to consumers through a decrease in the total costs of providing universal service support or that the involved study area can support

competition, without resulting in a decrease of ETC funding and a corresponding increase in rates.

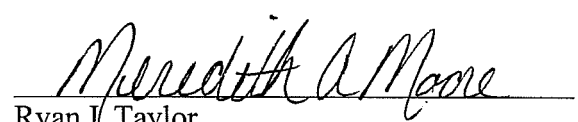
13. Alliance and Splitrock assert that this Commission's designation of Western Wireless as an ETC would result in an increase in the total costs of providing universal service support to those consumers within their study areas and a potential reduction in funding to incumbent ETCs, thereby producing rate increases and decreases in service and infrastructure investment.

14. Alliance and Splitrock desire to intervene in order that they might receive documents, comment, present testimony, cross-examine witnesses and produce evidence in opposition to the Application of Western Wireless, to the extent that such actions are required in the above entitled proceeding.

WHEREFORE, Alliance and Splitrock respectfully request that the Commission grant this Petition to Intervene and authorize Alliance and Splitrock to participate in the above entitled proceeding with full rights as a formal party.

Dated this 21st day of November, 2003.

CUTLER & DONAHOE, LLP
Attorneys at Law



Ryan J. Taylor
Meredith A. Moore
100 N. Phillips Ave., 9th Floor
Sioux Falls, South Dakota 57104-6725
Telephone (605) 335-4950
Facsimile (605) 335-4961
Attorneys for Petitioners

CERTIFICATE OF SERVICE

The undersigned certifies that on the 21st day of November, 2003, I served a true and correct copy of the Petition to Intervene of Alliance Communications Cooperative, Inc. and Splitrock Properties, Inc. by regular United States mail, first class postage prepaid, to:

Mark J. Ayotte
Kevin M. Decker
Briggs and Morgan, P.A.
2200 First National Bank Building
Saint Paul, MN 55101

Talbot J. Wieczorek
Gunderson, Palmer, Goodsell & Nelson, LLP
PO Box 8045
Rapid City, SD 57709

Attorneys forWWC Holding Co., Inc. d/b/a CellularOne©

Darla Pollman Rogers
Riter, Rogers, Wattier & Brown
PO Box 280
Pierre, SD 57501
Attorneys for:
Golden West Telephone Cooperative, Inc.
Vivian Telephone Co.
Venture Communications Cooperative, Inc.
Tri-County Telcom, Inc.
West River Telecommunications Cooperative

James M. Cremer
Batz, Gosch & Cremer
P.O. Box 970
Aberdeen, SD 57402
Attorneys for:
James Valley Cooperative Telephone Company

CUTLER & DONAHOE, LLP
Attorneys at Law

Meredith A Moore

Ryan J. Taylor
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Sioux Falls, South Dakota 57104-6725
Telephone (605) 335-4950
Facsimile (605) 335-4961
Attorneys for Petitioners

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E.D. MAYER
ROBERT C. RITER, Jr.
DARLA POLLMAN ROGERS
JERRY L. WATTIER
JOHN L. BROWN

OF COUNSEL:
Robert D. Hofer

TELEPHONE
605-224-5825
605-224-7889
FAX
605-224-7102

November 21, 2003

RECEIVED
NOV 21 2003
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Pamela Bonrud, Executive Director
S. D. Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501

Re: Docket Number TC03-191

Dear Ms. Bonrud:

Please find enclosed herein an original and ten copies of PETITION TO INTERVENE for filing in TC03-191 on behalf of West River.

By copy of this letter, I am also serving those parties named on the Service List attached to the Petition.

Sincerely yours,

Darla Pollman Rogers

Darla Pollman Rogers
Attorney at Law

DPR/ph

Enclosures

CC: Service List
Mick Grosz

RECEIVED
NOV 2 1 2003
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of WWC Holding Co., Inc., d/b/a CellularOne© for Designation as an Eligible Telecommunications Carrier	Docket No. TC03-191 PETITION TO INTERVENE

Pursuant to ARSD 20:10:01:15.02, West River Telecommunications Cooperative ("West River") petitions to intervene in Docket Number TC03-191 for the following reasons:

1. West River, headquartered in Hazen, North Dakota, is an independent facilities-based incumbent local exchange company offering local exchange service in Mobridge and McLaughlin, South Dakota, which are in two separate study areas. All references in this Petition are to West River's study areas in South Dakota. West River is also a "rural telephone company" as defined in 47 U.S.C. § 153(37) and SDCL 49-31-1(22).

2. WWC Holding Company, Inc., d/b/a CellularOne© ("WWC") has applied to the South Dakota Public Utilities Commission ("Commission") to be designated as an eligible telecommunications carrier ("ETC") for purposes of qualifying to obtain federal universal study support in the study areas of seven rural telephone companies.

3. The criteria for designation of ETC status are found in 47 U.S.C. § 214(e), 47 C.F.R. § 54.101(a), SDCL 49-31-78, and ARSD 20:10:32:42 through 49. Pursuant to these sections of state and federal law, the Commission has authority to grant or deny a petition for designation of a carrier as an ETC.

4. WWC has applied for ETC designation in West River's South Dakota study areas. West River disputes WWC's request on the following grounds:

A. WWC is unable to provide the services and functionalities required by the FCC in 47 C.F.R. § 54.201.

B. WWC is unable to provide services throughout and coextensive with West River's service areas, as required by 47 U.S.C. § 214(e)(1)(A) of the Act, and ARSD 20:10:32:42.

C. Granting WWC ETC status within West River's service areas is not consistent with the public interest, convenience and necessity of customers in West River's service areas, as required by 47 U.S.C. § 214(e)(2) and ARSD 20:10:32:42.

D. Granting WWC ETC designation in West River's service areas is not in the public interest, as required by 47 U.S.C. § 214(e)(2), SDCL 49-31-78, and ARSD 20:10:32:42.

E. West River and its customers will experience an unwarranted and adverse economic impact, such as being subjected to unfair, uneconomic competition, if WWC is granted ETC status in the West River service areas.

5. West River has a direct and substantial interest in these proceedings because this Commission's decision may, directly or indirectly, affect the quality or cost of telecommunications services provided by West River to those customers within its study areas.

6. West River desires to intervene in order to have party status in this docket, which enables West River to receive documents, comment, present testimony, cross-examine witnesses, and produce evidence in opposition to the application of WWC.

7. West River is entitled to be granted intervention in this docket pursuant to ARSD 20:10:01:15.05 because the outcome of this proceeding may have a profoundly adverse effect on West River.

8. West River further contests WWC's request for an expedited proceeding in this docket.

9. WWC presents no authority for its request for expedited proceedings.

10. Nothing in the Commission's general rules (ARSD 20:10:01) nor in the rules governing ETC designation (ARSD 20:10:32:42 through 49) provide for expedited proceedings.

11. Generally, under the administrative procedures and rules in South Dakota, a party must present evidence showing that a case involves issues of pressing concern to the public or to litigants, or other good cause, in order to request a suspension of rules or an expedited review. The moving party must also demonstrate that parties will not be substantially prejudiced by expedited review (SDCL Chapter 1-26-19(1)). WWC has failed to meet that burden.

12. To grant such a request, absent specific statutory authority and findings, would be particularly inappropriate in this docket, as the Commission is required to make specific findings as to public interest. Accordingly, all parties should be allowed a full and complete opportunity to present evidence to the Commission, which can only be accomplished in a non-expedited process.

Wherefore, West River respectfully requests:

1. That its Petition to Intervene be granted; and

2. That WWC's request for an expedited proceeding be denied.

Dated this twenty-first day of November, 2003.

Darla Pollman Rogers

Darla Pollman Rogers
Riter, Rogers, Wattier & Brown
P. O. Box 280
Pierre, South Dakota 57501
Telephone (605) 224-7889

CERTIFICATE OF SERVICE

The undersigned hereby certifies that she served a copy of the foregoing **Petition to Intervene** upon the persons herein next designated, on the date below shown, by depositing a copy thereof in the United States mail at Pierre, South Dakota, postage prepaid, in an envelope addressed to said addressee, to-wit:

Talbot J. Wieczorek
Gunderson, Palmer, Goodsell & Nelson
P. O. Box 8045
Rapid City, South Dakota 57709-8045
Attorney for WWC

James M. Cremer
Bantz, Gosch & Cremer, LLC
Box 970
Aberdeen, South Daokta 57402-0970
Attorney for James Valley

Ryan J.Taylor
Cutler & Donahoe
100 N. Phillips Ave., #901
Sioux Falls, South Dakota 57104
Attorney for Splitrock Properties

Richard D. Coit
Director of Industry Affairs
S D T A
P. O. Box 57
Pierre, South Dakota 57501

Mark J. Ayotte
Kevin M. Decker
Briggs and Morgan, P.A.
2200 First National Bank Building
Saint Paul, Minnesota 55101
Attorneys for WWC

Dated this twenty-first day of November, 2003.

Darla Pollman Rogers

Darla Pollman Rogers
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Pierre, South Dakota 57501
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ROBERT C. RITER, Jr.
DARLA POLLMAN ROGERS
JERRY L. WATTIER
JOHN L. BROWN

OF COUNSEL:
Robert D. Hofer

TELEPHONE
605-224-5825
605-224-7889
FAX
605-224-7102

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NOV 21 2003
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

November 21, 2003

Pamela Bonrud, Executive Director
S. D. Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501

Re: Docket Number TC03-191

Dear Ms. Bonrud:

Please find enclosed herein an original and ten copies of PETITION TO INTERVENE for filing in TC03-191 on behalf of Golden West Telecommunications Cooperative.

By copy of this letter, I am also serving those parties named on the Service List attached to the Petition.

Sincerely yours,

Darla Pollman Rogers

Darla Pollman Rogers
Attorney at Law

DPR/ph

Enclosures

CC: Service List
George Strandell

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NOV 21 2003
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of WWC Holding Co., Inc., d/b/a CellularOne© for Designation as an Eligible Telecommunications Carrier	Docket No. TC03-191 PETITION TO INTERVENE

Pursuant to ARSD 20:10:01:15.02, Golden West Telecommunications Cooperative ("Golden West") petitions to intervene in Docket Number TC03-191 for the following reasons:

1. Golden West is an independent facilities-based incumbent local exchange company offering local exchange service in approximately 27 exchanges in South Dakota and four exchanges in adjoining states. Golden West is also a "rural telephone company" as defined in 47 U.S.C. § 153(37) and SDCL 49-31-1(22).

2. WWC Holding Company, Inc., d/b/a CellularOne© ("WWC") has applied to the South Dakota Public Utilities Commission ("Commission") to be designated as an eligible telecommunications carrier ("ETC") for purposes of qualifying to obtain federal universal service support in the study areas of seven rural telephone companies.

3. The criteria for designation of ETC status are found in 47 U.S.C. § 214(e), 47 C.F.R. § 54.101(a), SDCL 49-31-78, and ARSD 20:10:32:42 through 49. Pursuant to these sections of state and federal law, the Commission has authority to grant or deny a petition for designation of a carrier as an ETC.

4. WWC has applied for ETC designation in Golden West's study area. Golden West disputes WWC's request on the following grounds:

A. WWC is unable to provide the services and functionalities required by the FCC in 47 C.F.R. § 54.201.

B. WWC is unable to provide services throughout and coextensive with Golden West's service area, as required by 47 U.S.C. § 214(e)(1)(A) of the Act, and ARSD 20:10:32:42.

C. Granting WWC ETC status within Golden West's service area is not consistent with the public interest, convenience and necessity of customers in Golden West's service area, as required by 47 U.S.C. § 214(e)(2) and ARSD 20:10:32:42.

D. Granting WWC ETC designation in Golden West's service area is not in the public interest, as required by 47 U.S.C. § 214(e)(2), SDCL 49-31-78, and ARSD 20:10:32:42.

E. Golden West and its customers will experience an unwarranted and adverse economic impact, such as being subjected to unfair, uneconomic competition, if WWC is granted ETC status in the Golden West service area.

5. Golden West has a direct and substantial interest in these proceedings because this Commission's decision may, directly or indirectly, affect the quality or cost of telecommunications services provided by Golden West to those customers within its study area.

6. Golden West desires to intervene in order to have party status in this docket, which enables Golden West to receive documents, comment, present testimony, cross-examine witnesses, and produce evidence in opposition to the application of WWC.

7. Golden West is entitled to be granted intervention in this docket pursuant to ARSD 20:10:01:15.05 because the outcome of this proceeding may have a profoundly adverse effect on Golden West.

8. Golden West further contests WWC's request for an expedited proceeding in this docket.

9. WWC presents no authority for its request for expedited proceedings.

10. Nothing in the Commission's general rules (ARSD 20:10:01) nor in the rules governing ETC designation (ARSD 20:10:32:42 through 49) provide for expedited proceedings.

11. Generally, under the administrative procedures and rules in South Dakota, a party must present evidence showing that a case involves issues of pressing concern to the public or to litigants, or other good cause, in order to request a suspension of rules or an expedited review. The moving party must also demonstrate that parties will not be substantially prejudiced by expedited review (SDCL Chapter 1-26-19(1)). WWC has failed to meet that burden.

12. To grant such a request, absent specific statutory authority and findings, would be particularly inappropriate in this docket, as the Commission is required to make specific findings as to public interest. Accordingly, all parties should be allowed a full and complete opportunity to present evidence to the Commission, which can only be accomplished in a non-expedited process.

Wherefore, Golden West respectfully requests:

1. That its Petition to Intervene be granted; and

2. That WWC's request for an expedited proceeding be denied.

Dated this twenty-first day of November, 2003.

Darla Pollman Rogers

Darla Pollman Rogers
Riter, Rogers, Wattier & Brown
P. O. Box 280
Pierre, South Dakota 57501
Telephone (605) 224-7889
Attorney for Golden West

CERTIFICATE OF SERVICE

The undersigned hereby certifies that she served a copy of the foregoing **Petition to Intervene** upon the persons herein next designated, on the date below shown, by depositing a copy thereof in the United States mail at Pierre, South Dakota, postage prepaid, in an envelope addressed to said addressee, to-wit:

Talbot J. Wieczorek
Gunderson, Palmer, Goodsell & Nelson
P. O. Box 8045
Rapid City, South Dakota 57709-8045
Attorney for WWC

James M. Cremer
Bantz, Gosch & Cremer, LLC
Box 970
Aberdeen, South Daokta 57402-0970
Attorney for James Valley

Ryan J.Taylor
Cutler & Donahoe
100 N. Phillips Ave., #901
Sioux Falls, South Dakota 57104
Attorney for Splitrock Properties

Richard D. Coit
Director of Industry Affairs
S D T A
P. O. Box 57
Pierre, South Dakota 57501

Mark J. Ayotte
Kevin M. Decker
Briggs and Morgan, P.A.
2200 First National Bank Building
Saint Paul, Minnesota 55101
Attorneys for WWC

Dated this twenty-first day of November, 2003.

Darla Pollman Rogers

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NOV 21 2003
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

E.D. MAYER
ROBERT C. RITER, Jr.
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OF COUNSEL:
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605-224-5825
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605-224-7102

November 21, 2003

Pamela Bonrud, Executive Director
S. D. Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501

Re: Docket Number TC03-191

Dear Ms. Bonrud:

Please find enclosed herein an original and ten copies of PETITION TO INTERVENE for filing in TC03-191 on behalf of Vivian Telephone Company.

By copy of this letter, I am also serving those parties named on the Service List attached to the Petition.

Sincerely yours,

Darla Pollman Rogers

Darla Pollman Rogers
Attorney at Law

DPR/ph

Enclosures

CC: Service List
George Strandell

RECEIVED
NOV 21 2003
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of WWC Holding Co., Inc., d/b/a CellularOne© for Designation as an Eligible Telecommunications Carrier	Docket No. TC03-191 PETITION TO INTERVENE

Pursuant to ARSD 20:10:01:15.02, Vivian Telephone Company ("Vivian") petitions to intervene in Docket Number TC03-191 for the following reasons:

1. Vivian is an independent facilities-based incumbent local exchange company offering local exchange service in approximately 19 exchanges in South Dakota and three exchanges in adjoining states. Vivian is also a "rural telephone company" as defined in 47 U.S.C. § 153(37) and SDCL 49-31-1(22).

2. WWC Holding Company, Inc., d/b/a CellularOne© ("WWC") has applied to the South Dakota Public Utilities Commission ("Commission") to be designated as an eligible telecommunications carrier ("ETC") for purposes of qualifying to obtain federal universal study support in the service areas of seven rural telephone companies.

3. The criteria for designation of ETC status are found in 47 U.S.C. § 214(e), 47 C.F.R. § 54.101(a), SDCL 49-31-78, and ARSD 20:10:32:42 through 49. Pursuant to these sections of state and federal law, the Commission has authority to grant or deny a petition for designation of a carrier as an ETC.

4. WWC has applied for ETC designation in Vivian's study area. Vivian disputes WWC's request on the following grounds:

A. WWC is unable to provide the services and functionalities required by the FCC in 47 C.F.R. § 54.201.

B. WWC is unable to provide services throughout and coextensive with Vivian's service area, as required by 47 U.S.C. § 214(e)(1)(A) of the Act, and ARSD 20:10:32:42.

C. Granting WWC ETC status within Vivian's service area is not consistent with the public interest, convenience and necessity of customers in Vivian's service area, as required by 47 U.S.C. § 214(e)(2) and ARSD 20:10:32:42.

D. Granting WWC ETC designation in Vivian's service area is not in the public interest, as required by 47 U.S.C. § 214(e)(2), SDCL 49-31-78, and ARSD 20:10:32:42.

E. Vivian and its customers will experience an unwarranted and adverse economic impact, such as being subjected to unfair, uneconomic competition, if WWC is granted ETC status in the Vivian service area.

5. Vivian has a direct and substantial interest in these proceedings because this Commission's decision may, directly or indirectly, affect the quality or cost of telecommunications services provided by Vivian to those customers within its study area.

6. Vivian desires to intervene in order to have party status in this docket, which enables Vivian to receive documents, comment, present testimony, cross-examine witnesses, and produce evidence in opposition to the application of WWC.

7. Vivian is entitled to be granted intervention in this docket pursuant to ARSD 20:10:01:15.05 because the outcome of this proceeding may have a profoundly adverse effect on Vivian.

8. Vivian further contests WWC's request for an expedited proceeding in this docket.

9. WWC presents no authority for its request for expedited proceedings.

10. Nothing in the Commission's general rules (ARSD 20:10:01) nor in the rules governing ETC designation (ARSD 20:10:32:42 through 49) provide for expedited proceedings.

11. Generally, under the administrative procedures and rules in South Dakota, a party must present evidence showing that a case involves issues of pressing concern to the public or to litigants, or other good cause, in order to request a suspension of rules or an expedited review. The moving party must also demonstrate that parties will not be substantially prejudiced by expedited review (SDCL Chapter 1-26-19(1)). WWC has failed to meet that burden.

12. To grant such a request, absent specific statutory authority and findings, would be particularly inappropriate in this docket, as the Commission is required to make specific findings as to public interest. Accordingly, all parties should be allowed a full and complete opportunity to present evidence to the Commission, which can only be accomplished in a non-expedited process.

Wherefore, Vivian respectfully requests:

1. That its Petition to Intervene be granted; and

2. That WWC's request for an expedited proceeding be denied.

Dated this twenty-first day of November, 2003.

Darla Pollman Rogers
Riter, Rogers, Wattier & Brown
P. O. Box 280
Pierre, South Dakota 57501
Telephone (605) 224-7889
Attorney for Vivian Telephone Company

CERTIFICATE OF SERVICE

The undersigned hereby certifies that she served a copy of the foregoing **Petition to Intervene** upon the persons herein next designated, on the date below shown, by depositing a copy thereof in the United States mail at Pierre, South Dakota, postage prepaid, in an envelope addressed to said addressee, to-wit:

Talbot J. Wieczorek
Gunderson, Palmer, Goodsell & Nelson
P. O. Box 8045
Rapid City, South Dakota 57709-8045

James M. Cremer
Bantz, Gosch & Cremer, LLC
Box 970
Aberdeen, South Daokta 57402-0970
Attorney for James Valley

Ryan J.Taylor
Cutler & Donahoe
100 N. Phillips Ave., #901
Sioux Falls, South Dakota 104

Richard D. Coit
Director of Industry Affairs
S D T A
P. O. Box 57
Pierre, South Dakota 57501

Dated this twenty-first day of November, 2003.

Darla Pollman Rogers

Darla Pollman Rogers
Riter, Rogers, Wattier & Brown
P. O. Box 280
Pierre, South Dakota 57501
Telephone (605) 224-7889

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RITER, ROGERS, WATTIER & BROWN, LLP
Professional & Executive Building
319 South Coteau Street
P.O. Box 280
Pierre, South Dakota 57501-0280
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SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

E.D. MAYER
ROBERT C. RITER, Jr.
DARLA POLLMAN ROGERS
JERRY L. WATTIER
JOHN L. BROWN

OF COUNSEL:
Robert D. Hofer

TELEPHONE
605-224-5825
605-224-7889
FAX
605-224-7102

November 21, 2003

Pamela Bonrud, Executive Director
S. D. Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501

Re: Docket Number TC03-191

Dear Ms. Bonrud:

Please find enclosed herein an original and ten copies of PETITION TO INTERVENE for filing in TC03-191 on behalf of Venture Communications Cooperative.

By copy of this letter, I am also serving those parties named on the Service List attached to the Petition.

Sincerely yours,

Darla Pollman Rogers

Darla Pollman Rogers
Attorney at Law

DPR/ph

Enclosures

CC: Service List
Randy Houdek

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NOV 2 1 2003
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of WWC Holding Co., Inc., d/b/a CellularOne© for Designation as an Eligible Telecommunications Carrier	Docket No. TC03-191 PETITION TO INTERVENE

Pursuant to ARSD 20:10:01:15.02, Sully Buttes Telephone Cooperative, Inc., now Venture Communications Cooperative ("Venture"), petitions to intervene in Docket Number TC03-191 for the following reasons:

1. Venture is an independent facilities-based incumbent local exchange company offering local exchange service in approximately 26 exchanges in South Dakota and one exchange in an adjoining state. Venture is also a "rural telephone company" as defined in 47 U.S.C. § 153(37) and SDCL 49-31-1(22).

2. WWC Holding Company, Inc., d/b/a CellularOne© ("WWC") has applied to the South Dakota Public Utilities Commission ("Commission") to be designated as an eligible telecommunications carrier ("ETC") for purposes of qualifying to obtain federal universal service support in the study areas of seven rural telephone companies.

3. The criteria for designation of ETC status are found in 47 U.S.C. § 214(e), 47 C.F.R. § 54.101(a), SDCL 49-31-78, and ARSD 20:10:32:42 through 49. Pursuant to these sections of state and federal law, the Commission has authority to grant or deny a petition for designation of a carrier as an ETC.

4. WWC has applied for ETC designation in Venture's study area. Venture disputes WWC's request on the following grounds:

A. WWC is unable to provide the services and functionalities required by the FCC in 47 C.F.R. § 54.201.

B. WWC is unable to provide services throughout and coextensive with Venture's service area, as required by 47 U.S.C. § 214(e)(1)(A) of the Act, and ARSD 20:10:32:42.

C. Granting WWC ETC status within Venture's service area is not consistent with the public interest, convenience and necessity of customers in Venture's service area, as required by 47 U.S.C. § 214(e)(2) and ARSD 20:10:32:42.

D. Granting WWC ETC designation in Venture's service area is not in the public interest, as required by 47 U.S.C. § 214(e)(2), SDCL 49-31-78, and ARSD 20:10:32:42.

E. Venture and its customers will experience an unwarranted and adverse economic impact, such as being subjected to unfair, uneconomic competition, if WWC is granted ETC status in the Venture service area.

5. Venture has a direct and substantial interest in these proceedings because this Commission's decision may, directly or indirectly, affect the quality or cost of telecommunications services provided by Venture to those customers within its study area.

6. Venture desires to intervene in order to have party status in this docket, which enables Venture to receive documents, comment, present testimony, cross-examine witnesses, and produce evidence in opposition to the application of WWC.

7. Venture is entitled to be granted intervention in this docket pursuant to ARSD 20:10:01:15.05 because the outcome of this proceeding may have a profoundly adverse effect on Venture.

8. Venture further contests WWC's request for an expedited proceeding in this docket.

9. WWC presents no authority for its request for expedited proceedings.

10. Nothing in the Commission's general rules (ARSD 20:10:01) nor in the rules governing ETC designation (ARSD 20:10:32:42 through 49) provide for expedited proceedings.

11. Generally, under the administrative procedures and rules in South Dakota, a party must present evidence showing that a case involves issues of pressing concern to the public or to litigants, or other good cause, in order to request a suspension of rules or an expedited review. The moving party must also demonstrate that parties will not be substantially prejudiced by expedited review (SDCL Chapter 1-26-19(1)). WWC has failed to meet that burden.

12. To grant such a request, absent specific statutory authority and findings, would be particularly inappropriate in this docket, as the Commission is required to make specific findings as to public interest. Accordingly, all parties should be allowed a full and complete opportunity to present evidence to the Commission, which can only be accomplished in a non-expedited process.

Wherefore, Venture respectfully requests:

1. That its Petition to Intervene be granted; and

2. That WWC's request for an expedited proceeding be denied.

Dated this twenty-first day of November, 2003.

Darla Pollman Rogers

Darla Pollman Rogers
Riter, Rogers, Wattier & Brown
P. O. Box 280
Pierre, South Dakota 57501
Telephone (605) 224-7889
Attorney for Venture

CERTIFICATE OF SERVICE

The undersigned hereby certifies that she served a copy of the foregoing **Petition to Intervene** upon the persons herein next designated, on the date below shown, by depositing a copy thereof in the United States mail at Pierre, South Dakota, postage prepaid, in an envelope addressed to said addressee, to-wit:

Talbot J. Wieczorek
Gunderson, Palmer, Goodsell & Nelson
P. O. Box 8045
Rapid City, South Dakota 57709-8045
Attorney for WWC

James M. Cremer
Bantz, Gosch & Cremer, LLC
Box 970
Aberdeen, South Daokta 57402-0970
Attorney for James Valley

Ryan J.Taylor
Cutler & Donahoe
100 N. Phillips Ave., #901
Sioux Falls, South Dakota 57104
Attorney for Splitrock Properties

Richard D. Coit
Director of Industry Affairs
S D T A
P. O. Box 57
Pierre, South Dakota 57501

Mark J. Ayotte
Kevin M. Decker
Briggs and Morgan, P.A.
2200 First National Bank Building
Saint Paul, Minnesota 55101
Attorneys for WWC

Dated this twenty-first day of November, 2003.

Darla Pollman Rogers

Darla Pollman Rogers
Riter, Rogers, Wattier & Brown
P. O. Box 280
Pierre, South Dakota 57501
Telephone (605) 224-7889

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E.D. MAYER
ROBERT C. RITER, Jr.
DARLA POLLMAN ROGERS
JERRY L. WATTIER
JOHN L. BROWN

OF COUNSEL:
Robert D. Hofer

TELEPHONE
605-224-5825
605-224-7889
FAX
605-224-7102

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NOV 2 1 2003
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

November 21, 2003

Pamela Bonrud, Executive Director
S. D. Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501

Re: Docket Number TC03-191

Dear Ms. Bonrud:

Please find enclosed herein an original and ten copies of PETITION TO INTERVENE for filing in TC03-191 on behalf of Tri-County Telcom, Inc.

By copy of this letter, I am also serving those parties named on the Service List attached to the Petition.

Sincerely yours,

Darla Pollman Rogers

Darla Pollman Rogers
Attorney at Law

DPR/ph

Enclosures

CC: Service List
John Pudwill, Jr.
Jim Ekstrand

RECEIVED
NOV 2 1 2003
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of WWC Holding Co., Inc., d/b/a CellularOne© for Designation as an Eligible Telecommunications Carrier	Docket No. TC03-191 PETITION TO INTERVENE

Pursuant to ARSD 20:10:01:15.02, Tri-County Telcom, Inc. ("Tri-County") petitions to intervene in Docket Number TC03-191 for the following reasons:

1. Tri-County is an independent facilities-based incumbent local exchange company offering local exchange service in two exchanges in South Dakota. Tri-County is also a "rural telephone company" as defined in 47 U.S.C. § 153(37) and SDCL 49-31-1(22).

2. WWC Holding Company, Inc., d/b/a CellularOne© ("WWC") has applied to the South Dakota Public Utilities Commission ("Commission") to be designated as an eligible telecommunications carrier ("ETC") for purposes of qualifying to obtain federal universal service support in the study areas of seven rural telephone companies.

3. The criteria for designation of ETC status are found in 47 U.S.C. § 214(e), 47 C.F.R. § 54.101(a), SDCL 49-31-78, and ARSD 20:10:32:42 through 49. Pursuant to these sections of state and federal law, the Commission has authority to grant or deny a petition for designation of a carrier as an ETC.

4. WWC has applied for ETC designation in Tri-County's study area. Tri-County disputes WWC's request on the following grounds:

A. WWC is unable to provide the services and functionalities required by the FCC in 47 C.F.R. § 54.201.

B. WWC is unable to provide services throughout and coextensive with Tri-County's service area, as required by 47 U.S.C. § 214(e)(1)(A) of the Act, and ARSD 20:10:32:42.

C. Granting WWC ETC status within Tri-County's service area is not consistent with the public interest, convenience and necessity of customers in Tri-County's service area, as required by 47 U.S.C. § 214(e)(2) and ARSD 20:10:32:42.

D. Granting WWC ETC designation in Tri-County's service area is not in the public interest, as required by 47 U.S.C. § 214(e)(2), SDCL 49-31-78, and ARSD 20:10:32:42.

E. Tri-County and its customers will experience an unwarranted and adverse economic impact, such as being subjected to unfair, uneconomic competition, if WWC is granted ETC status in the Tri-County service area.

5. Tri-County has a direct and substantial interest in these proceedings because this Commission's decision may, directly or indirectly, affect the quality or cost of telecommunications services provided by Tri-County to those customers within its study area.

6. Tri-County desires to intervene in order to have party status in this docket, which enables Tri-County to receive documents, comment, present testimony, cross-examine witnesses, and produce evidence in opposition to the application of WWC.

7. Tri-County is entitled to be granted intervention in this docket pursuant to ARSD 20:10:01:15.05 because the outcome of this proceeding may have a profoundly adverse effect on Tri-County.

8. Tri-County further contests WWC's request for an expedited proceeding in this docket.

9. WWC presents no authority for its request for expedited proceedings.

10. Nothing in the Commission's general rules (ARSD 20:10:01) nor in the rules governing ETC designation (ARSD 20:10:32:42 through 49) provide for expedited proceedings.

11. Generally, under the administrative procedures and rules in South Dakota, a party must present evidence showing that a case involves issues of pressing concern to the public or to litigants, or other good cause, in order to request a suspension of rules or an expedited review. The moving party must also demonstrate that parties will not be substantially prejudiced by expedited review (SDCL Chapter 1-26-19(1)). WWC has failed to meet that burden.

12. To grant such a request, absent specific statutory authority and findings, would be particularly inappropriate in this docket, as the Commission is required to make specific findings as to public interest. Accordingly, all parties should be allowed a full and complete opportunity to present evidence to the Commission, which can only be accomplished in a non-expedited process.

Wherefore, Tri-County respectfully requests:

1. That its Petition to Intervene be granted; and

2. That WWC's request for an expedited proceeding be denied.

Dated this twenty-first day of November, 2003.

Darla Pollman Rogers

Darla Pollman Rogers
Riter, Rogers, Wattier & Brown
P. O. Box 280
Pierre, South Dakota 57501
Telephone (605) 224-7889
Attorney for Tri-County

CERTIFICATE OF SERVICE

The undersigned hereby certifies that she served a copy of the foregoing **Petition to Intervene** upon the persons herein next designated, on the date below shown, by depositing a copy thereof in the United States mail at Pierre, South Dakota, postage prepaid, in an envelope addressed to said addressee, to-wit:

Talbot J. Wieczorek
Gunderson, Palmer, Goodsell & Nelson
P. O. Box 8045
Rapid City, South Dakota 57709-8045
Attorney for WWC

James M. Cremer
Bantz, Gosch & Cremer, LLC
Box 970
Aberdeen, South Daokta 57402-0970
Attorney for James Valley

Ryan J.Taylor
Cutler & Donahoe
100 N. Phillips Ave., #901
Sioux Falls, South Dakota 57104
Attorney for Splitrock Properties

Richard D. Coit
Director of Industry Affairs
S D T A
P. O. Box 57
Pierre, South Dakota 57501

Mark J. Ayotte
Kevin M. Decker
Briggs and Morgan, P.A.
2200 First National Bank Building
Saint Paul, Minnesota 55101
Attorneys for WWC

Dated this twenty-first day of November, 2003.

Darla Pollman Rogers

Darla Pollman Rogers
Riter, Rogers, Wattier & Brown
P. O. Box 280
Pierre, South Dakota 57501
Telephone (605) 224-7889

GUNDERSON, PALMER, GOODSELL & NELSON, LLP

ATTORNEYS AT LAW

WYNN A. GUNDERSON
J. CRISMAN PALMER
G. VERNE GOODSELL
JAMES S. NELSON
DANIEL E. ASHMORE
TERENCE R. QUINN
DONALD P. KNUDSEN
PATRICK G. GOETZINGER
TALBOT J. WIECZOREK
MARK J. CONNOT

AMERICAN MEMORIAL LIFE BUILDING
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ATTORNEYS LICENSED TO PRACTICE IN
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JENNIFER K. TRUCANO
MARTY J. JACKLEY
DAVID E. LUST
THOMAS E. SIMMONS
TERRI LEE WILLIAMS
PAMELA SNYDER-VARNS
SARA FRANKENSTEIN
AMY K. SCHULDT
JASON M. SMILEY

November 24, 2003

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NOV 25 2003
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Pamela Bonrud
Executive Director
SD Public Utilities Commission
500 E Capitol Avenue
Pierre SD 57501

RE: WWC Petition for Designation as an ETC
Docket TC03-191
GPGN File No. 5925.030691

Dear Ms. Bonrud:

Enclosed please find a true and correct copy of the Order allowing Mark Ayotte to practice before the South Dakota Public Utilities Commission regarding the Western Wireless filing, Docket TC03-191. Also enclosed are ten copies of the order.

Additionally, I have provided copies of this letter and one copy of the order to counsel for intervening parties. If you need anything else from me, please let me know.

Sincerely,

Talbot J. Wieczorek

TJW:klw
Enclosure
c: Clients
Richard D. Coit
Darla Pollman Rogers
James M. Cremer
Meredith A. Moore

TC03-191

RECEIVED
NOV 25 2003
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

STATE OF SOUTH DAKOTA)
)SS.
COUNTY OF HUGHES)

IN CIRCUIT COURT

SIXTH JUDICIAL COURT

ADMISSION OF ATTORNEY MARK J. AYOTTE, PRO HAC VICE

ORDER

It is hereby ORDERED that the Motion for Admission for Mark J. Ayotte, a non-resident attorney to appear on behalf of WWC Holding Co., Inc. ("Western Wireless"), before the South Dakota Public Utilities Commission and this Court relating to the matter currently filed before the Public Utilities Commission, TC 03-191, is granted.

This 18 day of November, 2003.

BY THE COURT:

Circuit Court Judge
Sixth Judicial Circuit

ATTEST:

BY: Christal L. Espeland
Clerk
Shelly Hatcher, deputy
(SEAL)

STATE OF SOUTH DAKOTA
CIRCUIT COURT, HUGHES CO.
FILED
NOV 19 2003
Christal L. Espeland Clerk
By_____Deputy

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE FILING BY WWC HOLDING CO., INC. D/B/A CELLULARONE FOR DESIGNATION AS AN ELIGIBLE TELECOMMUNICATIONS CARRIER IN OTHER RURAL AREAS	)))))	**ORDER GRANTING INTERVENTION** **TC03-191**

On November 5, 2003, the Public Utilities Commission (Commission) received a filing by WWC Holding Co., Inc. d/b/a CellularOne (Western Wireless) petitioning for approval of it as an eligible telecommunications carrier (ETC) in the study areas of the following rural telephone companies: Golden West Telecommunications Cooperative, Inc., James Valley Cooperative Telephone Company, Splitrock Properties, Inc., Venture Communications Cooperative f/k/a Sully Buttes Telephone Cooperative, Inc., Tri-County Telcom, Inc., Vivian Telephone Company., West River Telecommunications Cooperative (Mobridge) - SD, and West River Telecommunications Cooperative - SD.

On November 6, 2003, the Commission electronically transmitted notice of the filing and the intervention deadline of November 21, 2003, to interested individuals and entities. On November 21, 2003, Petitions to intervene were filed by the following parties:

James Valley Cooperative Telephone Company
South Dakota Telecommunications Association
Alliance Communications Cooperative, Inc.
Splitrock Properties, Inc.
West River Telecommunications Cooperative
Golden West Telecommunications Cooperative, Inc.
Vivian Telephone Company
Venture Communications Cooperative
Tri-County Telcom, Inc.

The Commission has jurisdiction in this matter pursuant to SDCL Chapters 1-26 and 49-31.

At a regularly scheduled meeting of December 2, 2003, the Commission considered this matter. Western Wireless objected to the intervention of South Dakota Telecommunications Association. The Commission found that the Petitions to Intervene which are listed above were timely filed and demonstrated good cause to grant intervention. It is therefore

ORDERED that the Petitions to intervene by James Valley Cooperative Telephone Company, South Dakota Telecommunications Association, Alliance Communications Cooperative, Inc., Splitrock Properties, Inc., West River Telecommunications Cooperative, Golden West Telecommunications Cooperative, Inc., Vivian Telephone Company, Venture

Company, Venture Communications Cooperative and Tri-County Telcom, Inc., shall be granted.

Dated at Pierre, South Dakota, this 17th day of December, 2003.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By: Melanie Kalbo

Date: 12/19/03

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

Robert K. Sahr

ROBERT K. SAHR, Chairman

Gary Hanson

GARY HANSON, Commissioner

James A. Burg

JAMES A. BURG, Commissioner

GUNDERSON, PALMER, GOODSELL & NELSON, LLP

ATTORNEYS AT LAW

WYNN A. GUNDERSON
J. CRISMAN PALMER
G. VERNE GOODSELL
JAMES S. NELSON
DANIEL E. ASHMORE
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THOMAS E. SIMMONS
TERRI LEE WILLIAMS
PAMELA SNYDER-VARNS
SARA FRANKENSTEIN
AMY K. SCHULDT
JASON M. SMILEY

December 30, 2003

FAX Received DEC 3 0 2003

VIA FACSIMILE 1-605-773-3809
Pamela Bonrud
Executive Director
SD Public Utilities Commission
500 E Capitol Avenue
Pierre SD 57501

RECEIVED
DEC 3 1 2003
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

RE: WWC's Petition for Designation as an ETC
TC03-191 GPGN File No. 5925.030691

Dear Ms. Bonrud:

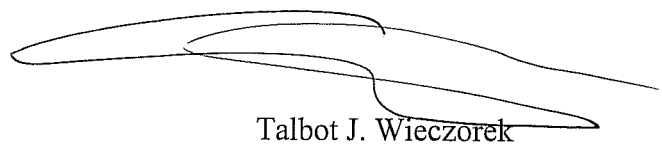
Enclosed please find Direct Testimony of James H. Blundell on Behalf of WWC Holding Co., Inc., and WWC License LLC, d/b/a CellularOne ("WWC"). This letter, the original of the enclosure and ten copies, shall be provided by U.S. Mail. If you need anything further at this time, please let me know.

Additionally, the Commission requested the parties meet and propose a schedule for submitting testimony. Interveners specifically asked for 60 days to respond to Petitioner's Direct Testimony. We have agreed to this and the resulting schedule is as follows:

Filing Date of WWC's Direct Testimony:	December 30, 2003
Filing Date for Interveners Testimony:	March 1, 2004
Filing Date for Rebuttal Testimony:	March 15, 2004
Hearing Date:	Earliest date possible after March 29, 2004

In order to get this matter scheduled as quickly as possible, Petitioner would like to request a hearing date. It is our understanding that the Commissioners may have open March 31st and April 1, 2004. Petitioner respectfully requests that these dates be scheduled for a hearing on this matter if these days remain open for the Commissioners. If these dates are not available, Petitioner requests the earliest possible dates.

Sincerely,



Talbot J. Wieczorek

TJW:klw
Enclosure
c: (via fax and US Mail) Richard Coit
Darla Pollman Rogers
Jim Cremer
Meredith Moore
Clients

GUNDERSON, PALMER, GOODSELL & NELSON, LLP

ATTORNEYS AT LAW

WYNN A. GUNDERSON
J. CRISMAN PALMER
G. VERNE GOODSELL
JAMES S. NELSON
DANIEL E. ASHMORE
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THOMAS E. SIMMONS
TERRI LEE WILLIAMS
PAMELA SNYDER-VARNS
SARA FRANKENSTEIN
AMY K. SCHULDT
JASON M. SMILEY

December 31, 2003

RECEIVED
JAN 02 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Pamela Bonrud
Executive Director
SD Public Utilities Commission
500 E Capitol Avenue
Pierre SD 57501

RE: WWC's Petition for Designation as an ETC
TC03-191 GPGN File No. 5925.030691

Dear Ms. Bonrud:

Enclosed please find an original and ten copies of the Motion to Amend Petition in the above-entitled matter. An error was made when the original petition was filed in that the petition was filed under the name WWC Holding Co., Inc., as opposed to WWC License, LLC.

Both of these entities are subsidiaries of Western Wireless Corporation and both do business as CellularOne in various regions of the country. The correct entity that is doing business as CellularOne in South Dakota is WWC License, LLC. This error was noticed when preparing Direct Testimony in the above-entitled matter. The amendment simply seeks to amend the petition to reflect the proper entity.

If you have any questions or if there is additional information needed to support this motion, please let me know.

Sincerely,

Talbot J. Wieczorek

TJW:klw
Enclosure
c: Richard Coit
Darla Pollman Rogers
Jim Cremer
Meredith Moore
Clients

RECEIVED
JAN 0 2 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Petition of	)	
WWC Holding Co., Inc. d/b/a	)	
CellularOne© for Designation	)	DOCKET NO. TC03-191
as an Eligible Telecommunications	)	
Carrier	)	

MOTION TO AMEND PETITION

WWC Holding Co., Inc., pursuant to A.R.S.D. 20:10:01:16, hereby moves to Amend its Petition to substitute as Petitioner WWC License, LLC as the correct party. Both WWC Holding Co., Inc., and WWC License, LLC are subsidiaries of Western Wireless Corporation and both do business as CellularOne© in various regions where Western Wireless does business through its subsidiaries.

The correct licensed entity in South Dakota is WWC License, LLC and not WWC Holding Co., Inc. Therefore, the correct party to be designated as an Eligible Telecommunications Carrier is WWC License, LLC for the purposes of those areas that designation is now being sought in South Dakota. An incorrect entity name was used in the initial petition filing in the above petition filed in Docket Number TC03-191.

Wherefore, to correct this error, request is made to amend the petition to substitute and correct the entity, by naming WWC License, LLC.

Dated this 31 day of December, 2003.

GUNDERSON, PALMER, GOODSELL
& NELSON, LLP

Talbot J. Wieczorek
Attorney for WWC Holding Co., Inc., and
WWC License, LLC
PO Box 8045
Rapid City SD 57709
1-605-342-1078

CERTIFICATE OF SERVICE

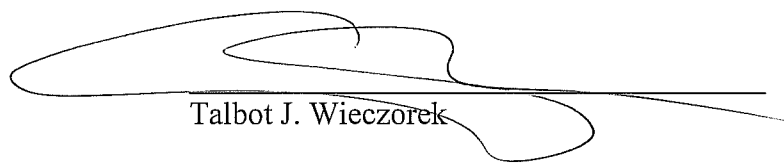
The undersigned hereby certifies that on the 31 day of December, 2003, I served a true and correct copy of the Western Wireless Corporation's Motion to Amend Petition by U.S. Mail, postage prepaid, to:

James Cremer
Bantz, Gosch & Cremer
PO Box 970
Aberdeen SD 57402

Meredith A. Moore
Cutler & Donahoe, LLP
100 N Phillips Avenue – 9th Floor
Sioux Falls SD 57104-6725

Darla Pollman Rogers
Riter, Rogers, Wattier & Brown LLP
PO Box 280
319 South Coteau Street
Pierre SD 57501

Richard D. Coit
SD Telecommunications
PO Box 57
320 E Capitol Ave
Pierre SD 57501-0057



Talbot J. Wieczorek

SDTA
Rural roots, global connections

South Dakota Telecommunications Association
PO Box 57 ■ 320 East Capitol Avenue ■ Pierre, SD 57501
605/224-7629 ■ Fax 605/224-1637 ■ sdtaonline.com

January 6, 2004

RECEIVED
JAN 0 6 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Pamela Bonrud, Executive Director
South Dakota Public Utilities Commission
500 East Capitol Ave.
State Capitol Building
Pierre, SD 57501

RE: WWC's Petition for Designation as an ETC
Docket TC03-191

Dear Ms. Bonrud:

In regards to the letter of December 30, 2003, from Talbot Wieczorek, it should be noted that while it is correct that as one of the intervening parties SDTA had requested 60 days to file testimony in response to Petitioner's Direct Testimony, it is not correct that we agreed to all of the specific dates proposed. We were first made aware of all of the proposed dates in a separate letter from WWC also dated December 30, 2003.

Prior to the Commission issuing an Order incorporating these dates into a formal procedural schedule, we would request that we be given an opportunity to discuss the schedule proposed, including the dates being requested for hearing with our potential witnesses.

Thank you for your assistance in this matter.

Sincerely,

Richard D. Coit
Executive Director and General Counsel

Cc: Talbot J. Wieczorek
Mark Ayotte

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E.D. MAYER
ROBERT C. RITER, Jr.
DARLA POLLMAN ROGERS
JERRY L. WATTIER
JOHN L. BROWN

OF COUNSEL:
Robert D. Hofer

TELEPHONE
605-224-5825
605-224-7889
FAX
605-224-7102

January 12, 2004

RECEIVED
JAN 13 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Pamela Bonrud, Executive Director
S. D. Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501

Re: Docket Number TC03-191

Dear Ms. Bonrud:

This letter is in response to the letter Talbot Wieczorek sent to the Commission on December 30, 2003, when he submitted Mr. Blundell's Prefiled Direct Testimony. Mr. Wieczorek clearly implied that the parties had agreed on the schedule contained in his letter.

That is not the case. Intervenors' initial proposed schedule was 4-6 weeks for the submission of testimony of Western Wireless and 60 days for Intervenors' response. Mr. Wieczorek's counterproposal was not acceptable to the Intervenors. Mr. Wieczorek then proposed 45 days for Intervenors' response, which was also unacceptable. In addition, no firm dates were agreed upon with regard to rebuttal testimony and hearing dates. Thereafter, Intervenors heard nothing further from Mr. Wieczorek until he filed testimony and sent the accompanying letter, despite a further attempt to contact him.

Now that we have received and reviewed Direct Testimony, it is clear that Intervenors will need some time for discovery. The issue of sur-rebuttal testimony also needs to be addressed in a procedural schedule.

I would suggest a conference call among Petitioner, Intervenors, and Staff to attempt to settle upon a schedule satisfactory to all parties in this docket.

Sincerely yours,

Darla Pollman Rogers

Darla Pollman Rogers
Attorney at Law

DPR/ph

Enclosures

CC: Rich Coit
Jim Kremer
Meredith Moore
Talbot Wieczorek

GUNDERSON, PALMER, GOODSELL & NELSON, LLP

ATTORNEYS AT LAW

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AMY K. SCHULDT
JASON M. SMILEY

January 16, 2004

RECEIVED
JAN 20 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

VIA FAX 605-773-3809
Pamela Bonrud
Executive Director
SD Public Utilities Commission
500 E Capitol Avenue
Pierre SD 57501

FAX Received JAN 16 2004

RE: WWC's Petition for Designation as an ETC
TC03-191 GPGN File No. 5925.030691

Dear Ms. Bonrud:

To respond to Mr. Coit's letter dated January 6, 2004, regarding scheduling and Ms. Rogers' allegations contained in her letter dated January 12, 2004, I have enclosed a copy of a letter I received from Ms. Meredith Moore dated December 19, 2003 enclosed as Exhibit 1. To properly understand the background of the schedule provided to the Commission in my letter of December 30, 2003, it is important to understand how these dates were determined. The dates were not arrived in isolation or without discussion with the Intervenors.

After the hearing where the Commission requested the parties get together to agree to a schedule, I contact counsel for all Intervenors on December 2, 2003, and asked if they wanted to make an initial proposal as to deadlines. A copy of my letter dated December 2, 2003, is enclosed as Exhibit 2.

On December 15, 2003, Meredith Moore, counsel for one of the Intervenors, Splitrock Properties, Inc. and Alliance Communications Cooperative, Inc., telephoned me and represented to me that she had been given the authority on behalf of counsel for all Intervenors to establish a schedule. She proposed Western Wireless take four to six weeks to submit initial testimony, that the Intervenors then respond in 60 days and Western Wireless then would get two weeks for rebuttal. Sur-rebuttal was never mentioned by Ms. Moore, although it is now being raised as an issue by Ms. Rogers' letter dated January 12, 2004.

On December 16, 2003, after conferring with my client, I telephoned Ms. Moore and informed her that Western Wireless would not need four to six weeks to file testimony and

would file testimony on December 30, 2003. We recommended that Intervenors file response testimony on January 19, 2004, with rebuttal testimony being filed on February 2, 2004. We then suggested a hearing date the last week in February or the first week of March, 2004. This communication is confirmed by letter to me from Ms. Moore dated December 19, 2003. As you will note in that letter, she again represents she is discussing with Mr. Coit, Ms. Rogers and Mr. Cremer these dates and has "been authorized to write you on their behalf." In that letter, Intervenors requested 60 days from the filing date of the testimony to respond. After receiving this letter on December 22, 2003, I telephoned Ms. Moore and asked whether they would agree to 45 days to respond and informed her that Western Wireless would still plan on filing testimony on December 30, 2003. Ms. Moore telephoned me back and conveyed to me that the Intervenors still wanted 60 days to respond to testimony and expressed that they needed 60 days because a couple of counsel for Intervenors would be doing some work with the legislative session. I informed her in that conversation that I would request my client to agree to 60 days. I conferred with Western Wireless but, because of the holidays, I was not able to get a confirmation that we would agree to 60 days until the following week. At that time, we filed testimony.

In understanding this history is important to note that I have dealt in good faith with Ms. Moore. It was represented to me by Ms. Moore that she was speaking on behalf of all Intervenors. Further, I did not believe there was any question that Western Wireless had always said it would file its testimony on December 30, 2003, but the question always revolved around how long Intervenors would get to respond. Since I was agreeing to the Intervenors' 60 days, I simply added the 60 days to the date our testimony was submitted. I then added two weeks for rebuttal to come up with the end of the testimony. As pointed out earlier in this letter, the sur-rebuttal had never been requested or raised as an issue by Ms. Moore but is now being raised by Ms. Rogers as not being accounted for in the schedule.

Additionally, I made very clear in my letter dated December 30, 2003, that Petitioner alone was requesting the hearing dates of March 31 and April 1, 2004, because I had not previously discussed these dates with Ms. Moore. Contrary to Ms. Rogers' letter, I did not imply that Intervenors had agreed to those hearing dates.

I apologize for the long background in this matter but given the accusations raised against me in Mr. Coit's and Ms. Rogers' letters, I thought it important to understand the entire history. There had never been an objection to our filing date of December 30, 2003 for testimony. Clearly, it was my understanding the Intervenors were only requesting an additional 60 days from our filing. It was my understanding in my conversations with Ms. Moore that the whole question was whether the response would be given in 60 days or some shorter time from our filing that I made clear to her we were planning on doing December 30, 2003. Ms. Moore's letter recognizes that Western Wireless was planning on filing testimony on December 30, 2003 and even then states that Intervenors need 60 days to respond.

I must take exception to Ms. Rogers' comments that I failed to return any phone calls or failed to respond to her or any other Intervenor counsel. The only contacts I received from Intervenor counsel since December 5, 2003, have been through Ms. Moore and I was told to work through Ms. Moore. According to my notes, I have responded to Ms. Moore timely every time she contacted me. In addition, while Ms. Rogers' and Mr. Coit's arguments that these exact dates were not discussed is true, it is clear that Western Wireless was planning on filing our testimony on December 30, 2003 and that the Intervenors were requesting 60 days to respond. I simply counted out 60 days from our testimony when we agreed to the 60 days.

As to the sur-rebuttal date and the argument that discovery is now needed, Ms. Moore never brought up the issue of discovery with me or the need to delay this matter because of discovery concerns and she never proposed a sur-rebuttal date or ever requested sur-rebuttal. It is my understanding that sur-rebuttal is not always automatic in these situations and since it was never discussed or requested by Ms. Moore, I never provided for it on the schedule that I understood to represent the agreements I had with Ms. Moore concerning when the testimony would be submitted.

I fully understand that communication between the Intervenors' counsels could have lost some of the context of the discussions I had with Ms. Moore. Still, I must take exception to Mr. Coit's and Ms. Rogers' implication that I am somehow purposely misleading the Commission in proposing a schedule I believe had been agreed to by counsel that they nominated to set the schedule.

I would request the Commission staff become immediately involved and assist in setting the schedule and that this matter be brought before the Commission for setting the schedule if we cannot reach an agreement on a schedule within one week.

Sincerely,

Talbot J. Wieczorek

TJW:klw
Enclosure
c: Richard Coit
Darla Pollman Rogers
Jim Cremer
Meredith Moore
Clients

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DAVID L. EDWARDS

JEAN BROCKMUELLER, CPA (Inactiv
BUSINESS MANAGER

* Also licensed to practice in Minnesota
** Also licensed to practice in Minnesota and Iowa
† Also licensed to practice in Nebraska
†† Also licensed to practice in Minnesota and Missouri
*† Also licensed as a Certified Public Accountant

December 19, 2003

Talbot Wieczorek
Gunderson, Palmer, Goodsell & Nelson, LLP
PO Box 8045
Rapid City, SD 57709-8045

RE: *TC 03-191 In the Matter of the Application of WWC Holding Co., Inc. d/b/a/ CellularOne© for Designation as an Eligible Telecommunications Carrier*

Dear Talbot:

Thank you for your telephone call of December 16, 2003, wherein you proposed the following schedule for the handling of the above matter:

Filing Date for Western Wireless's Direct Testimony:	December 30th, 2003
Filing Date for Interveners Testimony:	January 19, 2004
Filing Date for Rebuttal Testimony:	February 2, 2004
Hearing:	Last week of February/1st week of March

I have conveyed the proposed schedule to Richard Coit, Darla Pollman Rogers and James Cremer and have been authorized to write to you on their behalf. The parties are in agreement that the schedule is simply too aggressive under the circumstances. We would again request 60 days from the filing date of your client's testimony for the filing of our own testimony.

I understand your contention that many of these matters have previously been addressed by both the South Dakota Supreme Court decision and the PUC's previous decision regarding Western Wireless. We would disagree with this assessment, however, and believe that more time is warranted in order to gather that evidence which is necessary to challenge your client's filing.

Please let me know your thoughts. I look forward to hearing from you.

Sincerely,

CUTLER & DONAHOE, LLP

Meredith A Moore

Meredith A. Moore
For the Firm

cc: Don Snyders
Richard Coit
Darla Pollman Rogers
Jim Cremer

RECEIVED
DEC 22 2003

EX 1

GUNDERSON, PALMER, GOODSELL & NELSON, LLP

ATTORNEYS AT LAW

WYNN A. GUNDERSON
J. CRISMAN PALMER
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JAMES S. NELSON
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December 2, 2003

VIA FACSIMILE 1-605-224-1637
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320 E Capitol Ave
Pierre SD 57501-0057

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VIA FACSIMILE 1-605-335-4950
Meredith A. Moore
Cutler & Donahoe, LLP
100 N Phillips Avenue – 9th Floor
Sioux Falls, SD 57104-6725

RE: Western Wireless Corporation's Designation as an ETC and Request to Expedite Proceedings
GPGN File No. 5925.020641

Greetings:

As you are all aware, the Commission has requested the parties confer and propose a schedule. Given that historically, some of the cooperatives have acted jointly in submitting evidence, I would ask that you make an initial proposal on some deadlines and I will review it with my client.

If you have any questions prior to providing some proposed dates, please let me know.

Sincerely,

Talbot J. Wieczorek

TJW:klw
c: James Blundell
Mark Ayotte

Doc# 298309v1, 5925-030691

Ex. 7

CUTLER & DONAHOE, LLP

ATTORNEYS AT LAW

Telephone (605) 335-4950

Fax (605) 335-4961

FACSIMILE COVER SHEET

DATE: January 20, 2004

TO: Ms. Pam Bonrud, Executive Director
Mr. Talbot Wieczorek
Mr. Richard D. Coit
Mr. James Cremer
Ms. Darla Pollman Rogers

FAX: 605-773-3809
605-342-0480
605-224-1637
605-225-2497
605-224-7102

FROM: Ms. Meredith Moore

RE: Designation of WWC

COMMENT(S):

Faxed only ___X___ Faxed & Mailed _____

Number of Pages (including this cover sheet): 3

IMPORTANT NOTICE

PRIVILEGED AND CONFIDENTIAL ATTORNEY/CLIENT INFORMATION: *The information contained in this facsimile transmission is privileged and confidential. It is intended only for the use of the individual or entity named above. If the reader of this message is not the intended recipient, you are hereby notified that any disseminations, copying, or distribution of this communication or any of the information contained herein is prohibited. If you have received this communication in error, please contact us immediately via collect telephone call. It would be appreciated if you could return the original message at the above address via U.S. Postal Service. We will reimburse you for the postage. Thank you.*

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JEAN BROCKMUELLER, CPA (Inactive)
BUSINESS MANAGER

* Also licensed to practice in Minnesota
* * Also licensed to practice in Minnesota and Iowa
† Also licensed to practice in Nebraska
†† Also licensed to practice in Minnesota and Missouri
*† Also licensed as a Certified Public Accountant

January 20, 2004

Via Facsimile Transmission: (605) 773-3809

Pam Bonrud, Executive Director
South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501

RE: *TC 03-191 In the Matter of the Application of WWC Holding Co., Inc. d/b/a/ CellularOne© for Designation as an Eligible Telecommunications Carrier*

Dear Ms. Bonrud:

This correspondence is in response to Mr. Wieczorek's January 16, 2004, correspondence to you. While I believe this type of bickering is unproductive, Mr. Wieczorek has raised certain issues in his correspondence which need to be addressed.

Mr. Wieczorek is correct in indicating that the primary issue during our discussions was the date on which the Interveners would file their responsive testimony in the above matter. The position of the Interveners has always been that we required 60 days for the filing of our testimony. Regardless of the initial schedule proposed by Mr. Wieczorek, our position with respect to the 60-day deadline never wavered. Mr. Wieczorek did indeed make it clear his client would file its testimony on December 30, 2003, and I had no quarrel with this. However, after our last request in December for the 60-day deadline, I was not favored with a confirmation from Mr. Wieczorek clearly indicating that his client had, in fact, accepted the 60-day deadline. I was not surprised when Mr. Wieczorek filed his testimony on December 30, 2003. I was, however, surprised that he had sent a schedule of deadlines to the PUC and indicated that Interveners had agreed to those deadlines. That is simply not the case. As for the rebuttal and sur-rebuttal deadlines, it is curious to me how those can be set when Interveners never received any confirmation, verbal or written, from Mr. Wieczorek indicating his client's acquiescence to our 60-day request. Had Mr. Wieczorek granted me the courtesy of a reply to my request, I believe the remaining deadlines would have been set at that time.

It is not my intention to waste this Commission's time with letter writing diatribes. Now that the Interveners have received conformation from Mr. Wieczorek that

the 60-day deadline is acceptable, I believe we would all be better served by moving forward with what is truly at issue in this matter. I look forward to discussing the remaining deadlines at the teleconference tomorrow and moving forward with this matter.

Sincerely,

CUTLER & DONAHOE, LLP

Meredith A Moore

Meredith A. Moore
For the Firm

MAM/jlh
cc: Interested Parties

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE FILING BY WWC LICENSE, LLC D/B/A CELLULARONE FOR DESIGNATION AS AN ELIGIBLE TELECOMMUNICATIONS CARRIER IN OTHER RURAL AREAS	)))))	**ORDER GRANTING MOTION TO AMEND PETITION** **TC03-191**

On November 5, 2003, the Public Utilities Commission (Commission) received a filing by WWC Holding Co., Inc. d/b/a CellularOne (Western Wireless) petitioning for approval of it as an eligible telecommunications carrier (ETC) in the study areas of the following rural telephone companies: Golden West Telecommunications Cooperative, Inc., James Valley Cooperative Telephone Company, Splitrock Properties, Inc., Venture Communications Cooperative f/k/a Sully Buttes Telephone Cooperative, Inc., Tri-County Telcom, Inc., Vivian Telephone Company., West River Telecommunications Cooperative (Mobridge) - SD, and West River Telecommunications Cooperative - SD.

On November 6, 2003, the Commission electronically transmitted notice of the filing and the intervention deadline of November 21, 2003, to interested individuals and entities. On November 21, 2003, Petitions to intervene were filed by James Valley Cooperative Telephone Company, South Dakota Telecommunications Association, Alliance Communications Cooperative, Inc., Splitrock Properties, Inc., West River Telecommunications Cooperative, Golden West Telecommunications Cooperative, Inc., Vivian Telephone Company, Venture Communications Cooperative and Tri-County Telcom, Inc. Western Wireless objected to the intervention of South Dakota Telecommunications Association. At its regularly scheduled meeting of December 2, 2003, the Commission granted the above Petitions to Intervene. On January 2, 2004, Western Wireless filed a Motion to Amend Petition to substitute as petitioner WWC License, LLC as the correct party.

The Commission has jurisdiction in this matter pursuant to SDCL Chapters 1-26 and 49-31.

At its regularly scheduled meeting of January 20, 2004, the Commission considered the Motion to Amend Petition. The Commission voted to grant the Motion to Amend Petition. It is therefore

ORDERED, that the Motion to Amend Petition shall be granted.

Dated at Pierre, South Dakota, this 28th day of January, 2004.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By: Delaine Kolbo

Date: 1/28/04

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

Robert K. Sahr

ROBERT K. SAHR, Chairman

Gary Hanson

GARY HANSON, Commissioner

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE FILING BY WWC LICENSE, LLC D/B/A CELLULARONE FOR DESIGNATION AS AN ELIGIBLE TELECOMMUNICATIONS CARRIER IN OTHER RURAL AREAS	)))))	**ORDER FOR AND NOTICE OF PROCEDURAL SCHEDULE AND HEARING** **TC03-191**

On November 5, 2003, the Public Utilities Commission (Commission) received a filing by WWC Holding Co., Inc. d/b/a CellularOne (Western Wireless) petitioning for approval of it as an eligible telecommunications carrier (ETC) in the study areas of the following rural telephone companies: Golden West Telecommunications Cooperative, Inc., James Valley Cooperative Telephone Company, Splitrock Properties, Inc., Venture Communications Cooperative f/k/a Sully Buttes Telephone Cooperative, Inc., Tri-County Telcom, Inc., Vivian Telephone Company, West River Telecommunications Cooperative (Mobridge) - SD, and West River Telecommunications Cooperative - SD.

On November 6, 2003, the Commission electronically transmitted notice of the filing and the intervention deadline of November 21, 2003, to interested individuals and entities. On November 21, 2003, Petitions to Intervene were filed by James Valley Cooperative Telephone Company, South Dakota Telecommunications Association, Alliance Communications Cooperative, Inc., Splitrock Properties, Inc., West River Telecommunications Cooperative, Golden West Telecommunications Cooperative, Inc., Vivian Telephone Company, Venture Communications Cooperative, and Tri-County Telcom, Inc. Western Wireless objected to the intervention of South Dakota Telecommunications Association. At its regularly scheduled meeting of December 2, 2003, the Commission granted the above Petitions to Intervene. On January 2, 2004, Western Wireless filed a Motion to Amend Petition to substitute as petitioner WWC License, LLC as the correct party. At its regularly scheduled meeting of January 20, 2004, the Commission granted the Motion to Amend Petition.

The Commission has jurisdiction over this matter pursuant to SDCL Chapters 1-26 and 49-31, including 1-26-18, 1-26-19, 49-31-3, 49-31-7, 49-31-7.1, 49-31-11, 49-31-78, 49-31-81; ARSD 20:10:32:42 through 20:10:32:46, inclusive; and 47 U.S.C. § 214(e)(1) through (5).

The issue at the hearing is whether WWC License, LLC should be granted designation as an eligible telecommunications carrier in the study areas of the above listed rural telephone companies.

The procedural schedule regarding the filing of testimony is as follows:

December 30, 2003 - WWC License, LLC filed its direct testimony;

March 15, 2004 - Intervenors shall file reply testimony;

March 29, 2004 - WWC License, LLC may file rebuttal testimony;

April 8, 2004 - Intervenors may file surrebuttal testimony.

A hearing will be held beginning at 9:30 A.M. on May 4, 2004, and continuing at 8:00 A.M. on May 5 and 6, 2004, in Room 412, State Capitol Building, Pierre, South Dakota.

The hearing shall be an adversary proceeding conducted pursuant to SDCL Chapter 1-26. All parties have the right to be present and to be represented by an attorney. These rights and other due process rights shall be forfeited if not exercised at the hearing. If you or your representative fail to appear at the time and place set for the hearing, the Final Decision will be based solely on the testimony and evidence provided, if any, during the hearing or a Final Decision may be issued by default pursuant to SDCL 1-26-20. After the hearing, the Commission will consider all evidence and testimony that was presented at the hearing. The Commission will then enter Findings of Fact, Conclusions of Law, and a Final Decision regarding this matter. As a result of the hearing, the Commission may either grant or deny the request of WWC License, LLC to be designated as an eligible telecommunications carrier. The Commission's Final Decision may be appealed to the state Circuit Court and the state Supreme Court as provided by law. It is therefore

ORDERED, that the parties shall comply with the procedural schedule listed above; and it is

FURTHER ORDERED, that a hearing shall be held at the time and place specified above on the issue of whether WWC License, LLC should be granted designation as an eligible telecommunications carrier in the study areas of the above listed rural telephone companies.

Pursuant to the Americans with Disabilities Act, this hearing is being held in a physically accessible location. Please contact the Public Utilities Commission at 1-800-332-1782 at least 48 hours prior to the hearing if you have special needs so arrangements can be made to accommodate you.

Dated at Pierre, South Dakota, this 13th day of February, 2004.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By: Delaine Kolbo

Date: 2/13/04

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

Robert K. Sahr

ROBERT K. SAHR, Chairman

Gary Hanson

GARY HANSON, Commissioner

James A. Burg

JAMES A. BURG, Commissioner

LAW OFFICES
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SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

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March 5, 2004

Ms. Pamela Bonrud, Executive Director
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol Ave.
Pierre, SD 57709-8045

RE: In the Matter of WWC's Petition for Designation as an ETC Docket TC03-191

Dear Ms. Bonrud:

Enclosed you will find for filing in the above referenced docket the original and ten (10) copies of each of the following: "Intervenors Motion to Compel Discovery" and "Intervenors Motion to Expand Procedural Schedule." You will also find attached to each a certificate of service verifying service of the same, by mail, on Mr. Talbot Wieczorek and Mr. Mark Ayotte, attorneys for Western Wireless.

With regard to these motions, action by the Commission is requested prior to March 15th, the current date set forth in the Commission's "Order for and Notice of Procedural Schedule and Hearing" issued on February 13, 2004 for the filing of Intervenors' direct testimony.

Thank you for your assistance in filing and distributing these documents.

Sincerely,

Darla Pollman Rogers

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SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of WWC License, LLC d/b/a CellularOne© for Designation as an Eligible Telecommunications Carrier	))))	**Docket No. TC 03-191** **INTERVENORS MOTION TO COMPEL DISCOVERY**

MOTION TO COMPEL

The intervening parties in the above captioned proceeding (Intervenors), by and through their attorneys, hereby request that this Commission issue an Order to Compel discovery pursuant to ARSD § 20:10:01:22.01 requiring WWC License, LLC d/b/a CellularOne © ("Western Wireless") to produce certain requested information. Pursuant to ARSD § 20:10:01:22.01, the Commission may issue an Order to Compel discovery upon a showing of "good cause" by a party to the proceeding. Intervenors have requested that certain information be produced by Western Wireless and believe that the information requested is relevant to the subject matter of this proceeding and it is not otherwise subject to any privilege that requires it to be excluded from the discovery process. Based upon the following, Intervenors contend there is good cause for this Motion and would seek an Order to Compel the information described:

1. On or about January 30, 2004, Intervenors provided to Western Wireless a number of Interrogatories seeking the discovery of certain information believed to be relevant to this Commission's review of Western Wireless' Petition for ETC Designation. These Interrogatories were submitted to Western Wireless in accord with dates for discovery agreed upon between the parties and a copy of the same is provided herewith as Appendix A to this Motion.

2. On or about February 17, 2004, Intervenors received Western Wireless' answers to these Interrogatories via e-mail. Intervenors were also provided a paper copy of these answers by mail. Some of the information provided in the answers was provided subject to the terms of a

Protective Agreement executed by and between the parties. A copy of that Protective Agreement, as executed by the parties, is also provided herewith as Appendix B.

3. Included within the Intervenors Interrogatories to Western Wireless, as part of "Interrogatory No. 1" (See Appendix A"), were the following questions:

> 1(c) Identify the amount of high cost support received currently on a monthly basis in each service area or study area in South Dakota where Western Wireless has already been designated an ETC. In addition, identify how much high cost support on a per line, per month basis Western Wireless receives in each service area or study area in South Dakota where it has already been designated.
>
> 1(d) Identify the total amount of federal high cost support received by Western Wireless during calendar year 2002 and the high cost support received during calendar year 2003. Also, provide the total amount of high cost support received for each of these calendar years by service area or study area where it has been designated an ETC.

4. Although Western Wireless has provided some of the information related to the universal service funding that it currently receives and has received, in those areas in South Dakota where it is has already been designated an eligible telecommunications carrier ("ETC"), the company has not responded with study area or service area specific information regarding its universal service funding as is requested in the above interrogatories. In regards to the requests for specific service area numbers, Western Wireless contends that "it does not possess the information requested." The company has stated that "[t]he Universal Service Administrative Company ("USAC") provides Western Wireless with a total amount for all South Dakota study areas where it has been designated an ETC and does not attribute certain support amounts to each study area." Intervenors take issue with this claim. It is our understanding that when submitting line counts to USAC for distributions under the federal universal service fund, the carrier submitting such lines must provide the line count information on a study area or service area basis. If this does not occur, USAC has no basis upon which to determine the specific amount of

support per line that is owed the submitting carrier. Pursuant to 47 Code of Federal Regulations (CFR) § 54.307(a)(1) a competitive eligible telecommunications carrier receives "support for each line it serves in a particular service area based on the support the incumbent LEC would receive for each such line . . .." Given this current method of determining support for competitive ETCs (based upon the specific per line support amount(s) received by the incumbent carrier), Intervenors are puzzled as to how Western Wireless can claim that it does not possess data on universal service broken down to at least the rural study area or service area level.

5. Western Wireless also has refused to provide the specific service area information on grounds that (1) the information sought is confidential and/or proprietary; and (2) that it is not relevant – on the basis that it calls for "information that is neither admissible nor reasonably calculated to lead to the discovery of admissible evidence." Intervenors challenge both of these Western Wireless objections. The information requested pertaining to universal service funds received by Western Wireless cannot properly be classified as confidential or proprietary information. Similar information relating to the universal service funding received by incumbent ETCs on a study area or service area basis is provided to and treated by USAC as public information. Contrary to what Western Wireless may contend, there is no justification for treating universal service funding distributed to competitive ETCs, like Western Wireless, any differently. Furthermore, the parties to this proceeding have executed a Protective Agreement (Appendix B attached) and other information Western Wireless has claimed to be confidential or proprietary has been provided to Intervenors subject to the terms of that agreement. Even if the specific study area or service area data requested could appropriately be considered confidential or proprietary in nature, any concerns over public disclosure can adequately be addressed by making the specific universal service fund data requested subject to the Protective Agreement.

6. There is also absolutely no support for Western Wireless' claim that the universal service fund data sought is neither "admissible nor reasonably calculated to lead to the discovery of admissible evidence." The Federal Communications Commission ("FCC"), by its recent decision released on January 22, 2004, addressing a request for ETC designation of Virginia Cellular LLC (the "Virginia Cellular Order"), has revised the "public interest" standard that is applicable to the designation of multiple ETCs in rural telephone company service areas and has now made it clear that a more stringent public interest analysis applies.[1] The "value of increased competition, by itself, is not sufficient to satisfy the public interest test in rural areas." The analysis, instead, requires a "balancing of benefits and costs" and is intended to be "a fact-specific exercise."[2] In part, the public interest analysis requires a review of the competitive carrier's ability to meet obligations to provide all of the supported services throughout the service area and this review necessarily requires a consideration of any rural "creamskimming" concerns that may be presented.[3]

7. It is the position of the Intervenors in this proceeding that Western Wireless is not currently and likely will not provide the federally supported telecommunications services throughout the areas where it is seeking ETC designation as is required under federal and state law. 47 U.S.C. § 214(e)(1) and SDCL § 49-31-78. The information requested of Western Wireless in Intervenors' Interrogatories 1(c) and 1(d), set forth above, is relevant to determining

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[1] Memorandum Opinion and Order, *In the Matter of Federal-State Joint Board on Universal Service; Virginia Cellular, LLC Petition for Designation as an Eligible Telecommunications Carrier in the Commonwealth of Virginia*, CC Docket No. 96-45 (FCC 03-338), Released January 22, 2004.

[2] Id. at paragraphs 4 and 28.

[3] In the Virginia Cellular Order the FCC specifically addressed concerns of "creamskimming" raised by commenters. The FCC recognized that "rural creamskimming" which "occurs when competitors seek to serve only the low-cost, high revenue customers in a rural telephone company's study area" undercuts the incumbent carriers ability to provide service throughout the area. The FCC did not conclude that Virginia Cellular (the competitive carrier seeking ETC designation) was deliberately seeking to enter only certain portions of the incumbent carriers study area, but did refuse to grant ETC designation in one of the rural telephone company study areas involved due to creamskimming concerns.

in this case whether Western Wireless is truly committed to providing its services throughout the rural service areas where it is seeking designation, or whether its offerings will simply be limited to the lower cost customers within such service areas. More specifically, information related to the amount of universal service funding Western Wireless is receiving on a service area basis can be reviewed in combination with other data that is service area specific (such as Western Wireless' signal coverage in specific rural service areas and/or its investments made in specific service areas) and this offers some basis to assess the extent of Western Wireless' commitment to meet ETC service obligations. The information requested in Interrogatories 1(c) and 1(d), even though it relates to service areas where Western Wireless has already been designated, is relevant to issues surrounding Western Wireless' capability and commitment to meet its ETC obligations in the service areas subject to its pending petition for designation and should be promptly provided to Intervenors through the discovery process.

8. "Interrogatory No. 2" to Western Wireless was presented as follows:

> 2 - Provide a listing of the number of subscribers and the number of phones (handsets or equivalent customer equipment units) that Western Wireless currently serves in each of the service areas or study areas in South Dakota where Western Wireless is now seeking ETC designation.

9. In response, Western Wireless provided information identifying the number of "subscribers" it serves in each of the service areas, but did not provide information as to the number of phones (handsets or equivalent customer equipment units). It is the Intervenors' understanding that federal universal service funding is distributed to wireless providers on a per customer handset basis. This being the case, the Intervenors request that this Commission require Western Wireless to supplement its answer to Interrogatory 2 with phone or handset information. Western Wireless has also registered objections to Interrogatory No. 2 on relevancy and confidentiality grounds. The Intervenors challenge these objections. The FCC concluded in

the Virginia Cellular Order that one of the factors to be weighed in the public interest analysis is the "impact of the designation on the universal service fund."[4] Absent information that allows for a calculation of the current number of handsets served by Western Wireless in the areas subject to its petition for designation, there can be no reasonably accurate assessment of the impact that Western Wireless' requested designation would have on the universal service fund.

10. In Intervenors' "Interrogatory No. 4" the following information was requested:

> For high cost support amounts identified in interrogatory No. 1(d), identify which amounts were expended for the provision, maintenance and upgrading of facilities and services for Western Wireless' universal service offering. If this amount is a positive amount, describe with specificity whether amounts were spent for a) provision of facilities and services; b) maintenance of facilities and services; or c) upgrading of facilities and services. Further identify such amounts as to type of expenditure or expense (e.g. construction of tower site) along with geographic location, including study area.

11. Western Wireless objected to providing the information requested in Interrogatory No. 4 on relevancy and confidentiality grounds. In addition, as support for not providing the same, reference was made to this Commission's annual process undertaken pursuant to 47 U.S.C. § 254(e) to certify Western Wireless' use of high cost support amounts to the FCC and USAC. Intervenors challenge these objections and claim that the information requested is relevant to several factors that must be weighed and taken into account in this proceeding. As indicated previously, the FCC has specifically stated that the ETC designation process is to be a "fact-specific exercise" and that the process requires a "balancing of the benefits and costs."[5] Interrogatory No. 4, set forth above, requests information that is essential to this balancing process. Essential to finding benefit is a determination that Western Wireless will, in fact, utilize universal service funding to assist in its provisioning of the supported services in the specific

[4] Virginia Cellular Order, paragraphs 4, 28 and 31.
[5] Id.

service area(s) where it is seeking designation.[6] Interrogatory No. 4 seeks information concerning how Western Wireless has utilized the universal service funding it has received to date for its services provided in South Dakota, and certainly this information is relevant as to whether the company will appropriately utilize any additional universal service funding that it may receive in the future associated with those rural service areas covered by the pending ETC petition. If additional universal service funds received are not actually used to improve service and thereby bring benefits to these specific service areas, very clearly there is no basis to find that the designation requested is in the public interest. The information requested in Interrogatory No. 4 is related to determining whether any benefits would occur as a result of the additional designation requested and, accordingly, its production should be compelled by the Commission.

12. "Interrogatory No. 5" was presented to Western Wireless as follows:

> Please provide information identifying the number and location of Western Wireless cellular towers, owned or leased, that existed in South Dakota on January 1, 1999, that were utilized to provide Western Wireless's Commercial Mobile Radio Services (CMRS) to Western Wireless subscribers in South Dakota.

13. The purpose of the above Interrogatory is to obtain information from Western Wireless concerning the status of its CMRS network in South Dakota as of January 1, 1999 (shortly after the date on which Western Wireless filed its first ETC designation petition in South Dakota). Intervenors believe that information showing the development of Western Wireless' CMRS network and/or investments made by Western Wireless in its CMRS network since the time it first claimed it should be eligible for universal service funding is relevant to determining

[6] In the Virginia Cellular Order, it is evident that Virginia Cellular made specific commitments to provide service to requesting customers in the service areas where it was designated as an ETC. In addition, Virginia Cellular committed to use universal service support to further improve its universal service offering by building new cellular cites in sparsely populated areas and committed to submitting records and documentation on an annual basis detailing its progress toward meeting its build-out plans. Par. 15, 16, 46.

whether Western Wireless has the capability and is, in fact, committed to providing its services throughout the rural service areas subject to ETC designation petition.

14. "Interrogatory No. 6" asked for the following:

> Please provide a listing of the cellular towers that Western Wireless currently operates within the state of South Dakota including each tower location and for each location:
>
> a. The tower height (please indicate units of measure),
> b. The tower site elevation (please indicate units of measure),
> c. The tower ERP in watts,
> d. The type of antenna utilized, and
> e. The latitude and longitude coordinates of the tower.
> f. Whether the tower is capable of delivering digital wireless services.
> g. The type of auxiliary power deployed and estimated amount of back-up power available.

15. Western Wireless provided only a partial response to the above Interrogatory, providing information on only antenna height, latitude and longitude coordinates, county and town locations, and information on its digital service capabilities. Mr. James Blundell, Western Wireless' witness, in his direct testimony filed with the Commission (p. 18, lines 4 through 12) included the following statement:

> Using publicly available mapping software and the Company's own radio frequency signal propagation information (i.e., coverage), Western Wireless determined the extent to which each study area is covered by Western Wireless today, and where coverage will be expanded in the future. Second, Western Wireless analyzed the percentage of the population within each study area that is covered by Western Wireless' existing network today. Western Wireless included only those study areas where its existing and future network reaches at least 85% of the population in each wire center within the study area. Exhibit A sets forth by name each study area in South Dakota determined by Western Wireless to meet this standard.

16. Intervenors question Mr. Blundell's claims concerning the signal and/or service coverage that is or will be provided in each wire center area. The information requested in Interrogatory No. 6 that has not yet been provided, including tower site elevation, tower ERP,

and the type of antenna, is relevant to evaluating Mr. Blundell's statements and the validity of Western Wireless' signal and/or service coverage claims. The other information requested concerning the auxiliary power deployed and battery back-up power available at existing cellular tower locations is related to service quality concerns. Currently, other providers of local telecommunications services in South Dakota are subject to specific auxiliary power standards established under the Commission's administrative rules. These rules reflect a Commission concern that access to basic telecommunications services be maintained, for some reasonable period, during commercial power outages. Intervenors believe issues concerning the availability of Western Wireless' universal service offering during commercial power outages are relevant in this proceeding. This position is supported by the Virginia Cellular Order wherein the FCC specifically identified "commitments made regarding quality of telephone service" as one of the factors to be weighed in the public interest analysis.[7] In addition, the Federal-State Joint Board on Universal Service ("Joint Board"), in its Recommended Decision just released on February 27, 2004 (FCC04J-1) is encouraging a more "rigorous" review of applications for ETC status and has identified additional guidelines for ETC designations.[8] One of these additional guidelines is to require that ETC applicants "demonstrate the ability to remain functional in emergency situations."[9]

17. "Interrogatory No. 7" was presented to Western Wireless as follows:

> Please provide a listing of the cellular towers that Western Wireless plans to construct within the next two years, or that it plans to construct as part of its commitment to serve "throughout the service areas referenced in this Application." See Direct Testimony of James H. Blundell on behalf of WWC Holding Co., Inc., and WWC License LLC ("Blundell's

[7] Virginia Cellular Order, Par. 4. and Par. 28.

[8] Recommended Decision, *In the Matter of the Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, FCC 04J-1.

[9] Id. at paragraph 30.

Testimony") at page 4, line 10.) For each such tower location please provide the information requested in the previous question.

18. As indicated previously, information as to what commitments Western Wireless is willing to make concerning its improvement of its network in the service areas covered by its ETC designation petition is directly relevant to the cost/benefit analysis that is outlined by the FCC in its Virginia Cellular Order. The relevance of this information is further supported, very directly, by the Recommended Decision of the Joint Board.[10] In its Recommended Decision, the Joint Board determined that States should require ETC applicants to demonstrate their "capability and commitment to provide service throughout the designated service area to all customers who make a reasonable request for service."[11] According to the Joint Board, this should be required because it will help "ensure that an ETC applicant is willing and able to provide the supported services throughout the designated service area and to be the sole ETC in a service area if the incumbent LEC relinquishes its designation."[12] As one method of implementing this requirement, the Joint Board indicated specifically that State Commissions may require a "formal build-out plan for areas where facilities are not yet built out at the time the ETC application is considered."[13]

19. Western Wireless objected to Interrogatory No. 7 and refused to provide the information requested, stating that "nothing in Section 214(e) of the Act requires an applicant for ETC designation to disclose its future investment plans." Based on the FCCs findings in the Virginia Cellular Order and the findings of the Joint Board in its Recommended Decision, Intervenors challenge these objections from Western Wireless and seek production of the requested data.

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[10] Id.
[11] Id. at par. 23.
[12] Id.
[13] Id. at par. 24.

20. Intervenors' Interrogatory No. 9 asks for the following:

> Please provide the study materials described by Blundell's Testimony on page 18, lines 4 through 12, including any and all work papers, maps (including, but not limited to propagation maps), computer output or other materials that support the conclusions reached in the referenced portion of his testimony.

21. This Interrogatory seeks from Western Wireless production of the back-up information to the statements made by Mr. Blundell in his testimony that are cited in paragraph 7 of this Motion (regarding the scope of Western Wireless' signal or service coverage within the wire center areas). Western Wireless' only objection to providing this information is a claim that it is confidential and proprietary. The Intervenors strongly oppose Western Wireless' refusal to provide this back-up information which is directly relevant to issues surrounding the company's capability and commitment to provide the supported services throughout the service areas covered by its ETC designation petition. There is no basis to contend that the information is not relevant and, further, if maintaining confidentiality of the information is the only concern, Intervenors are willing to make such information subject to the executed Protective Agreement.

22. Interrogatories 10 and 11 presented to Western Wireless asked for the following:

> 10 - Please identify the total dollars invested by Western Wireless for wireless network facilities and equipment (excluding handset and other customer premises equipment costs) located in South Dakota for each of the following years: 1999, 2000, 2001, 2002 and 2003.
>
> 11 - Please identify the total dollars invested by Western Wireless for wireless network facilities and equipment (excluding handset and other customer premises equipment costs) within the service areas covered by Western Wireless's application for ETC status for each of the following years: 1999, 2000, 2001, 2002 and 2003.

23. Western Wireless objected to these interrogatories on relevancy and confidentiality grounds, providing only that information that it has provided to this Commission previously as part of the annual certifications for use of universal service funding required pursuant to 47

U.S.C. § 214(e) (for years 2002 and 2003).

24. Intervenors challenge these objections and seek the production of all of the information requested. As support for the relevancy of the information to this proceeding, Intervenors cite to the arguments supporting discovery set forth in paragraphs 6, 7, 11, 13, 18, 19, and 21 herein.

25. Based on all of the foregoing, Intervenors request that the Commission issue an Order to Compel discovery in this matter requiring Western Wireless to promptly respond and provide complete information to the Interrogatories referenced in this Motion.

Dated this 5th day of March 2004.

Respectfully submitted by the
INTERVENORS

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APPENDIX A

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of WWC License LLC, d/b/a/ CellularOne© for Designation as an Eligible Telecommunications Carrier	Docket No. TC 03-191 **INTERROGATORIES TO APPLICANT WWC LICENSE, LLC**

TO: WWC HOLDING CO., INC. AND ITS ATTORNEY OF RECORD, TALBOT WIECZOREK

INSTRUCTIONS FOR INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS

You are requested and required to answer fully and under oath, pursuant to A.R.S.D. 20:10:01:22.01, each of the following Interrogatories and serve a copy of your answers and responses thereto upon the Interveners on or before February 17, 2004. Please be advised that your answers must include all information available not only to you, but to your agents, officers, representatives, employees, attorneys, insurers, or others who have information available to you upon inquiry to them.

1. If you claim privilege with respect to any information requested, specify the privilege claimed, the statute, rule or decision giving rise to that privilege, and give a brief description of the nature of the information or document being withheld, including the author(s), recipients(s), and person(s) to whom the information or documents have previously been furnished.

2. If you object to, or otherwise decline to answer any portion of an interrogatory or request, provide all information called for by that portion of the interrogatory or request to which

you do not object or for which you do not decline to answer. If you object to any interrogatory or request on the ground that it is too broad, provide such information which is relevant. For those portions of any interrogatories or requests to which you object or which you otherwise decline to answer, state the reason for such objection.

3. Whenever an interrogatory or request may be answered by referring to a writing or document, the writing or document may be attached as an exhibit to your answers and referred to in your answers. If the writing or document has more than one page, refer to the page and section where the answer to the interrogatory or request can be found.

4. The term "Applicant" as well as any pronoun referring to Applicant means the Applicant herein, WWC Holding Co., Inc. or WWC License, LLC d/b/a/ CellularOne©. ("Western Wireless") and any agent acting on its behalf.

5. The term "Application" refers to the Application of WWC Holding Co., Inc. or WWC License, LLC d/b/a/ CellularOne© for Designation as an Eligible Telecommunications Carrier dated November 7, 2003.

6. The term "Document" or "documents" means without limitation, the original and any copy of any writing (whether handwritten, typed, printed or otherwise made) and anything bearing or containing writing, impressions or magnetic field, including without limitation, any drawing, graph, chart or photograph, and further including correspondence with or from any entity, agreements, reports, records, price lists, quotations, memoranda, journal entries, calendar notes, accounts, ledgers, invoices, financial statements, budgets, and any and all other writings or paper of any kind, including drafts, copies or reproductions of any of the foregoing to the extent that the same are or were in the possession, custody or control of the Applicant or any of its

employees or agents, or are known by the Applicant or any of its employees or agents to exist or have existed.

7. When referring to a document, state the type of document (e.g., letter, memorandum, etc.), the date of the document, the present location and custodian of the original and every copy thereof; and state the full name, address and telephone number of author, sender, addressee and every recipient of such document or a copy thereof. If any such document was, but is no longer, in your possession or subject to your custody or control, state what disposition was made of it.

8. The term "communication" means any written or oral transmission of fact, information or opinion, including any utterance, notation or statement of any nature whatsoever, and including, but not limited to, documents and correspondence defined herein.

9. "Person" shall include all natural person(s) and all artificial person(s) of any kind.

10. "State" shall mean to identify and provide a detailed response with all relevant facts and/or opinions supporting such response specified and set forth, delineated as fact or opinion, the date of the subject matter of the response and all other relevant information to the response or interrogatory.

11. The term "Identify" when referring to an oral communication shall mean to state the identity of the speaker and of each person who was present when the communication was spoken, and of each person who was present when the communication was spoken, and the substance, date and place of such communication.

12. The term "Identify" when referring to a document shall mean to state the type of document, together with its title or subject matter, the date of the document, the identity of its

author, sender and every recipient of such document or a copy thereof, and the present location of such document and every copy thereof.

13. The term "Identify," means with respect to persons, to give each person's full name, present or last known address, and when referring to a natural person, additionally, the present or last known place of employment.

14. The answers are to be signed by the Applicant or a representative thereof.

15. The objections are to be signed by Applicant's attorney.

INTERROGATORIES

1. Does Western Wireless currently receive support from the federal universal service fund for its services provided anywhere in South Dakota? If yes, please provide the following information:

a. The number of phones or lines in South Dakota upon which Western Wireless is currently receiving federal universal service support.

b. The amount of federal high cost support currently received per month on a per phone or line basis in total and also broken down into the following categories:

i. High Cost Loop Support
ii. Safety Net Additive Support
iii. Interstate Access Support
iv. Long Term Support
v. Local Switching Support
vi. Interstate Common Line Support

c. Identify the amount of high cost support received currently on a monthly basis in each service area or study area in South Dakota where Western Wireless has already been designated an ETC. In addition, identify how much high cost support on a per line, per month basis Western Wireless receives in each service area or study area in South Dakota where it has already been designated.

d. Identify the total amount of federal high cost support received by Western Wireless during calendar year 2002 and the high cost support received during calendar year 2003. Also, provide the total amount of high cost support received for each of these calendar years by service area or study area where it has been designated an ETC.

e. Identify the amount of federal low-income support Western Wireless currently receives on a monthly basis for those areas in South Dakota where it has already been designated an ETC.

f. Provide the number of Western Wireless subscribers in these areas that are currently participating in Western Wireless's Lifeline service.

g. Provide the number of Western Wireless's subscribers in these areas that are currently participating in the federal Link-up program.

h. Provide the total amount of federal low-income support received by Western Wireless during calendar year 2002 and the low-income support received during calendar year 2003. Also, provide the total amount of low-income support received for each of these calendar years by service area or study area in South Dakota where Western Wireless has already been designated an ETC.

2. Provide a listing of the number of subscribers and the number of phones (handsets or equivalent customer equipment units) that Western Wireless currently serves in each of the service areas or study areas in South Dakota where Western Wireless is now seeking ETC designation.

3. Please provide information identifying the average monthly charges assessed the subscribers identified in Interrogatory #2, above, for Western Wireless's services.

4. For high cost support amounts identified in interrogatory No. 1(d), identify which amounts were expended for the provision, maintenance and upgrading of facilities and services for Western Wireless' universal service offering. If this amount is a positive amount, describe with specificity whether amounts were spent for a) provision of facilities and services; b) maintenance of facilities and services; or c) upgrading of facilities and services. Further identify

such amounts as to type of expenditure or expense (e.g. construction of tower site) along with geographic location, including study area.

5. Please provide information identifying the number and location of Western Wireless cellular towers, owned or leased, that existed in South Dakota on January 1, 1999, that were utilized to provide Western Wireless's Commercial Mobile Radio Services (CMRS) to Western Wireless subscribers in South Dakota.

6. Please provide a listing of the cellular towers that Western Wireless currently operates within the state of South Dakota including each tower location and for each location:

a. The tower height (please indicate units of measure),

b. The tower site elevation (please indicate units of measure),

c. The tower ERP in watts,

d. The type of antenna utilized, and

e. The latitude and longitude coordinates of the tower.

f. Whether the tower is capable of delivering digital wireless services.

g. The type of auxiliary power deployed and estimated amount of back-up power available.

7. Please provide a listing of the cellular towers that Western Wireless plans to construct within the next two years, or that it plans to construct as part of its commitment to serve "throughout the service areas referenced in this Application." See Direct Testimony of James H. Blundell on behalf of WWC Holding Co., Inc., and WWC License LLC ("Blundell's Testimony") at page 4, line 10.) For each such tower location please provide the information requested in the previous question.

8. Please provide a map indicating precisely the location of "Western Wireless' signal coverage and authorized service areas under its FCC licenses in South Dakota" as referenced in Blundell's Testimony at page 17, line 7.

9. Please provide the study materials described by Blundell's Testimony on page 18, lines 4 through 12, including any and all work papers, maps (including, but not limited to propagation maps), computer output or other materials that support the conclusions reached in the referenced portion of his testimony.

10. Please identify the total dollars invested by Western Wireless for wireless network facilities and equipment (excluding handset and other customer premises equipment costs) located in South Dakota for each of the following years: 1999, 2000, 2001, 2002 and 2003.

11. Please identify the total dollars invested by Western Wireless for wireless network facilities and equipment (excluding handset and other customer premises equipment costs) within the service areas covered by Western Wireless's application for ETC status for each of the following years: 1999, 2000, 2001, 2002 and 2003.

12. Please provide information identifying and describing each of Western Wireless's current "universal service offerings" in South Dakota in those areas where it has already received ETC designation, including the following:

a. Identify how many different universal service offerings Western Wireless currently offers to subscribers in South Dakota.

b. Identify each universal service offering and list the services that are provided and/or offered to subscribers under each.

c. Identify the total price that is charged for each offering and identify the price that is charged under each offering for "local usage" and for "non local" usage.

d. Provide a reasonable estimate of the number of subscribers currently receiving service under each offering.

e. Provide copies of advertising and/or marketing materials that are currently used for each "universal service offering."

13. On page 12 of Blundell's Testimony, he states that "the Company provides toll-blocking for international calls and customer selected toll calls." Please provide the following information regarding the "toll blocking" service:

a. How the toll blocking service is provided.

b. What calls can be blocked by the service and define what is meant by "customer selected toll calls."

c. The price or prices that are currently charged by Western Wireless for the toll blocking service.

14. Reference is made on page 13 of Blundell's Testimony to a "wireless local loop service." Please identify how many individuals in South Dakota currently subscribe to this Western Wireless service. With respect to this wireless local loop service offering:

a. Please specifically identify the customer premise equipment that is necessary for the subscriber to receive the service including the equipment or product name, model number and manufacturer/vendor.

b. Indicate whether the service provided via such equipment is analog or digital.

c. Indicate whether the service supports data transmission and, if so, the data transmission speed.

d. Provide copies of all advertising and marketing material that is currently used by Western Wireless in selling the service.

15. It is indicated on page 14 of Blundell's Testimony that as the Western Wireless network expands over time, the Company will be able to meet all reasonable requests for service. Please provide the estimated date for when Western Wireless believes its network will be capable of meeting all service requests.

16. Please submit information detailing how many requests for Western Wireless's wireless services from potential customers in South Dakota were unfulfilled during the 2003 calendar year. Indicate specifically how many of these requests could not be fulfilled due to inadequate signal coverage or reception.

17. Please submit information detailing how many requests for Western Wireless's wireless services from potential customers located in the service areas that are part of Western Wireless's current Application for ETC designation were unfulfilled during the 2003 calendar year. Indicate specifically how many of these requests could not be fulfilled due to inadequate signal coverage or reception.

18. It is indicated on page 17 of Blundell's Testimony that Western Wireless may, to make supported services available to all customers in the designated service areas, "use a combination of its own facilities and resale of the services of other facilities-based carriers." Please indicate whether Western Wireless currently has any established resale agreements with other carriers for purposes of reselling services to subscribers located in South Dakota.

19. Indicate whether Western Wireless is currently reselling any services in South Dakota that are provided by other facilities-based carriers. Also, please indicate how many Western Wireless subscribers in South Dakota are receiving any of the services supported by federal universal service through Western Wireless resale arrangements.

20. With respect to the Lifeline service described on page 12 of Blundell's Testimony, please provide a copy of the Lifeline application that Western Wireless currently provides to interested subscribers.

21. Please describe the procedures that Western Wireless uses to identify phones or handsets that are eligible for Lifeline service. Does Western Wireless have procedures in place

to ensure that only one phone or handset or service plan subscribed to by a customer receives Lifeline support? If yes, please describe these procedures.

22. On page 21 of Blundell's Testimony, it is suggested that Western Wireless's service quality will meet or exceed the quality of services provided by the incumbent LEC. Please indicate whether Western Wireless has conducted any surveys and/or studies to measure the current quality of service that is provided in those service areas that are part of its ETC designation Application. If yes, describe how each survey and/or study was conducted and provide a summary of the results.

23. On page 10 of Western Wireless's Application, it represents that it provides "24-hour customer service, technical and operational support, which is more responsive than the support currently available from many LECs." Please indicate whether any survey and/or study was conducted by Western Wireless on the customer service response provided by any incumbent LEC providing telecommunications services in South Dakota. If yes, describe how each survey and/or study was conducted and provide a summary of the results.

24. Please indicate whether any survey and/or study was conducted by Western Wireless on the customer service response provided by any incumbent LEC providing telecommunications service in the service areas that are covered by Western Wireless's current request for ETC designation. If yes, describe how each survey and/or study was conducted and provide a summary of the results.

25. On page 13 of the Petition for Designation filed by Western Wireless it is stated that the designation of Western Wireless may allow those customers who are not currently receiving telephone service of any kind an opportunity to obtain telephone service for the first time. Please indicate whether Western Wireless has conducted any survey and or study to determine whether there are customers located in the service areas covered by its request for ETC designation that cannot receive local telephone service because it is not available. If yes, describe how each survey and/or study was conducted and provide a summary of the results.

26. Please indicate in what manner Western Wireless' "24-hour customer service, technical and operational support" will be "more responsive" that the services already provided by incumbent LECs.

27. It is stated on page 13 of the Petition for Designation filed by Western Wireless that the Western Wireless network will have the "capability of providing advanced services that meet or exceed what can be provided on the landline network." In regards to that statement, please provide the following:

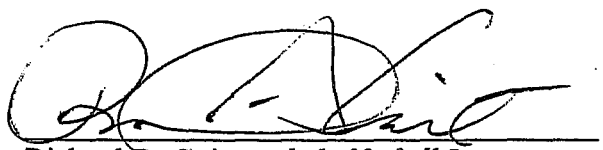
a. A listing of the advanced services that Western Wireless will be capable of providing.

b. The expected date each of these advanced services will be available in each of the service areas that are covered by Western Wireless's Petition for Designation.

c. A list of advanced services provided in other states, if any, following Western Wireless' designation as an LEC. State which services were added after designation and how long it took to make them available to customers.

28. Please provide any and all facts and data that support Blundell's Testimony statements at page 20, line 21, that "rural consumers may also experience lower rates[.]"

Dated this 30th day of January, 2004.



Richard D. Coit, *on behalf of all Interveners*
South Dakota Telecommunications Association
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Pierre, SD 57501
(605) 224-7629

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James M. Cremer
Melissa E. Neville
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Attorneys for James Valley Cooperative Telephone Company

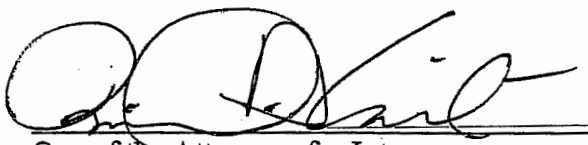
CERTIFICATE OF SERVICE

The undersigned certifies that on the 30th day of January, 2004, I served a true and correct copy of the foregoing Interrogatories to Applicant WWC License, LLC, by e-mail and by Federal Express Overnight Delivery to:

Mark J. Ayotte
Kevin M. Decker
Briggs and Morgan, P.A.
2200 First National Bank Building
Saint Paul, MN 55101

Talbot J. Wieczorek
Gunderson, Palmer, Goodsell & Nelson, LLP
PO Box 8045
Rapid City, SD 57709

Attorneys for WWC Holding Co., Inc. or WWC License, LLC d/b/a CellularOne©



One of the Attorneys for Interveners

APPENDIX B

MF

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of WWC License LLC, d/b/a/ CellularOne© for Designation as an Eligible Telecommunications Carrier	Docket No. TC 03-191 **PROTECTIVE AGREEMENT**

In the above-entitled matter, the parties are serving Interrogatories, Data Requests, and other discovery items that will require the parties to disclose certain information considered to be confidential in nature by the parties. The information sought to be reviewed is financial, network, and customer data, which is confidential to each of the parties. Mark Ayotte and Talbot J. Wieczorek, counsel for WWC License, L.L.C., d/b/a CellularOne© (Western Wireless), will execute and deliver this agreement on behalf of Western Wireless. Richard D. Coit, counsel for South Dakota Telecommunications Association (SDTA), will execute this agreement on behalf of SDTA. Ryan J. Taylor and Meredith A. Moore, counsel for Alliance Communications Cooperative, Inc. (Alliance) and Splitrock Properties, Inc. (Splitrock), will execute this agreement on behalf of Alliance and Splitrock. Darla Pollman Rogers, counsel for Golden West Telephone Cooperative, Inc. (Golden West), Vivian Telephone Co. (Vivian), Venture Communications Cooperative, Inc. (Venture), Tri-County Telcom, Inc. (Tri-County) and West River Telecommunications Cooperative (West River), will execute this agreement on behalf of Golden West, Vivian, Venture, Tri-County and West River. James M. Cremer and Melissa E. Neville, counsel for James Valley Cooperative Telephone Company (James Valley), will execute this agreement on behalf of James Valley. The information to be covered hereunder will include all matters served on the parties or filed with the Commission in the above docket.

Accordingly, it is agreed:

1. All documents, data, information, studies and other matters filed with the Commission or served on a party that are claimed by a party to be trade secret, privileged or confidential in nature shall be furnished pursuant to the terms of this agreement, and shall be treated by all persons accorded access thereto pursuant to this agreement as constituting trade secret, confidential or privileged commercial and financial information (hereinafter referred to as "Confidential Information"), and shall neither be used nor disclosed except for the purposes of this proceeding, and solely in accordance with this agreement.

2. All confidential information made available pursuant to this agreement shall be given to counsel for the parties, and shall not be used or disclosed except for the purposes of this proceeding; provided however, that access to any specific Confidential Information may be authorized by said counsel, solely for the purpose of this proceeding, to consultants or employees of any party to this agreement, if said person has signed an agreement to be bound by the terms and conditions of this Protective Agreement.

3. Any person being given access to the Confidential Information contemplated herein shall receive a copy of this agreement and execute in writing an agreement to comply with and be bound by all of the terms of this agreement; and counsel shall furnish copies of said agreement to comply and be bound by the terms of this agreement to counsel for the other party.

4. Where feasible, Confidential Information will be marked as such and delivered to counsel.

5. In the event that the parties hereto are unable to agree that certain documents, data, information, studies or other matters constitute trade secret, confidential or privileged commercial and financial information, the party objecting to the trade secret claim shall

forthwith submit the said matters to the Commission for its review pursuant to this agreement and in accordance with its administrative rules. When the Commission rules on the question of whether any documents, data, information, studies or other matters submitted to it for review and determination are Confidential Information, the Commission will enter an order resolving the issue.

6. All written information filed by the parties in this docket that has been designated as Confidential Information, if filed with the Commission, will be sealed by the Commission, segregated in the files of the Commission, and withheld from inspection by any person not bound by the terms of this agreement, unless such Confidential Information is released from the restrictions of this agreement, either through agreement of the parties or, after notice to the parties and hearing, pursuant to the Order of the Commission and/or final order of a court having jurisdiction.

7. All persons who may be entitled to receive, or who are afforded access to, any Confidential Information by reason of this agreement shall neither use nor disclose the Confidential Information for purposes of business or competition, or any purpose other than the purposes of preparation for and conduct of this proceeding, and then solely as contemplated herein, and shall take those precautions that are necessary to keep the Confidential Information secure and in accordance with the purposes and intent of this agreement.

8. The parties hereto affected by the terms of this Protective Agreement further retain the right to question, challenge, and object to the admissibility of any and all data, information, studies and other matters furnished under the terms of this Protective Agreement in response to interrogatories, requests for information or cross examination on the grounds of relevancy or materiality.

9. This agreement shall in no way constitute any waiver of the rights of any party herein to contest any assertion or finding of trade secret, confidentiality or privilege, and to appeal any such determination of the Commission or such assertion by a party.

10. Upon completion of the proceeding, including any administrative or judicial review thereof, all Confidential Information, whether the original or any duplication or copy thereof, furnished under the terms of this Protective Agreement, shall be returned to the party furnishing such Confidential Information upon request. Confidential Information made part of the record in this proceeding shall remain in the possession of the Commission.

11. The provisions of this agreement are specifically intended to apply to data or information supplied by or from any party to this proceeding, and to any non-party that supplies documents pursuant to process issued by this Commission.

12. This agreement shall be effective forthwith.

WWC LICENSE LLC D/B/A CELLULARONE©

By _____ Date: 3/1/04
Mark Ayotte, Attorney for Western Wireless

By _____ Date: 2/26/04
Talbot J. Wieczorek, Attorney for Western Wireless

SOUTH DAKOTA TELECOMMUNICATIONS ASSOCIATION:

By _____ Date: _____
Richard D. Coit, Attorney for SDTA

ALLIANCE COMMUNICATIONS COOPERATIVE, INC. and SPLITROCK PROPERTIES, INC.

By _____ Date: _____
Ryan J. Taylor, Attorney for Alliance and Splitrock

By _____ Date: _____
Meredith A. Moore, Attorney for Alliance and Splitrock

GOLDEN WEST TELEPHONE COOPERATIVE, INC., VIVIAN TELEPHONE CO., VENTURE COMMUNICATIONS COOPERATIVE, INC., TRI-COUNTY TELCOM, INC., and WEST RIVER TELECOMMUNICATIONS COOPERATIVE

By _____ Date: _____
Darla Pollman Rogers, Attorney for Golden West, Vivian, Venture, Tri-County and West River

JAMES VALLEY COOPERATIVE TELEPHONE COMPANY

By _____ Date: 2-20-04
James M. Cremer, Attorney for James Valley

By _____ Date: 2-20-04
Melissa E. Neville, Attorney for James Valley

9. This agreement shall in no way constitute any waiver of the rights of any party herein to contest any assertion of finding of trade secret, confidentiality or privilege, and to appeal any such determination of the Commission or such assertion by a party.

10. Upon completion of the proceeding, including any administrative or judicial review thereof, all Confidential Information, whether the original or any duplication or copy thereof, furnished under the terms of this Protective Agreement, shall be returned to the party furnishing such Confidential Information upon request. Confidential Information made part of the record in this proceeding shall remain in the possession of the Commission.

11. The provisions of this agreement are specifically intended to apply to data or information supplied by or from any party to this proceeding, and to any non-party that supplies documents pursuant to process issued by this Commission.

12. This agreement shall be effective forthwith.

WWC LICENSE LLC D/B/A CELLULARONE©

By _____ Date: _____
Mark Ayotte, Attorney for Western Wireless

By _____ Date: _____
Talbot J. Wieczorek, Attorney for Western Wireless

SOUTH DAKOTA TELECOMMUNICATIONS ASSOCIATION:

By _____ Date: 2/25/04
Richard D. Coit, Attorney for SDTA

ALLIANCE COMMUNICATIONS COOPERATIVE, INC. and SPLITROCK PROPERTIES, INC.

By _____ Date: _____
Ryan J. Taylor, Attorney for Alliance and Splitrock

By _____ Date: _____
Meredith A. Moore, Attorney for Alliance and Splitrock

GOLDEN WEST TELEPHONE COOPERATIVE, INC., VIVIAN TELEPHONE CO., VENTURE COMMUNICATIONS COOPERATIVE, INC., TRI-COUNTY TELCOM, INC., and WEST RIVER TELECOMMUNICATIONS COOPERATIVE

By Darla Pollman Rogers Date: 2-25-04
Darla Pollman Rogers, Attorney for Golden West, Vivian, Venture, Tri-County and West River

JAMES VALLEY COOPERATIVE TELEPHONE COMPANY

By _____ Date: _____
James M. Cremer, Attorney for James Valley

By _____ Date: _____
Melissa E. Neville, Attorney for James Valley

ALLIANCE COMMUNICATIONS COOPERATIVE, INC. and SPLITROCK PROPERTIES, INC.

By _____ Date: _____
Ryan J. Taylor, Attorney for Alliance and Splitrock

By _____ Date: _____
Meredith A. Moore, Attorney for Alliance and Splitrock

GOLDEN WEST TELEPHONE COOPERATIVE, INC., VIVIAN TELEPHONE CO., VENTURE COMMUNICATIONS COOPERATIVE, INC., TRI-COUNTY TELCOM, INC., and WEST RIVER TELECOMMUNICATIONS COOPERATIVE

By _____ Date: _____
Darla Pollman Rogers, Attorney for Golden West, Vivian, Venture, Tri-County and West River

JAMES VALLEY COOPERATIVE TELEPHONE COMPANY

By _____ Date: _____
James M. Cremer, Attorney for James Valley

By _____ Date: _____
Melissa E. Neville, Attorney for James Valley

McLEAN & BROWN, Inc.

By _____ Date 2/20/2004
Glenn H. Brown, President

CERTIFICATE OF SERVICE

I hereby certify that an original and ten (10) copies of the foregoing document were hand-delivered on March 5, 2004 to:

Pam Bonrud
Executive Director
South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501

Copies were sent by Federal Express to:

Talbot Wieczorek
Gunderson Palmer Goodsell & Nelson LLP
440 Mount Rushmore Road
Rapid City, SD 57701

Mark Ayotte
2200 West First Ntl Bank Bldg
332 Minnesota Street
St Paul, MN 55101

Dated this fifth day of March, 2004.

Darla Pollman Rogers

Darla Pollman Rogers
Riter, Rogers, Wattier & Brown
PO Box 280
Pierre, South Dakota 57501-0280
Telephone (605) 224-7889
Attorneys for Golden West Telephone Cooperative, Inc., Venture Communications Cooperative, Inc., Vivian Telephone Co., Tri-County Telcom, Inc., West River Telecommunications Cooperative

RECEIVED
MAR 0 5 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Before the
PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of WWC License LLC, d/b/a CellularOne© for Designation as an Eligible Telecommunications Carrier	)	Docket No. TC 03-191

Intervenors' Motion to Expand Procedural Schedule

The intervening parties in the above-captioned proceeding (Intervenors) respectfully move for an expansion of the existing procedural schedule in this proceeding, as follows:

A. Background

1. On or about November 4, 2003, Western Wireless filed with this Commission a Verified Petition for Designation As An Eligible Telecommunications Carrier And Request To Expedite Proceedings requesting Eligible Telecommunications Carrier status in the study areas of six rural South Dakota telephone companies.

2. The six rural telephone companies (Golden West Telecommunications Cooperative, Inc., Vivian Telephone Company, Venture Communications Cooperative, Inc., Tri-County Telecom, Inc., West River Telecommunications Cooperative, James Valley Cooperative Telephone Company, and Alliance Communications Cooperative, Inc./Splitrock Properties) and South Dakota Telecommunications Association all filed petitions to intervene in the docket, and each of the applicants was granted intervention by the Commission.

3. On December 30, 2003, Western Wireless filed the Direct Testimony of James H. Blundell in support of its Petition.

4. On or about February 13, 2004, following input from all parties, the Commission entered a Procedural Schedule in this docket, which is attached hereto as Attachment 1. Pursuant to said schedule, the deadline for Intervenors to pre-file Rebuttal Testimony is March 15, 2004.

5. In light of significant developments that have occurred concerning the interpretation of federal law and policy in ETC designation cases since the filing of this Petition on November 4, 2003, Intervenors respectfully move for an expansion of the existing procedural schedule in this proceeding.

6. When the scope of an administrative proceeding is broadened beyond that specified in the original filing and notice thereof, a party is entitled to a continuance of sufficient time to enable the preparation of an adequate defense. See Brahy v. Federal Radio Com., 59 F2d 879, 880 (DCCir 1932).

7. Pursuant to ARSD § 20:10:01:15.05, Intervenors are parties in this proceeding and as such are "entitled to notice of hearing, to appear at the hearing, to examine and cross-examine witnesses, to present evidence in support of the person's interest, to compel attendance of witnesses and production of evidence, to submit briefs, to make and argue motions and objections, and to all other rights granted to parties by statute."). This becomes an issue of procedural due process. See Application of Farmers State Bank of Viborg, 466 NW2d 158, 162 (SD 1991) (holding in an administrative "contested case" the parties are adversarial and deserving of procedural rights).

8. The Recommended Decision of the Federal State Joint Board has expanded the public interest test to require more than a mere showing of enhancement of competition. As such, the discovery requirements, as well as the burden of proof for WWC, are significantly broadened and require more time to prepare an adequate defense.

B. Rationale: Changed Public Interest Standard

9. Intervenors request the opportunity to file additional discovery directed to Western Wireless. Intervenors propose March 15, 2004 (the existing date for the filing of Intervenors' rebuttal testimony) as the deadline for filing of additional discovery.

10. If Western Wireless is allowed to supplement its currently filed direct testimony (as a result of recent FCC and Joint Board rulings directly on point, and developments in this case as discussed below), the Intervenors request that such additional discovery request(s) be filed within 18 days following such filing by Western Wireless;

11. Intervenors request that the current date for the filing of their rebuttal testimony (March 15, 2004) be extended until 30 days following Western Wireless' complete responses to Intervenors' additional discovery request(s). Alternatively, if the Commission is not inclined to authorize the additional discovery, as requested herein, Intervenors request an expanded procedural schedule to include the filing of rebuttal testimony 30 days after the date that Western Wireless completely complies with existing discovery requests. Western Wireless has effectively stonewalled the Intervenors' existing discovery requests, which go to the heart of the public interest issue before the Commission, i.e., what has Western Wireless done with the millions of dollars in public money that it has already received as a result of getting ETC status in South Dakota? A motion to compel accompanies this motion seeking answers that Western Wireless has, so far, refused to give.

12. As this Commission knows, its earlier Order granting Western Wireless ETC status focused almost exclusively on the consumer benefits of additional competition that would occur if Western Wireless were granted ETC status. See Western Wireless ETC Order, dated October 18, 2001, at Findings of Fact Nos. 10-11. Indeed, Western Wireless' November 4, 2003 petition

initiating this proceeding characterized this Commission's earlier public interest finding in these terms. See Verified Petition for Designation As An Eligible Telecommunications Carrier and Request to Expedite Proceedings, at para. 16. The context of this ruling was pursuant to a reversal and remand by the Supreme Court of South Dakota, in which an earlier ruling denying Western Wireless ETC status on non-public interest grounds was before the Court. In disagreeing with the Commission's interpretation of a federal statute, the Court essentially told the Commission not to delay with Western Wireless' ETC designation process, noting that some time had elapsed between the initiation of the case before the P.U.C. and the Court's ruling. The Filing By GCC License Corporation for Designation As An Eligible Telecommunications Carrier, 2001 SD 32; 623 N.W.2d 474. The record on remand was the same record upon which ETC status was denied earlier based upon the Commission's interpretation of federal law governing ETC status. In keeping with the Court's admonition against further delay, the record was not reopened to take additional evidence as to the public interest.

13. Since the Commission's October 18, 2001 Order discussed above, a significant change has occurred concerning the interpretation of federal law and policy in the question of ETC designation. Specifically, the FCC has very recently concluded that "a more stringent public interest analysis for ETC designations in rural telephone company service areas" is needed, and, that "...the value of increased competition, by itself, is not sufficient to satisfy the public interest test in rural areas." Virginia Cellular, LLC Petition For Designation As An Eligible Telecommunication's Carrier in the Commonwealth of Virginia. Memorandum Opinion and Order, CC Docket No. 96-45, FCC 03-338 (rel. January 22, 2004)("Virginia Cellular Order"), at para. 4. The Commission, among other things, engaged in an exacting build-out coverage analysis and partially denied ETC designation based upon such analysis.

14. Just last week, the Federal-State joint board issued its Recommended Decision in which it addressed the explosive growth of the federal universal service fund. It specifically found that state commissions should "conduct rigorous reviews of ETC applications, including fact-intensive analysis." It further noted that state commission reliance upon the "generalized benefits of competition when evaluation ETC applications" is an insufficient public interest inquiry. It listed a number of factors that states should consider on the public interest issue, including:

- Adequate financial resources;
- Commitment to provide the supported services throughout the service area;
- Formal build-out plans for areas where facilities are not yet built;
- Ability to remain functional in emergencies;
- Consumer protection requirements;
- The amount of local usage ETCs should offer as a condition of federal universal service support.

See Federal-State Joint Board on Universal Service, Recommended Decision, CC Docket 96-45, FCC 04J-1 (rel. February 27, 2004) (Joint Board Decision") at paras. 11, 12, 22, 24, 30, 31 and 35. [1]

15. Any lingering doubt about the relevance of this decision should be erased when one considers that, due to "uncontrolled growth" potential in the universal service fund from competitive ETCs (including wireless carriers who mainly only "supplement" wireline carriers), the Joint Board has recommended that the FCC limit USF support to a primary line. The Joint Board has noted that rural carriers would lose per-line support to the extent they lose primary connections to competitors, like Western Wireless here. Recommended Decision, at paras. 67,

[1] The Joint Board also noted that its Decision as to a more rigorous public interest analysis by the States is consistent with federal law which has allowed state commissions to consider additional factors, other than those identified by the FCC, as long as they are consistent. Texas Office of Public Utility Counsel vs. FCC, 183 F. 3d 393, 418 95th Cir. 1999).

70. In its earlier designation Order, this Commission found significant the fact that rural companies would not lose revenues due to Western Wireless' designation. October 18, 2001 ETC Order Finding of Fact No. 16. That no longer appears to be the case, under the Recommended Decision, as the Joint Board notes that rural carriers will lose their USF revenues, in real terms, as they lose lines to competitors. Joint Board Decision, at para. 70.

16. The public interest issue that is raised here is thus whether USF dollars will be lost to South Dakota companies, and gained by a company that may be using the funds only to improve its stock price, or to invest some or all of the funds outside South Dakota. And, even if the company is investing some of the money in the state, it appears to be invested in a manner inconsistent with existing federal requirements. In this respect, the October 19, 2001 Order noted Western Wireless interest to add a mobility component to its universal service offering. Id, at Finding of Fact No. 11. From the scant discovery Western Wireless has produced, it would appear that the company's universal service offerings are now primarily about mobility. Western Wireless Answer to Intervenors' Interrogatory No. 12. Yet, the Joint Board has noted that "mobility is not a supported service." Joint Board Decision, at para. 63.

17. In sum, the combined impact of the Virginia Cellular Order and the Joint Board Decision fundamentally change the nature of this Commission's inquiry, and perhaps to a large extent, undercut the basis of the earlier public interest finding. The accompanying Motion to Compel discovery outlines the many instances in which Western Wireless has refused reasonable discovery requests about how it will provide the supported services, where they will be provided, and how it has spent the universal service funding that it has already taken out of South Dakota. The Intervenors respectfully request that the procedural schedule be expanded as requested herein, so that this Commission can make a fully informed public interest determination.

Dated this 5th day of March 2004.

Respectfully submitted by the
INTERVENORS

Darla Pollman Rogers
Darla Pollman Rogers
Riter, Rogers, Wattier & Brown
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Pierre, SD 57501
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Attorneys for Alliance Communications Cooperative, Inc. and Splitrock Properties, Inc.

Richard D. Coit, *SDTA General Counsel*
320 East Capitol Avenue
Pierre, SD 57501

ATTACHMENT 1

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE FILING BY WWC LICENSE, LLC D/B/A CELLULARONE FOR DESIGNATION AS AN ELIGIBLE TELECOMMUNICATIONS CARRIER IN OTHER RURAL AREAS	)))))	ORDER FOR AND NOTICE OF PROCEDURAL SCHEDULE AND HEARING TC03-191

On November 5, 2003, the Public Utilities Commission (Commission) received a filing by WWC Holding Co., Inc. d/b/a CellularOne (Western Wireless) petitioning for approval of it as an eligible telecommunications carrier (ETC) in the study areas of the following rural telephone companies: Golden West Telecommunications Cooperative, Inc., James Valley Cooperative Telephone Company, Splitrock Properties, Inc., Venture Communications Cooperative f/k/a Sully Buttes Telephone Cooperative, Inc., Tri-County Telcom, Inc., Vivian Telephone Company, West River Telecommunications Cooperative (Mobridge) - SD, and West River Telecommunications Cooperative - SD.

On November 6, 2003, the Commission electronically transmitted notice of the filing and the intervention deadline of November 21, 2003, to interested individuals and entities. On November 21, 2003, Petitions to Intervene were filed by James Valley Cooperative Telephone Company, South Dakota Telecommunications Association, Alliance Communications Cooperative, Inc., Splitrock Properties, Inc., West River Telecommunications Cooperative, Golden West Telecommunications Cooperative, Inc., Vivian Telephone Company, Venture Communications Cooperative, and Tri-County Telcom, Inc. Western Wireless objected to the intervention of South Dakota Telecommunications Association. At its regularly scheduled meeting of December 2, 2003, the Commission granted the above Petitions to Intervene. On January 2, 2004, Western Wireless filed a Motion to Amend Petition to substitute as petitioner WWC License, LLC as the correct party. At its regularly scheduled meeting of January 20, 2004, the Commission granted the Motion to Amend Petition.

The Commission has jurisdiction over this matter pursuant to SDCL Chapters 1-26 and 49-31, including 1-26-18, 1-26-19, 49-31-3, 49-31-7, 49-31-7.1, 49-31-11, 49-31-78, 49-31-81; ARSD 20:10:32:42 through 20:10:32:46, inclusive; and 47 U.S.C. § 214(e)(1) through (5).

The issue at the hearing is whether WWC License, LLC should be granted designation as an eligible telecommunications carrier in the study areas of the above listed rural telephone companies.

The procedural schedule regarding the filing of testimony is as follows:

December 30, 2003 - WWC License, LLC filed its direct testimony;

March 15, 2004 - Intervenors shall file reply testimony;

March 29, 2004 - WWC License, LLC may file rebuttal testimony;

April 8, 2004 - Intervenors may file surrebuttal testimony.

A hearing will be held beginning at 9:30 A.M. on May 4, 2004, and continuing at 8:00 A.M. on May 5 and 6, 2004, in Room 412, State Capitol Building, Pierre, South Dakota.

The hearing shall be an adversary proceeding conducted pursuant to SDCL Chapter 1-26. All parties have the right to be present and to be represented by an attorney. These rights and other due process rights shall be forfeited if not exercised at the hearing. If you or your representative fail to appear at the time and place set for the hearing, the Final Decision will be based solely on the testimony and evidence provided, if any, during the hearing or a Final Decision may be issued by default pursuant to SDCL 1-26-20. After the hearing, the Commission will consider all evidence and testimony that was presented at the hearing. The Commission will then enter Findings of Fact, Conclusions of Law, and a Final Decision regarding this matter. As a result of the hearing, the Commission may either grant or deny the request of WWC License, LLC to be designated as an eligible telecommunications carrier. The Commission's Final Decision may be appealed to the state Circuit Court and the state Supreme Court as provided by law. It is therefore

ORDERED, that the parties shall comply with the procedural schedule listed above; and it is

FURTHER ORDERED, that a hearing shall be held at the time and place specified above on the issue of whether WWC License, LLC should be granted designation as an eligible telecommunications carrier in the study areas of the above listed rural telephone companies.

Pursuant to the Americans with Disabilities Act, this hearing is being held in a physically accessible location. Please contact the Public Utilities Commission at 1-800-332-1782 at least 48 hours prior to the hearing if you have special needs so arrangements can be made to accommodate you.

Dated at Pierre, South Dakota, this 13th day of February, 2004.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By: Delaine Kolbo

Date: 2/13/04

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

Robert K. Sahr

ROBERT K. SAHR, Chairman

Gary Hanson

GARY HANSON, Commissioner

James A. Burg

JAMES A. BURG, Commissioner

CERTIFICATE OF SERVICE

I hereby certify that an original and ten (10) copies of the foregoing document were hand-delivered on March 5, 2004 to:

Pam Bonrud
Executive Director
South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501

Copies were sent by Federal Express to:

Talbot Wieczorek
Gunderson Palmer Goodsell & Nelson LLP
440 Mount Rushmore Road
Rapid City, SD 57701

Mark Ayotte
2200 West First Ntl Bank Bldg
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St Paul, MN 55101

Dated this fifth day of March, 2004.

Darla Pollman Rogers

Darla Pollman Rogers
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March 11, 2004

FAX Received MAR 11 2004

RECEIVED

MAR 15 2004

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

FACSIMILE TRANSMISSION AND US MAIL
(605) 773-3809

Pam Bonrud, Executive Director
South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501

RE: *TC 03-191 In the Matter of the Application of WWC Holding Co., Inc. d/b/a/ CellularOne© for Designation as an Eligible Telecommunications Carrier*

Dear Ms. Bonrud:

Please find enclosed the original and ten copies of the Motion to Withdraw Petition and Intervene of Alliance and Splitrock in the above matter. Please do not hesitate to contact me if you have any questions. Thank you for your assistance. By copy of this correspondence, I am intending service by mail upon all interested parties.

Sincerely,

CUTLER & DONAHOE, LLP

Meredith A. Moore

Meredith A. Moore
For the Firm

MAM/jlh
Enclosures
cc: Interested Parties

FAX Received MAR 11 2004

RECEIVED
MAR 15 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of WWC License LLC, d/b/a/ CellularOne© for Designation as an Eligible Telecommunications Carrier	Docket No. TC 03-191 **MOTION TO WITHDRAW PETITION TO INTERVENE OF ALLIANCE AND SPLITROCK**

COME NOW, Alliance Communications Cooperative, Inc. ("Alliance") and Splitrock Properties Inc. ("Splitrock"), by and through their undersigned counsel, and pursuant to A.R.S.D. 20:10:01:02.04, petition this Commission for leave to withdraw its Intervention in the above entitled proceeding.

IN SUPPORT THEREOF, Alliance and Splitrock do state and declare as follows:

1. Alliance is an independent facilities-based incumbent local exchange company offering local exchange service in six exchanges in South Dakota.

2. Splitrock is an independent facilities-based incumbent local exchange company offering local exchange service in two exchanges in South Dakota, and is a wholly-owned subsidiary of Alliance.

3. Prior to January 1, 2003, Alliance was known as Splitrock Telecom Cooperative, Inc. It then operated the Brandon and Garretson local telephone exchanges. These two exchanges were consolidated with the two Oldham/Ramona and Howard exchanges operated by Splitrock into a single study area consisting of four exchanges.

4. On January 1, 2003, Alliance, f/k/a Splitrock Telecom Cooperative, Inc., merged with Baltic Telecom Cooperative and its wholly-owned subsidiary, East Plains Telecom, Inc. In

conjunction with the merger, the name of Splitrock Telecom Inc. was changed to Alliance Communications Cooperative, Inc.

5. Due to the above-described change in corporate structure, the study area of Splitrock consists not only of its own exchanges of Oldham/Ramona and Howard, but also of Alliance's Brandon and Garretson exchanges.

6. On November 7, 2003, WWC License, Inc. d/b/a/ Cellular One© ("Western Wireless") applied (the "Application") to this Commission for designation as an eligible telecommunications carrier ("ETC") in the study areas of several rural telephone companies, including the study area comprise of the certificated service territory of Splitrock and a portion of the certificated service territory of Alliance.

7. On November 21, 2003, Alliance and Splitrock filed a Petition to Intervene in the Western Wireless ETC proceeding, which this Commission granted on December 17, 2003.

8. By virtue of this Commission's Findings of Fact and Conclusions of Law; *Notice of Filing of Entry of Order on October 18, 2001, in the Matter of the Filing by GCC License Corporation for Designation as an Eligible Telecommunications Carrier*, Docket No. TC 98-146, Western Wireless was granted ETC status in the Brandon and Garretson exchanges owned by Alliance f/k/a Splitrock Telecom Cooperative, Inc. See Attachment A to *Notice of Filing of Entry of Order on October 18, 2001, in the Matter of the Filing by GCC License Corporation for Designation as an Eligible Telecommunications Carrier*. The language of the Order leaves unresolved the question of whether Western Wireless may already have or is entitled to ETC status in Splitrock's Oldham/Ramona and Howard local exchanges because of this Commission's 2001 determination.

9. Because of the configuration of the Alliance-Splitrock study area, and this Commission's previous grant of ETC status to Western Wireless in the Brandon and Garretson exchanges which form a part of that study area, Splitrock and Alliance believe they are confronted with a more complex factual situation than that confronting the other Interveners.

10. Alliance and Splitrock submit that their withdrawal has no reflection upon the strength of the arguments already made and those to be made in the future by the remaining Intervenors opposing Western Wireless' Application.

11. Alliance and Splitrock will continue to support the efforts of SDTA, but not as a named party in the above-entitled proceeding.

WHEREFORE, Alliance and Splitrock respectfully request that the Commission grant this Motion to Withdraw their Intervention in the above entitled proceeding.

Dated this 11th day of March, 2004.

CUTLER & DONAHOE, LLP
Attorneys at Law

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Attorneys for Petitioners

CERTIFICATE OF SERVICE

The undersigned certifies that on the 11th day of March, 2004, I served a true and correct copy of the Petition to Intervene of Alliance Communications Cooperative, Inc. and Splitrock Properties, Inc. by regular United States mail, first class postage prepaid, to:

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March 12, 2004

VIA FAX 605-773-3809
AND NEXT DAY DELIVERY
Pamela Bonrud
Executive Director
SD Public Utilities Commission
500 E Capitol Avenue
Pierre SD 57501

FAX Received MAR 12 2004

RECEIVED
MAR 15 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

RE: WWC's Petition for Designation as an ETC
TC03-191 GPGN File No. 5925.030691

Dear Ms. Bonrud:

Enclosed please find WWC's Opposition to Intervenors' Motion to Expand Procedurals Schedule and WWC's Opposition to Intervenors' Motion to Compel discovery. In addition to providing the documents by fax for filing today, I have emailed these documents both to your attention and staff counsel, Karen Cremer. The Affidavit of Gene DeJordy will be following yet today.

The original and ten copies of the documents are being sent by Next Day Delivery and will be at the South Dakota Public Utilities Commission's office by Monday morning.

If you have any questions or need anything else from us before the hearing on Monday, please let me know.

Sincerely,

Talbot J. Wieczorek

TJW:klw
Enclosures
c: Richard Coit via fax 1-605-224-1637
Darla Pollman Rogers via fax 1-605-224-7102
Jim Cremer via fax 1-605-225-2497
Meredith Moore via fax 1-605-335-4961
Clients

FAX Received MAR 12 2004 RECEIVED
MAR 15 2004
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of WWC License LLC, d/b/a/ CellularOne© for Designation as an Eligible Telecommunications Carrier	Docket No. TC 03-191 **WESTERN WIRELESS' OPPOSITION TO INTERVENORS' MOTION TO EXPAND PROCEDURAL SCHEDULE**

I. INTRODUCTION

Petitioner WWC License LLC, d/b/a/ CellularOne© ("Western Wireless") opposes intervenors' motion to expand the procedural schedule and delay the hearing in this matter. The intervenors, six rural telephone companies and the South Dakota Telecommunications Association ("SDTA"), seek to expand the previously set schedule based upon recent legal developments, together with purported discovery issues set out in intervenors' separate motion to compel. Intervenors' motion to expand the procedural schedule should be denied in all respects. The intervenors have failed to show good cause to further extend the schedule. The purported discovery dispute, which is subject to another motion, does not prejudice the intervenors' ability to proceed under the present schedule and participate in a hearing set for May. Nor do any recent legal developments warrant delays in the existing schedule. For example, the FCC's Virginia Cellular decision does not change the public interest requirement. Further, the recent Joint Board Recommended Decision is merely a recommendation for the FCC to consider development of permissive guidelines to determine the public interest standard, which do not affect any change in existing law. This Commission should deny intervenors' motion to expand procedural schedule, avoid the unwarranted delays sought by intervenors, and proceed with this matter under the present schedule.

II. STATEMENT OF PROCEEDINGS

On November 4, 2003, Western Wireless commenced this proceeding by filing a Petition seeking designation as an eligible telecommunications carrier ("ETC") pursuant to 47 U.S.C. §214(e) and the regulations of the Federal Communications Commission ("FCC"). Subsequently, six rural telephone companies, together with the SDTA, were permitted to intervene.

By Order dated February 13, 2004, this Commission set the following procedural schedule:

- December 30, 2003 – Western Wireless filed its direct testimony;
- March 15, 2004 – Intervenors shall file reply testimony;
- March 29, 2004 – Western Wireless may file rebuttal testimony;
- April 8, 2004 – Intervenors may file surrebuttal testimony.

An adversary hearing is scheduled for May 4-6, 2004, before the Commission.

Consistent with this schedule, Western Wireless filed the direct testimony of James H. Blundell in support of its Petition on December 30, 2003. Subsequently, on January 30, 2004, the intervenors served 28 interrogatories (excluding multiple subparts) on Western Wireless. Within 13 business days, on February 17, 2004, Western Wireless served its answers to these interrogatories. These responses are set forth in detail in Western Wireless' response to the intervenors' motion to compel discovery, which is incorporated herein by reference.

On March 5, 2004, the intervenors served the motion to expand procedural schedule at issue here, together with their motion to compel discovery. Prior to service of these motions, intervenors did not contact Western Wireless to discuss and/or attempt to resolve any of these issues on an informal basis.

III. ARGUMENT

A. INTERVENORS FAIL TO ESTABLISH GOOD CAUSE TO EXPAND THE PROCEDURAL SCHEDULE

Once procedural schedules are established, the parties must diligently comply with such schedules, unless good cause is shown to justify a change in the deadlines. See Annett v. American Honda Motor Co., Inc., 548 N.W.2d 798, 806 (S.D. 1996) ("A schedule shall not be modified except by leave of the judge upon a showing of good cause.") (concurring opinion). See also Archer Daniels Midland Co. v. Aon Risk Services, Inc., 187 F.R.D. 578, 581-82 (D. Minn. 1999) ("The 'good clause' standard is an exacting one, for it demands a demonstration that the existing schedule 'cannot reasonably be met despite the diligence of the parties seeking the extension'") (citations omitted). Here, intervenors' motion fails to set forth or establish any good cause sufficient to warrant a change in the procedural schedule, and thus their motion must be denied.

B. FURTHER DELAY AS REQUESTED BY INTERVENORS IS UNNECESSARY TO MEET EXISTING DEADLINES

Western Wireless has proceeded diligently to meet the existing deadlines, and intervenors have failed to demonstrate why they cannot do the same. The Petition was filed on November 4, 2003. Western Wireless filed its direct testimony over two months ago on December 30, 2003. Western Wireless has made no request to supplement its currently filed direct testimony. Rather, Western Wireless is waiting for intervenors' reply testimony which is due to be filed on March 15. Thereafter, Western Wireless has the right to file rebuttal testimony by March 29. And, most relevant to this motion, the intervenors will have an opportunity to file surrebuttal testimony by April 8 under the existing schedule. Any additional testimony which intervenors believe is relevant to the issues raised in the current motion can be fully addressed in its surrebuttal testimony.

Intervenors' rationale for requesting an expansion of the existing schedule, a purported discovery dispute and claimed recent legal developments, are addressed below and do not warrant an expansion of the schedule. Notwithstanding, intervenors have failed to proceed diligently under the existing schedule. Although Western Wireless filed direct testimony on December 30, intervenors did not serve their interrogatories until a month later on January 30. Western Wireless promptly responded and served answers on February 17. Although intervenors make typical "stone-walling" claims with respect to those responses, Western Wireless was unaware of intervenors' dissatisfaction until their motion to compel was served contemporaneously with this motion. Intervenors' own lack of diligence, not any delay or stone-walling by Western Wireless, underlies their desire to add delay into this schedule.

Finally, intervenors' rights of due process under § 20:10:01:15.05 will not be impaired by denial of this motion. They have full notice of the issues presented by the Petition. They will no doubt appear, cross-examine Western Wireless' witnesses, and will present any other relevant information concerning their positions at the hearing which should start as scheduled on May 4. Given the time remaining under the existing scheduling order and the lack of any demonstrated good cause, the intervenors' request for delay should be denied in all respects.

C. INTERVENORS' MOTION TO COMPEL DISCOVERY PROVIDES NO BASIS TO DELAY THESE PROCEEDINGS

Intervenors contend that the procedural schedule should be expanded based upon purported deficiencies in Western Wireless' answers to interrogatories. For the reasons set forth in Western Wireless's response to intervenors' motion to compel discovery, the motion to compel lacks merit and should be denied. As such, it provides no basis to expand the procedural schedule or further delay these proceedings.

Regardless of the outcome of the motion to compel, intervenors have failed to articulate why any discovery dispute provides good cause to expand the existing schedule and delay the hearing. Even if additional discovery responses are provided and/or required, intervenors have sufficient time to develop testimony and prepare for the hearing. For example, intervenors still have an opportunity to file surrebuttal testimony by April 8. Likewise, intervenors still have a full opportunity to present evidence and to cross-examine Western Wireless' witnesses at the May 4 hearing. This is not a situation where deadlines for discovery and/or testimony have closed. Instead, there is sufficient time to complete discovery, prepare and file testimony, and prepare for the hearing under the existing schedule.

D. RECENT LEGAL DEVELOPMENTS DO NOT WARRANT ANY EXPANSION OF THE EXISTING SCHEDULE

1. The Scope of this Proceeding has not Changed

Intervenors erroneously contend that an expansion of the procedural schedule is warranted in light of a recent FCC decision and a recommended decision of the Joint Board. See In the Matter of Federal-State Joint Board on Universal Service, Virginia Cellular, LLC Petition for Designation as an Eligible Telecommunications Carrier in the Commonwealth of Virginia, CC Docket No. 96-45, Memorandum Opinion and Order, FCC 03-338 (rel. Jan. 22, 2004) ("Virginia Cellular"); Federal-State Joint Board on Universal Service, Recommend Decision, CC Docket 96-45, FCC 04J-1 (rel. Feb. 27, 2003) ("Joint Board Recommended Decision"). The impact of these developments is misstated, as discussed below.

Virginia Cellular and the Joint Board Recommended Decision do not change the nature of this Commission's inquiry. The scope of this proceeding and the applicable legal standards have not broadened. Rather, the applicable standards for designating a federal ETC remain the same, namely, those criteria set forth in 47 U.S.C. § 214(e) and the FCC's rules, including

whether it is in the public interest to designate Western Wireless as an additional ETC in the requested areas.

2. Virginia Cellular has not Changed the Public Interest Determination

Contrary to intervenors' implicit argument, Virginia Cellular has not changed the requirement for the Commission to make a public interest determination, and the FCC has not second-guessed its prior decisions that designating a competitive wireless ETC serves the public interest. Indeed, the FCC's Virginia Cellular decision recognizes that the designation of a wireless competitive ETC in rural areas serves the public interest and furthers the goals of universal service by providing, among other things, greater mobility, a choice of providers, and the benefits of larger local calling areas. Virginia Cellular, ¶¶ 12, 29. In addition, the FCC specifically recognized that greater access to mobile emergency services "can mitigate the unique risks of geographic isolation associated with living in rural communities." consistent with the public interest. Virginia Cellular, ¶ 29.

Contrary to intervenors' argument, the FCC did not require an exacting build-out coverage analysis. Rather, the FCC accepted voluntary build-out commitments where a carrier's existing coverage was admittedly at a sub-par level. Virginia Cellular, ¶ 16. That is simply not the case in this proceeding.

Accordingly, Virginia Cellular does not change the legal standards to be applied by the Commission in this proceeding nor does it justify any delay in the existing procedural schedule.

3. The Joint Board Recommended Decision Merely Sets Forth Proposed Permissive Guidelines and does not Warrant Further Delay

Intervenors' reliance on the Joint Board Recommended Decision is also misplaced and does not support any extension of the present schedule. As the legislative history makes clear,

until the FCC acts to adopt or decline a recommended decision of the Joint Board, the recommendations are merely advisory and of no legal effect:

> Consistent with all Joint Boards established under section 410(c), the recommendations of the Joint Board are advisory in nature, and the FCC is not required to adopt the recommendations. However, the Committee [on Commerce, Science and Transportation] intends that the FCC shall give substantial weight to the Joint Board recommendations.

Senate Report No. 104-23, p. 25 (Mar. 30, 1995) (emphasis added). Since 1996, the FCC has on many occasions made recommendations that were not adopted by the FCC. As such, there is no legal significance to the pending Joint Board recommendations.

In fact, the Joint Board explicitly noted it was merely recommending that the FCC consider "adopt[ing] permissive federal guidelines for states to use when determining ETC applications." Joint Board Recommended Decision, ¶ 9. Further, the Joint Board noted that any federal guidelines "should be flexible and non-binding on the states." Id. ¶ 10 (emphasis added). As such, the Joint Board recommendations, which intervenors contend somehow changes the public interest analysis, requires in the first instance adoption by the FCC, and thereafter adoption by this Commission of any guidelines for consideration of future ETC applications in South Dakota. Short of such action by the FCC and this Commission, the Joint Board recommendations do not change any of the existing requirements or the public interest analysis whatsoever.

Nor does the Joint Board's request for seeking additional comment on a possible primary line method of funding change existing funding rules. The proposed primary line funding change would still hold rural LECs harmless from a loss of any USF support. The rural LECs would not lose any per-line support even if they lost a primary line because their support is not calculated on a per-line basis. Under current and existing FCC funding rules, intervenors would not lose any revenue due to Western Wireless' designation as an ETC as sought in this

proceeding. In any case, even the Joint Board recommends that the FCC seek further comment before adopting any new funding mechanisms. See Joint Board Recommended Decision, ¶ 3 ("[W]e recommend that the Commission seek comment on whether to restate support for non-rural carriers."); ¶ 86 ("More generally, we encourage the Commission to seek comment on the impact of our primary connection proposal on investment in rural areas.").

In sum, like Virginia Cellular, the Joint Board's Recommended Decision in no way changes the existing criteria that this Commission must apply in determining Western Wireless' application, and provides no basis to further delay this proceeding.

IV. CONCLUSION

Based upon the foregoing, intervenors' motion to expand procedural schedule should be denied.

Respectfully submitted,

Dated: March 11, 2004

By _____
Talbot J. Wieczorek
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& NELSON LLP
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ATTORNEYS FOR WWC LICENSE LLC d/b/a CELLULARONE©

CERTIFICATE OF SERVICE

The undersigned certifies that on the 4 day of March, 2004, I served a true and correct copy of the foregoing Western Wireless' Opposition to Intervenors' Motion to Expand Procedural Schedule by fax by fax and Overnight to:

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FAX Received MAR 12 2004

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MAR 15 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of WWC License LLC, d/b/a/ CellularOne© for Designation as an Eligible Telecommunications Carrier	Docket No. TC 03-191 **WESTERN WIRELESS' OPPOSITION TO INTERVENORS' MOTION TO COMPEL DISCOVERY**

I. INTRODUCTION

Petitioner WWC License LLC, d/b/a CellularOne ("Western Wireless") opposes intervenors' motion to compel discovery. This motion, which relates to Western Wireless' responses to 28 interrogatories, should be denied for the following reasons: a) the intervenors failed to attempt to resolve these discovery issues informally prior to filing their motion to compel; b) contrary to the impression in intervenors' motion, Western Wireless fully answered virtually all of the interrogatories at issue; c) as detailed below, Western Wireless is willing to provide further information on certain subjects; and d) answers to the remaining interrogatories at issue should not be compelled on grounds of irrelevancy, the non-existence of the requested information, and/or undue burden.

II. STATEMENT OF PROCEEDINGS

Prior proceedings in this matter relevant to this motion are fully set forth in the Statement of Proceedings contained in Western Wireless' Opposition to Intervenors' Motion to Expand Procedural Schedule, which is being served and filed contemporaneously with this response, and is incorporated herein by reference.

III. ARGUMENT

A. STANDARDS FOR MOTION TO COMPEL DISCOVERY.

Discovery may not be had on matters irrelevant to the subject matter involved in the pending action. See Miscellaneous Docket Matter # 1 v. Miscellaneous Docket Matter # 2, 197 F.3d 922, 925 (8th Cir. 1999) (citing Fed. R. Civ. P. 26(b)(1)). Even if relevant, discovery is not permitted if it would be unduly burdensome. See id.; Archer Daniels Midland Co. v. Aon Risk Services, Inc., 187 F.R.D. 578, 586 (D. Minn. 1999) (court may limit discovery if the burden or expense of the proposed discovery outweighs its likely benefit). Under these standards, this Commission should deny intervenors' motion to compel to the extent the information sought is irrelevant or unduly burdensome.

B. INTERVENORS FAILED TO ATTEMPT TO RESOLVE ANY DISCOVERY DISPUTE PRIOR TO FILING THIS MOTION.

Intervenors made no attempt to meet and confer with Western Wireless in an attempt to resolve any potential discovery dispute concerning Western Wireless' answers to interrogatories. Indeed, Western Wireless was unaware of any dissatisfaction with its answers until receipt of the motion to compel, filed more than two weeks after Western Wireless served its answers.

Although there may not be a formal meet and confer requirement under South Dakota administrative practice, the policy rationale underlying such a requirement in civil lawsuits has equal applicability here. This Commission should not be burdened with expending time and energy to resolve potential discovery disputes that the parties may be able to work out on their own. As set forth below, many of the issues raised in intervenors' motion to compel are amenable to such resolution without assistance from the Commission. Given the intervenors' failure to even attempt to resolve any purported discovery issues, the Commission should deny

the motion to compel, and instead require the parties to first attempt to resolve any differences before considering any discovery motion.

C. THE INTERROGATORIES AT ISSUE.

1. Interrogatory 1(c) and 1(d)

Interrogatory 1 states in part:

> (c) Identify the amount of high cost support received currently on a monthly basis in each service area or study area in South Dakota where Western Wireless has already been designated an ETC. In addition, identify how much high cost support on a per line, per month basis Western Wireless receives in each service area or study area in South Dakota where it has already been designated.
>
> (d) Identify the total amount of federal high cost support received by Western Wireless during calendar year 2002 and the high cost support received during calendar year 2003. Also, provide the total amount of high cost support received for each of these calendar years by service area or study area where it has been designated an ETC.

(Emphasis added.)

Western Wireless' Objection/Response to Interrogatory 1(c) and 1(d)

Western Wireless' objected to these interrogatory subparts because service or study areas where Western Wireless has already been designated as an ETC are not at issue in this case, and do not bear on whether designation should be granted in areas covered by the current application.

Western Wireless also responded to interrogatory 1(c) by stating that "the Universal Service Administrative Company ("USAC") provides Western Wireless with a total amount for all South Dakota study areas where it has been designated an ETC and does not attribute certain support amounts to each study area." In addition, in Confidential Exhibit 10, Western Wireless provided actual universal service funds received for South Dakota in 2003, and amounts anticipated to be received for South Dakota in 2004.

Western Wireless' Argument Regarding Interrogatory 1(c) and (d)

As noted in Western Wireless' objections, interrogatories which do not relate to service or study areas requested in this Petition are irrelevant. Although paragraph 7 of intervenors' motion suggests that the information is relevant to determining whether Western Wireless is committed to providing service throughout its requested areas, this interrogatory does not seek support information for the service or study areas actually requested in the application. The fact is Western Wireless has not received any universal service support for the areas in which it is seeking ETC designation in this proceeding.

Nonetheless, Western Wireless provided the information it possesses responsive to interrogatory no. 1(c). Although line counts are submitted by Western Wireless on a study area or service area basis, USAC does not break down the actual distributions on a per line basis for each area. Rather, USAC pays Western Wireless a lump sum distribution each month for every state in which it reports eligible lines. Thus, Western Wireless neither reports nor knows the amount of per line support in a particular service or study area. Instead, Western Wireless relies on USAC's projections, which are published quarterly. Western Wireless receives the same explicit per line high-cost support that each individual ILEC receives. Therefore, intervenors can compare the per line USAC projections by study area against any future payments Western Wireless will receive as an ETC in the relevant study areas (see Appendices HC-1 and HC-5 at www.universalservice.org/fccfilings). As such, Western Wireless lacks this information requested. Dejordy Aff. ¶ 4. No additional information is available.

In addition, information responsive to interrogatory no. 1(d) has been provided for 2003 in the form in which Western Wireless possesses the information. No additional information is available.

2. **Interrogatory 2**

Interrogatory 2 states:

> Provide a listing of the number of subscribers and the number of phones (handsets or equivalent customer equipment units) that Western Wireless currently serves in each of the service areas or study areas in South Dakota where Western Wireless is now seeking ETC designation.

(Emphasis added.)

Western Wireless' Objection/Response to Interrogatory 2

In its response, Western Wireless provided subscriber numbers.

Western Wireless' Argument Regarding Interrogatory 2

In this motion, intervenors also seek handset numbers. Western Wireless agrees to supplement its answer and provide this information, and would have done so if requested informally by intervenors.

3. **Interrogatory 4**

Interrogatory 4 states:

> For high cost support amounts identified in interrogatory No. 1(d), identify which amounts were expended for the provision, maintenance and upgrading of facilities and services for Western Wireless' universal service offering. If this amount is a positive amount, describe with specificity whether amounts were spent for a) provision of facilities and services; b) maintenance of facilities and services; or c) upgrading of facilities and services. Further identify such amounts as to type of expenditure or expense (e.g. construction of tower site) along with geographic location, including study area.

(Emphasis added.)

Western Wireless Objection/Response to Interrogatory 4

Western Wireless objected to this interrogatory on relevance grounds, as the amounts of universal service support received for the service and study areas where ETC designation has already been granted are not at issue in this docket.

Despite the lack of relevance, Western Wireless also responded: "The Public Utilities Commission of the State of South Dakota ('Commission') established a mechanism to certify the proper use of funds for all carriers designated as ETCs consistent with the requirements of 47 U.S.C. § 254(e) and applicable FCC regulations. Western Wireless participated in this process (Docket TC03-158), filed information requested, and the Commission determined to certify Western Wireless' use of high cost support amounts to the FCC and USAC."

In addition, in Confidential Exhibit 10, Western Wireless provided actual universal service funds received for South Dakota in 2003, and amounts anticipated to be received for South Dakota in 2004. Confidential Exhibit 10 also includes actual 2003 expenses and projected 2004 expenses for the State, broken down into the following categories:

Network Capital
Costs of Service
Customer Services (includes sales and marketing)
Executive and Planning Expenses
General and Administrative (includes IT and Billing)

Western Wireless' Argument Regarding Interrogatory 4

Like interrogatory 1(c) and (d), this request is irrelevant because Western Wireless has never received federal USF for the areas where Western Wireless is seeking designation in this proceeding. Once designated as an ETC, Western Wireless is required pursuant to 47 U.S.C. § 254(e) to use the support to provide, maintain, and upgrade facilities and services. Thereafter, the Commission will annually review compliance with this standard and provide certification to the FCC and USAC in accordance with §§ 54.313 and 54.314 of the FCC rules. This post-designation review process on the use of federal universal support is obviously beyond the scope of this ETC designation proceeding.

Notwithstanding, Western Wireless provided intervenors with information on expenses/receipts in South Dakota for 2003 and projections of same for 2004. This information

reveals Western Wireless incurs significantly higher expenses than receipts of universal service support in South Dakota, and thus demonstrates Western Wireless utilizes federal USF to provide supported services in South Dakota.

4. Interrogatory 5

Interrogatory 5 states:

> Please provide information identifying the number and location of Western Wireless cellular towers, owned or leased, that existed in South Dakota on January 1, 1999, that were utilized to provide Western Wireless' Commercial Mobile Radio Services (CMRS) to Western Wireless subscribers in South Dakota.

(Emphasis added.)

Western Wireless' Objection/Response to Interrogatory 5

Western Wireless objected to this interrogatory as calling for information that is neither admissible nor reasonably calculated to lead to the discovery of admissible evidence, as well as being unduly burdensome.

Western Wireless' Argument Regarding Interrogatory 5

Intervenors claim that information showing the development of Western Wireless' network and/or investments made is relevant to determining whether Western Wireless "has the capability and is, in fact, committed to providing its services throughout the rural service areas subject to the ETC designation petition." Motion, ¶ 13. This argument is nonsensical, as the requested information regarding Western Wireless' network in South Dakota on January 1, 1999 is immaterial to the service areas requested in this Petition. The only relevant inquiry relates to Western Wireless' current commitment and ability to provide the supported services in the requested designated areas based on its current network. Whatever the network looked like on January 1, 1999 is irrelevant.

5. Interrogatory 6(b), 6(c), 6(d), and 6(g)

Interrogatory 6 states in part:

> Please provide a listing of the cellular towers that Western Wireless currently operates within the state of South Dakota including each tower location and for each location:
> b. The tower site elevation (please indicate units of measure),
> c. The tower ERP in watts,
> d. The type of antenna utilized, and
> g. The type of auxiliary power deployed and estimated amount of back-up power available.

(Emphasis added.)

Western Wireless' Objection/Response to Interrogatory 6

Western Wireless' objected to this interrogatory on grounds of relevance and undue burden. Notwithstanding, Western Wireless provided cell tower location and height information in Confidential Exhibit 6.

Western Wireless' Argument Regarding Interrogatory 6

As mentioned in this answer, Western Wireless has already provided responsive information that was readily available to it, including height, latitude/longitude, county location, and digital capabilities for cell tower sites. Beyond this, it would require a site-by-site audit to obtain the additional information requested in the interrogatory concerning ERP, type of antenna, and auxiliary power of all cellular towers. See Dejordy Aff. ¶ 5. This audit would be very time consuming, expensive, and would not lead to relevant information related to Western Wireless' capabilities to provide the supported services throughout the designated service areas. Id. Notwithstanding, further information concerning ERP, type of antenna, and auxiliary power for Western Wireless' cell sites based upon general network standards are presented in the Dejordy Aff., ¶ 5, together with the spreadsheet attached thereto.

6. Interrogatory 7

Interrogatory 7 states:

> Please provide a listing of the cellular towers that Western Wireless plans to construct within the next two years, or that it plans to construct as part of its commitment to serve "throughout the service areas referenced in this Application." See Direct Testimony of James H. Blundell on behalf of WWC Holding Co., Inc., and WWC License LLC ("Blundell's Testimony") at page 4, line 10. For each such tower location please provide the information requested in the previous question.

(Emphasis added.)

Western Wireless' Objection/Response to Interrogatory 7

Western Wireless objected to this interrogatory on relevance grounds.

Western Wireless' Argument Regarding Interrogatory 7

Western Wireless is not required to submit investment or build-out plans, as this is not a requirement for ETC designation. See 47 U.S.C. § 214(e). Nor is Western Wireless limited to using federal USF only for network build-out. As a result, this requested information is not relevant to the issues in this proceeding.

7. **Interrogatory 9**

Interrogatory 9 states:

> Please provide the study materials described by Blundell's Testimony on page 18, lines 4 through 12, including any and all work papers, maps (including, but not limited to propagation maps), computer output or other materials that support the conclusions reached in the referenced portion of his testimony.

(Emphasis added.)

Western Wireless' Objection/Response to Interrogatory 9

Western Wireless objected to this interrogatory based on confidentiality.

Western Wireless' Argument Regarding Interrogatory 9

Western Wireless' objection was rendered moot when intervenors signed a confidentiality agreement. Accordingly, Western Wireless agrees to produce these confidential study materials subject to the parties' confidentiality agreement.

8. Interrogatories 10 and 11

Interrogatory 10 states:

> Please identify the total dollars invested by Western Wireless for wireless network facilities and equipment (excluding handset and other customer premises equipment costs) located in South Dakota for each of the following years: 1999, 2000, 2001, 2002 and 2003.

(Emphasis added.)

Interrogatory 11 states:

> Please identify the total dollars invested by Western Wireless for wireless network facilities and equipment (excluding handset and other customer premises equipment costs) within the service areas covered by Western Wireless' application for ETC status for each of the following years: 1999, 2000, 2001, 2002 and 2003.

(Emphasis added.)

Western Wireless' Objection/Response to Interrogatories 10 and 11

Western Wireless objected on relevance grounds as Western Wireless was not an ETC during years 1999, 2000, and 2001. Western Wireless fully responded to interrogatory no. 10 for 2003. See Confidential Exhibit 10. With regard to interrogatory no. 11, Western Wireless also stated it does not keep investment records on a "study-area" basis.

Western Wireless' Argument Regarding Interrogatories 10 and 11

Because Western Wireless was not designated as an ETC in South Dakota before 2002, and therefore was not receiving any universal service support, the network and facilities investment information requested for prior years (1999, 2000, and 2001) is irrelevant and need not be produced. Western Wireless has already produced information for 2003 responsive to interrogatory no. 10. Western Wireless will also produce information for 2002 responsive to

interrogatory no. 10. Moreover, Western Wireless does not have the information necessary to respond to interrogatory no. 11 since capital expenditures are not tracked with reference to the rural LEC's service area. Accordingly, the information requested is not germane to the issues in this proceeding or otherwise not available to Western Wireless.

IV. CONCLUSION

Based upon the foregoing, intervenors' motion to compel discovery should be denied.

Respectfully submitted,

Dated: March 4, 2004

By _____
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& NELSON LLP
P.O. Box 8045
Rapid City, South Dakota 57709

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Mark G. Schroeder
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Saint Paul, Minnesota 55101

ATTORNEYS FOR WWC LICENSE LLC d/b/a CELLULARONE©

CERTIFICATE OF SERVICE

The undersigned certifies that on the 12 day of March, 2004, I served a true and correct copy of Western Wireless' Opposition to Intervenors' Motion to Compel by fax and Overnight Delivery to:

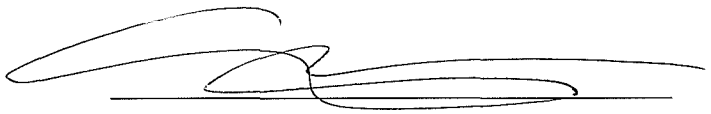
Richard D. Coit
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Riter, Rogers, Wattier & Brown
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GUNDERSON, PALMER, GOODSELL & NELSON, LLP

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SARA FRANKENSTEIN
AMY K. SCHULDT
JASON M. SMILEY

RECEIVED
MAR 15 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

March 12, 2004

FAX Received MAR 12 2004

CONFIDENTIAL INFORMATION ENCLOSED
VIA FAX 605-773-3809
Pamela Bonrud
Executive Director
SD Public Utilities Commission
500 E Capitol Avenue
Pierre SD 57501

RE: WWC's Petition for Designation as an ETC
TC03-191 GPGN File No. 5925.030691

Dear Ms. Bonrud:

Enclosed please find the Affidavit of Gene DeJordy in the above matter. The original and ten copies will be sent by Next Day Delivery and should be at your office by Monday morning.

Please note one of the two Exhibits contains confidential information and is marked as such pursuant to ARSD 20:10:01:41. We request the information remain confidential for 20 years. Any questions on the confidentiality may be directed to me.

Grounds for this information to be confidential is that it is proprietary, trade secret and internal financial information not subject to public disclosure.

Sincerely,

Talbot J. Wieczorek

TJW:klw
Enclosure
c: (w/o Encl) Richard Coit via fax 1-605-224-1637
Darla Pollman Rogers via fax 1-605-224-7102
Jim Cremer via fax 1-605-225-2497
Meredith Moore via fax 1-605-335-4961
Clients

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

RECEIVED
MAR 15 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

In the Matter of the Application of WWC License LLC, d/b/a/ CellularOne© for Designation as an Eligible Telecommunications Carrier	Docket No. TC 03-191 **WWC LICENSE, LLC d/b/a CELLULARONE©** **AFFIDAVIT OF GENE DEJORDY**

FAX Received MAR 12 2004

AFFIDAVIT OF GENE DEJORDY

1. I am the Vice President of Regulatory Affairs at Western Wireless Corporation ("Western Wireless") and its subsidiaries, including WWC License, LLC, the entity providing universal service in the state of South Dakota.

2. I am responsible for all regulatory, legislative, and legal matters arising from our status as a Commercial Mobile Radio Service ("CMRS") provider, including matters related to Western Wireless' Eligible Telecommunications Carrier ("ETC") status and provision of universal service.

3. I am familiar with the numerous pleadings filed in this docket, including Intervenors Motion To Compel Discovery ("Motion"), filed on March 5, 2004.

4. In its Motion, Intervenors "take issue" with Western Wireless' position that it does not have the information necessary to fully answer Interrogatories 1(c) and 1(d), notwithstanding the Company's objections to the relevancy of these interrogatories. The intervenors apparently believe that Western Wireless has information necessary to identify the amount of universal service support received by the Company on a service area or study area basis. As explained in our original responses to these Interrogatories, USAC provides Western Wireless with a monthly statement that identifies the total amount of universal service support received by the Company for all designated service areas in South Dakota (except the Pine Ridge Indian reservation). USAC does not further identify the amount of support received by the Company related to the provision of service within each individual designated service area (or rural telephone company study area). Consequently, as stated in its original response to Intervenors' Interrogatories, Western Wireless is not in possession of the information requested, nor has Western Wireless seen or previously been in the possession of this information.

5. In its Motion, Intervenors seek, through Interrogatory No. 6, specific information about the tower height, site elevation, ERP, type of antenna, latitude/longitude, digital capability, and auxiliary power of all cellular towers operated by Western Wireless in the state of South Dakota. In our original response to this Interrogatory, Western Wireless provided the

information that was readily available, which included the tower height, the latitude/longitude, county location, and digital capabilities. It would require a site-by-site audit in order to obtain the additional information requested on ERP, type of antenna, and auxiliary power of all cellular towers, , which would be very time-consuming, expensive, and would not seem to lead to any relevant information related to Western Wireless' capabilities to provide the supported services throughout the designated service areas. However, upon further examination of our cell site database, the following observations can be made with respect to ERP, type of antenna, and auxiliary power of cell sites in South Dakota: (1) the maximum ERP of our cell sitetransmitters is 500 Watts, consistent with Section 22.913(a) of the FCC rules, but the ERP of individual cell sites varies depending upon system design considerations; (2) the type of antennae used at cell sites locations can be identified with a reasonable degree of accuracy, but it is likely that there has been design modifications to certain cell sites to optimize system performance; and (3) auxiliary power at cell sites is a minimum of 4 hours, but certain cell sites have been designed for greater auxiliary power if they support interconnection to other cell sites in Western Wireless' network.. Western Wireless also has numerous back-up generators in its inventory, and available for use in South Dakota, to provide emergency power if the auxiliary power at cell sites is not sufficient. For each of its South Dakota cell sites, the attached spreadsheet contains information on ERP, type of antenna, and auxiliary power based upon the assumptions discussed above.

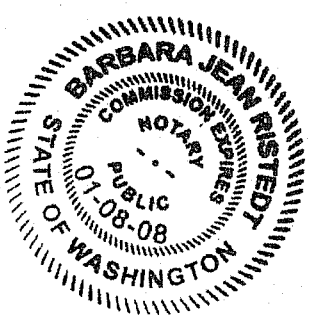
FURTHER AFFIANT SAYETH NOT

Gene DeJordy

Subscribed and sworn before me
this 5th day of March, 2004.

Barbara Jean Risted

Notary Public



CERTIFICATE OF SERVICE

The undersigned certifies that on the 12 day of March, 2004, I served a true and correct copy of Western Wireless' Affidavit of Gene DeJordy by fax and Overnight Delivery to:

Richard D. Coit
South Dakota Telecommunications Association
PO Box 57
Pierre, SD 57501

Darla Pollman Rogers
Riter, Rogers, Wattier & Brown
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Attorneys for Applicant

Talbot J. Wieczorek

CONFIDENTIAL

1

CONFIDENTIAL

#2

SDTA
Rural roots, global connections

South Dakota Telecommunications Association
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605/224-7629 ■ Fax 605/224-1637 ■ sdtaonline.com

March 16, 2004

RECEIVED
MAR 16 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Ms. Pamela Bonrud, Executive Director
South Dakota Public Utilities Commission
State Capitol Building,
500 East Capitol Ave.
Pierre, SD 57709-8045

RE: In the Matter of WWC's Petition for Designation as an ETC,
SD PUC Docket TC03-191

Dear Ms. Bonrud:

Enclosed you will find for filing in the above referenced matter, pursuant to the Commission's Order for and Notice of Procedural Schedule and Hearing issued on February 13, 2004, the original and ten (10) copies of the Direct Testimony of Intervenors in the above referenced docket.

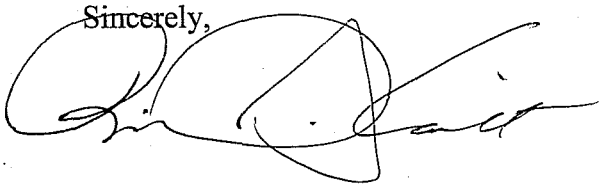
This includes the following:

Direct Testimony of Randy W. Houdek, filed on behalf of Venture Communications Cooperative;
Direct Testimony of George Strandell, filed on behalf of Golden West Telecommunications Cooperative, Inc. and Vivian Telephone Company;
Direct Testimony of James Groft, filed on behalf of James Valley Cooperative Telephone Company;
Direct Testimony of Sue Vanicek, filed on behalf of all Intervenors; and
Direct Testimony of Glen H. Brown, filed on behalf of all Intervenors.

Copies of the testimony have been served on both Mr. Talbot Wieczorek and Mr. Mark Ayotte, attorneys for Western Wireless, as indicated by the Certificate of Service provided with this letter.

Thank you for your assistance in filing and distributing these documents.

Sincerely,



Richard D. Coit
Executive Director and General Counsel
Richard D. Coit, *on behalf of all Interveners*
South Dakota Telecommunications Association
PO Box 57
Pierre, SD 57501
(605) 224-7629

Darla Pollman Rogers
Riter, Rogers, Wattier & Brown
PO Box 280
Pierre, SD 57501
Attorneys for Golden West Telephone Cooperative, Inc., Venture Communications Cooperative, Inc., Vivian Telephone Co., West River Telecommunications Cooperative, Tri-County Telcom, Inc.

James M. Cremer
Melissa E. Neville
Bantz, Gosch & Cremer
P.O. Box 970
Aberdeen, SD 57402
Attorneys for James Valley Cooperative Telephone Company

CERTIFICATE OF SERVICE

I hereby certify that an original and ten (10) copies of the Direct Testimony of:

Randy W. Houdek, filed on behalf of Venture Communications Cooperative;
George Strandell, filed on behalf of Golden West Telecommunications Cooperative, Inc. and Vivian Telephone Company;
James Groft, filed on behalf of James Valley Cooperative Telephone Company;
Sue Vanicek, filed on behalf of all Intervenors; and
Glen H. Brown, filed on behalf of all Intervenors.

Were hand-delivered on March 16, 2004 to:

Pam Bonrud
Executive Director
South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501

Copies were sent by Federal Express and by electronic mail to:

Talbot Wieczorek
Gunderson Palmer Goodsell & Nelson
440 Mount Rushmore Road
Rapid City, SD 57701

Mark Ayotte
Briggs & Morgan
2200 West First Ntl Bank Bldg
332 Minnesota Street
St Paul, MN 55101

Dated this 16th day of March, 2004.



Richard D. Coit, General Counsel
South Dakota Telecommunications Association
PO Box 57 – 320 East Capitol Avenue
Pierre, SD 57501-0057

RECEIVED
APR 06 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of	)	
WWC License LLC, d/b/a	)	
CellularOne© for Designation	)	DOCKET NO. TC03-191
as an Eligible Telecommunications	)	
Carrier	)	

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 5th day of April, 2004, I served a true and correct copy of the Western Wireless Corporation's Rebuttal Testimony of Don J. Wood and James Blundell (with exhibits) by Email and Next Day delivery, postage prepaid, to:

Email jcremer@midco.net
James Cremer
Bantz, Gosch & Cremer
PO Box 970
Aberdeen SD 57402

Email at richcoit@sdtaonline.com
Richard D. Coit
SD Telecommunications
PO Box 57
320 E Capitol Ave
Pierre SD 57501-0057

and by Next Day Delivery, postage prepaid, to:

Darla Pollman Rogers
Riter, Rogers, Wattier & Brown LLP
PO Box 280
319 South Coteau Street
Pierre SD 57501

GUNDERSON, PALMER, GOODSELL
& NELSON, LLP

Talbot J. Wieczorek
Attorney for Western Wireless Corporation
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Rapid City SD 57709
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SDTA
Rural roots, global connections

South Dakota Telecommunications Association
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March 17, 2004

RECEIVED
MAR 17 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Ms. Pamela Bonrud, Executive Director
South Dakota Public Utilities Commission
State Capitol Building,
500 East Capitol Ave.
Pierre, SD 57709-8045

RE: In the Matter of WWC's Petition for Designation as an ETC,
SD PUC Docket TC03-191

Dear Ms. Bonrud:

It was requested at the hearing this past Monday, March 15th, that we provide an update regarding the information we have received from Western Wireless since the filing of our Motion to Compel Discovery.

Accordingly, the purpose of this letter is to inform you that, as of today's date, we have received the following information relating to the Interrogatories that are referenced in our Motion to Compel:

"Interrogatory No. 1" (as set forth in Appendix A to Motion to Compel ("Motion")) - Intervenors have not received any additional responsive information beyond that already received, as noted in the Motion. Western Wireless continues to object to providing any service area specific universal service support funding information.

"Interrogatory No. 2" – Western Wireless has provided handset numbers since the filing of the Motion.

"Interrogatory No. 4" – Western Wireless continues to object to the Interrogatory and has provided no additional information describing "with

specificity" how high cost amounts identified as being already received have been spent.

"Interrogatory No. 5" – Western Wireless continues to object to the Interrogatory and has provided no response.

"Interrogatory No. 6" - Little additional information has been provided (see Gene DeJordy affidavit filed with the Commission, dated March 5th). We still have not been provided with tower specific information as to (1) tower site elevation; (2) tower ERP in watts; and (3) type of auxiliary power deployed and estimated amount of back-up power available.

"Interrogatory No. 7" – Western Wireless has not provided any response.

"Interrogatory No. 9" – Western Wireless has indicated that they will provide the back up information requested. As of today's date, however, we have not yet received the information.

"Interrogatory No. 10 - Western Wireless has provided information relevant to year 2003 and has indicated that it will supplement the answer with 2002 information. Western Wireless continues to object and has not provided information for prior years 1999-2001.

Interrogatory No. 11 – Western Wireless has not provided any of the information requested.

I hope that this provides information sufficient for the Commission's purposes. If not, please feel free to contact me at your convenience.

A copy of this letter is being sent to counsel for Western Wireless.

Sincerely,

Executive Director and General Counsel
Richard D. Coit, *on behalf of all Interveners*

South Dakota Telecommunications Association
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Melissa E. Neville
Bantz, Gosch & Cremer
P.O. Box 970
Aberdeen, SD 57402
Attorneys for James Valley Cooperative Telephone Company

CC: Karen Cremer
Mark Ayotte
Talbot Wieczorek

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E.D. MAYER
ROBERT C. RITER, Jr.
DARLA POLLMAN ROGERS
JERRY L. WATTIER
JOHN L. BROWN

OF COUNSEL:
Robert D. Hofer

TELEPHONE
605-224-5825
605-224-7889
FAX
605-224-7102

March 17, 2004

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MAR 22 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Ms. Pamela Bonrud
Executive Director
SD Public Utilities Commission
500 East Capitol Ave.
Pierre, South Dakota 57501

Re: Docket Number TC03-191

Dear Pam:

Enclosed herein for filing are the original and ten copies of West River's MOTION TO WITHDRAW from the above-named docket.

By copy of this letter, I am also serving the persons named on the Certificate of Service attached thereto.

Sincerely yours,

Darla Pollman Rogers

Darla Pollman Rogers
Attorney at Law

DPR/ph

Enclosures

CC: Mick Grosz

RECEIVED
MAR 2 2 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION OF WWC LICENSE LLC, D/B/A CELLULAR ONE© FOR DESIGNATION AS AN ELIGIBLE TELECOM-MUNICATIONS CARRIER.	) Docket No. TC-03-191)) MOTION TO WITHDRAW) PETITION

COMES NOW, West River Telecommunications Cooperative of Hazen, North Dakota (West River), by and through its undersigned counsel and pursuant to ARSD 20:10:01:02.04, hereby petitions this Commission for leave to withdraw its intervention in the above entitled proceeding.

IN SUPPORT THEREOF, West River states and declares as follows:

1. On November 7, 2003 WWC License, Incorporated, d/b/a Cellular One ("Western Wireless") applied ("the application") to this Commission for designation as an eligible telecommunications carrier (ETC) in the study areas of several rural telephone companies including the study area of the certificated service territory of West River.

2. On November 21, 2003 West River filed a Petition to Intervene in the Western Wireless ETC proceeding, which this Commission granted on December 17, 2003.

3. Because of West River's involvement in other regulatory action in North Dakota, West River wishes to withdraw its intervention petition in this docket.

4. West River submits that its withdrawal has no reflection upon the strength of the arguments already made and those to be made in the future by the remaining intervenors opposing Western Wireless' application.

5. West River will continue to support the efforts of SDTA, but not as a named party in the above entitled action.

WHEREFORE, West River respectfully requests that the Commission grant this Motion to Withdraw its intervention in the above entitled proceeding.

DATED this 22 day of March.

RITER, ROGERS, WATTIER & BROWN, LLP

By: Darla Pollman Rogers
Darla Pollman Rogers
A member of said firm
319 S. Coteau - P. O. Box 280
Pierre, SD 57501-0280
Attorneys for West River
Telecommunications Cooperative

CERTIFICATE OF SERVICE

I, Darla Pollman Rogers, certify that on the 22 day of March, 2004, I served a true and correct copy of the Motion to Withdraw Petition to Intervene of West River Telecommunications Cooperative by regular United States mail, first class postage prepaid, to:

Attorneys for WWC Holding Co., Inc., d/b/a
CellularOne©

Mark J. Ayotte
Kevin M. Decker
Briggs and Morgan, P.A.
2200 First National Bank Building
Saint Paul, MN 55101

Talbot J. Wieczorek
Gunderson, Palmer, Goodsell & Nelson, LLP
P. O. Box 8045
Rapid City, SD 57709

Attorneys for Petitioners
Ryan J. Taylor
Meredith A. Moore
100 N. Phillips Ave., 9th Floor
Sioux Falls, SD 57104-6725

General Counsel for SDTA
Richard D. Coit
P. O. Box 57
Pierre, SD 57501

Attorneys for James Valley Cooperative Telephone Company
James M. Cremer
Bantz, Gosch & Cremer
P. O. Box 970
Aberdeen, SD 57402

Darla Pollman Rogers

GUNDERSON, PALMER, GOODSELL & NELSON, LLP

ATTORNEYS AT LAW

WYNN A. GUNDERSON
J. CRISMAN PALMER
G. VERNE GOODSELL
JAMES S. NELSON
DANIEL E. ASHMORE
TERENCE R. QUINN
DONALD P. KNUDSEN
PATRICK G. GOETZINGER
TALBOT J. WIECZOREK
MARK J. CONNOT

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RECEIVED
MAR 2 3 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

March 22, 2004

VIA FAX 605-773-3809
Email pam.bonrud@state.sd.us
and U.S. Mail
Pamela Bonrud
Executive Director
SD Public Utilities Commission
500 E Capitol Avenue
Pierre SD 57501

FAX Received MAR 2 2 2004

RE: WWC's Petition for Designation as an ETC
TC03-191 GPGN File No. 5925.030691

Dear Ms. Bonrud:

I understand the Commission intends sending its decision on the Motion to Compel filed by the Intervenors in the above-entitled matter tomorrow. Given that the decision will be rendered tomorrow, I apologize for the lateness of this letter. However, I felt it necessary to quickly address a couple things contained in Mr. Coit's March 17, 2004 letter and I did not receive that letter until Friday as, unbeknown to Mr. Coit, this firm's internet provider had flagged his server as a possible SPAM server and had been rejecting his emails to me. Thus, I did not receive his letter until he faxed it to me on Friday.

In any case, I wanted to specifically address the fact that Western Wireless has agreed to provide information Intervenors requested in Interrogatory 9 and is in the process of accumulating the information. That information should be available this week.

As to Interrogatories 1 and 4, Western Wireless has provided all the information it has. The Motion to Compel attempts to make the statement that the information must be broken down by rural telecommunication study areas. However, USAC does not provide that information when paying Western Wireless. Rather, USAC simply pays one check by study areas that Western Wireless is designated. Western Wireless is designated two study areas in South Dakota. One encompasses the Pine Ridge Reservation with the other encompassing the remainder of South Dakota where Western Wireless is already designated.

The same provides for Interrogatory 4. Western Wireless has provided all the information being requested but it appears that Intervenors want Western Wireless to break the information down by all the rural telecommunication study areas as opposed to by the state. This information has not been kept in such a format and, therefore, is not available.

As to Interrogatories 5, 6 and 7, Western Wireless stands by its objections and previous arguments and briefing.

As to Mr. Coit's comments regarding Interrogatories 10 and 11, Western Wireless has provided all information for 2002 and 2003. In Interrogatory 11, the information has not been provided because Western Wireless never kept the financial information broken down in the format requested by Intervenors. Thus, as to Interrogatory 11, the information simply does not exist to break out the history of costs attributable to these service areas.

Again, I apologize for the lateness of this submission. If there is anything that you, the Commission or the staff needs clarification on, please feel free to contact me.

Sincerely,

Talbot J. Wieczorek

TJW:klw
c: Richard Coit via fax 1-605-224-1637
Darla Pollman Rogers via fax 1-605-224-7102
Jim Cremer via fax 1-605-225-2497
Meredith Moore via fax 1-605-335-4961
Karen Cremer, Staff Counsel via fax (605) 773-3809
Clients

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE FILING BY WWC LICENSE, LLC D/B/A CELLULARONE FOR DESIGNATION AS AN ELIGIBLE TELECOMMUNICATIONS CARRIER IN OTHER RURAL AREAS	ORDER GRANTING MOTION TO EXPAND PROCEDURAL SCHEDULE; ORDER GRANTING IN PART AND DENYING IN PART MOTION TO COMPEL DISCOVERY; ORDER GRANTING MOTION TO WITHDRAW TC03-191

On November 5, 2003, the Public Utilities Commission (Commission) received a filing by WWC Holding Co., Inc. d/b/a CellularOne (WWC) petitioning for approval of it as an eligible telecommunications carrier (ETC) in the study areas of the following rural telephone companies: Golden West Telecommunications Cooperative, Inc., James Valley Cooperative Telephone Company, Splitrock Properties, Inc., Venture Communications Cooperative f/k/a Sully Buttes Telephone Cooperative, Inc., Tri-County Telcom, Inc., Vivian Telephone Company, West River Telecommunications Cooperative (Mobridge) - SD, and West River Telecommunications Cooperative - SD.

On November 6, 2003, the Commission electronically transmitted notice of the filing and the intervention deadline of November 21, 2003, to interested individuals and entities. On November 21, 2003, Petitions to Intervene were filed by James Valley Cooperative Telephone Company, South Dakota Telecommunications Association, Alliance Communications Cooperative, Inc., Splitrock Properties, Inc., West River Telecommunications Cooperative, Golden West Telecommunications Cooperative, Inc., Vivian Telephone Company, Venture Communications Cooperative, and Tri-County Telcom, Inc. WWC objected to the intervention of South Dakota Telecommunications Association. At its regularly scheduled meeting of December 2, 2003, the Commission granted the above Petitions to Intervene. On January 2, 2004, WWC filed a Motion to Amend Petition to substitute as petitioner WWC License, LLC as the correct party. At its regularly scheduled meeting of January 20, 2004, the Commission granted the Motion to Amend Petition.

The Commission has jurisdiction over this matter pursuant to SDCL Chapters 1-26 and 49-31, including 1-26-18, 1-26-19, 49-31-3, 49-31-7, 49-31-7.1, 49-31-11, 49-31-78, 49-31-81; ARSD 20:10:32:42 through 20:10:32:46, inclusive; and 47 U.S.C. § 214(e)(1) through (5). By order dated February 13, 2004, the Commission set the following procedural schedule regarding the filing of testimony:

December 30, 2003 - WWC filed its direct testimony;

March 15, 2004 - Intervenors shall file reply testimony;

March 29, 2004 - WWC may file rebuttal testimony;

April 8, 2004 - Intervenors may file surrebuttal testimony.

The hearing was scheduled for May 4 through May 6, 2004. The issue at the hearing is whether WWC should be granted designation as an eligible telecommunications carrier in the study areas of the above listed rural telephone companies.

On March 5, 2004, the Commission received from the Intervenors a Motion to Compel Discovery and a Motion to Expand Procedural Schedule. On March 12, 2004, WWC filed its Opposition to Intervenors' Motion to Expand Procedural Schedule, its Opposition to Intervenors'

Motion to Compel Discovery, and an affidavit of Gene DeJordy. Included in this filing was additional responses to discovery that was the subject of the Motion to Compel Discovery.

On March 15, 2004, the Commission considered the motions filed by the Intervenors. The Intervenors proposed the following changes to the procedural schedule: Intervenors file reply testimony by March 16, 2004; Intervenors serve additional discovery; WWC files responses to discovery by March 31, 2004; WWC files rebuttal testimony by April 5, 2004; and Intervenors file surrebuttal (which may also address supplemental discovery and the discovery responses filed by WWC on March 12, 2004) by April 16, 2004.

The Intervenors also requested the opportunity to serve additional discovery requests upon WWC. The Intervenors requested the opportunity to serve additional discovery requests due to a recent decision issued by the Federal Communications Commission (FCC)[1] and a recent decision issued by the Federal-State Joint Board on Universal Service.[2] After listening to the arguments of the parties, the Commission voted to grant the Intervenors' Motion to Expand Procedural Schedule. The Commission accepted the proposed revised procedural schedule as proposed by the Intervenors with the addition of April 23, 2004, as the date WWC may file surrebuttal. Thus, the Commission adopts the following revised procedural schedule:

March 16, 2004 - Intervenors shall file reply testimony;

March 17, 2004 - Intervenors shall serve additional discovery;

March 31, 2004 - WWC files responses to discovery;

April 5, 2004 - WWC may rebuttal testimony;

April 16, 2004 - Intervenors may file surrebuttal testimony which may also address WWC's responses to the supplemental discovery and the additional discovery responses filed by WWC on March 12, 2004;

April 23, 2004 - WWC may file surrebuttal testimony.

The Commission also found good cause existed to grant the Intervenors' request to serve additional discovery requests upon WWC. After listening to the arguments of the parties regarding the Motion to Compel Discovery, the Commission decided to take that matter under advisement.

At its March 23, 2004, meeting, the Commission considered the Intervenors' Motion to Compel Discovery.[3] The Motion to Compel Discovery concerned interrogatories 1c, 1d, 2, 4, 5, 6b, 6c, 6d, 6g, 7, 9, 10, and 11. With respect to interrogatories 1c and 1d, the Commission found that, based on WWC's statements, WWC does not have the additional information as requested by the Intervenors, and denied the motion. With respect to interrogatory 2, the Commission noted that WWC had provided that information so the issue was moot. With respect to interrogatory 4, the Commission found that, based on WWC's statements, WWC does not have the additional information as requested by the Intervenors, and denied the motion. With respect to interrogatory

---

[1] Memorandum Opinion and Order, *In the Matter of Federal-State Joint Board on Universal Service; Virginia Cellular, LLC Petition for Designation as an Eligible Telecommunications Carrier In the Commonwealth of Virginia*, CC Docket No. 96-45, FCC 03-388, released January 22, 2004.

[2] Recommended Decision, *In the Matter of the Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, FCC 04J-1, Released February 27, 2004.

[3] Commissioner Burg was not present and did not vote on the issues presented at this meeting.

5, the Commission found that the number and location of WWC's towers on January 1, 1999, is not relevant nor is it reasonably calculated to lead to the discovery of admissible evidence and denied the motion. With respect to interrogatories 6b, 6c, 6d, and 6g, the Commission found that the information requested was relevant with respect to the study areas in which WWC is requesting to be designated as an ETC, and ordered that WWC provide the information as requested by the Intervenors. With respect to interrogatory 7, the Commission found that WWC shall provide the information requested regarding the list of towers WWC plans to construct in the future with respect to serving the areas that WWC has requested ETC designation for. With respect to interrogatory 9, the Commission noted that WWC has stated it will provide this information but has not yet provided it and the Commission granted the motion to compel. With respect to interrogatory 10, the Commission found that the request for additional years of information is not relevant or likely to lead to admissible evidence and denied the motion. With respect to interrogatory 11, the Commission found that, based on WWC's statements, WWC does not have the information necessary to break out the history of costs attributable to the service areas, and the Commission denied the motion.

On March 11, 2004, the Commission received a Motion to Withdraw Petition to Intervene of Alliance and Splitrock. At its March 23, 2004, meeting, the Commission also considered this motion. No party objected to granting the Motion to Withdraw Petition to Intervene of Alliance and Splitrock. The Commission voted to grant the motion.

It is therefore

ORDERED, that the procedural schedule is revised as set forth above; and it is

FURTHER ORDERED, that the Intervenors' request to serve additional discovery is granted; and it is

FURTHER ORDERED, that the motion to compel discovery is granted in part and denied in part as set forth above; and it is

FURTHER ORDERED, that the Motion to Withdraw Petition to Intervene of Alliance and Splitrock is granted.

Dated at Pierre, South Dakota, this 25th day of March, 2004.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By: Tina Douglas

Date: 3-25-04

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

Robert K. Sahr

ROBERT K. SAHR, Chairman

Gary Hanson

GARY HANSON, Commissioner

James A. Burg

JAMES A. BURG, Commissioner (voted on issues presented at March 15, 2004 meeting)

GUNDERSON, PALMER, GOODSELL & NELSON, LLP

ATTORNEYS AT LAW

WYNN A. GUNDERSON
J. CRISMAN PALMER
G. VERNE GOODSELL
JAMES S. NELSON
DANIEL E. ASHMORE
TERENCE R. QUINN
DONALD P. KNUDSEN
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SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

April 5, 2004

Next Day Delivery
Pamela Bonrud
Executive Director
SD Public Utilities Commission
500 E Capitol Avenue
Pierre SD 57501

RE: WWC's Petition for Designation as an ETC
TC03-191 GPGN File No. 5925.030691

Dear Ms. Bonrud:

Enclosed for filing, please find the original and ten copies of WWC's Rebuttal Testimony of Don J. Wood and James Blundell. These are the documents I emailed to you earlier today.

If you have any questions, please call me.

Sincerely,

Talbot J. Wieczorek

TJW:klw
Enclosures
c: Gene DeJordy (w/o encl)
James Blundell (w/o encl)
Susie Rao (w/o encl)
Mark Ayotte (w/o encl)
Darla Rogers
James Cremer
Richard Coit

SDTA
Rural roots, global connections

South Dakota Telecommunications Association
PO Box 57 ■ 320 East Capitol Avenue ■ Pierre, SD 57501
605/224-7629 ■ Fax 605/224-1637 ■ sdtaonline.com

April 16, 2004

RECEIVED
APR 16 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Ms. Pamela Bonrud, Executive Director
South Dakota Public Utilities Commission
State Capitol Building,
500 East Capitol Ave.
Pierre, SD 57709-8045

RE: In the Matter of WWC's Petition for Designation as an ETC,
SD PUC Docket TC03-191

Dear Ms. Bonrud:

Enclosed you will find for filing in the above referenced matter, pursuant to the Commission's Order Granting Motion to Expand Procedural Schedule issued in this matter on March 25, 2004, the original and ten (10) copies of the Surrebuttal Testimony of Intervenors in the above referenced docket.

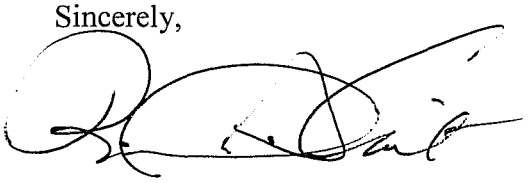
This includes the following:

Surrebuttal Testimony of Randy W. Houdek, filed on behalf of Venture Communications Cooperative;
Surrebuttal Testimony of George Strandell, filed on behalf of Golden West Telecommunications Cooperative, Inc. and Vivian Telephone Company;
Surrebuttal Testimony of James Groft, filed on behalf of James Valley Cooperative Telephone Company;
Surrebuttal Testimony of Sue Vanicek; and
Surrebuttal Testimony of Glen H. Brown.

Copies of the testimony have been served on both Mr. Talbot Wieczorek and Mr. Mark Ayotte, attorneys for Western Wireless, as indicated by the Certificate of Service provided with this letter.

Thank you for your assistance in filing and distributing these documents.

Sincerely,



Richard D. Coit
Executive Director and General Counsel
Richard D. Coit, *on behalf of all Interveners*
South Dakota Telecommunications Association
PO Box 57
Pierre, SD 57501
(605) 224-7629

Darla Pollman Rogers
Riter, Rogers, Wattier & Brown
PO Box 280
Pierre, SD 57501
Attorneys for Golden West Telephone Cooperative, Inc., Venture Communications Cooperative, Inc., Vivian Telephone Co., West River Telecommunications Cooperative, Tri-County Telcom, Inc.

James M. Cremer
Melissa E. Neville
Bantz, Gosch & Cremer
P.O. Box 970
Aberdeen, SD 57402
Attorneys for James Valley Cooperative Telephone Company

RECEIVED
APR 16 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that an original and ten (10) copies of the enclosed documents were hand-delivered on April 16, 2004 to:

Pam Bonrud
Executive Director
South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501

Copies were sent by Federal Express to:

Talbot Wieczorek
Gunderson Palmer Goodsell & Nelson LLP
440 Mount Rushmore Road
Rapid City, SD 57701

Mark Ayotte
Briggs & Morgan
2200 West First Ntl Bank Bldg
332 Minnesota Street
St Paul, MN 55101

Dated this 16th day of April, 2004.

Richard D. Coit, General Counsel
South Dakota Telecommunications Association
PO Box 57 – 320 East Capitol Avenue
Pierre, SD 57501-0057

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE FILING BY WWC LICENSE, LLC D/B/A CELLULARONE FOR DESIGNATION AS AN ELIGIBLE TELECOMMUNICATIONS CARRIER IN OTHER RURAL AREAS	)))))	**ORDER GRANTING MOTION TO WITHDRAW** **TC03-191**

On November 5, 2003, the Public Utilities Commission (Commission) received a filing by WWC Holding Co., Inc. d/b/a CellularOne (WWC) petitioning for approval of it as an eligible telecommunications carrier (ETC) in the study areas of the following rural telephone companies: Golden West Telecommunications Cooperative, Inc., James Valley Cooperative Telephone Company, Splitrock Properties, Inc., Venture Communications Cooperative f/k/a Sully Buttes Telephone Cooperative, Inc., Tri-County Telcom, Inc., Vivian Telephone Company, West River Telecommunications Cooperative (Mobridge) - SD, and West River Telecommunications Cooperative - SD.

On November 6, 2003, the Commission electronically transmitted notice of the filing and the intervention deadline of November 21, 2003, to interested individuals and entities. On November 21, 2003, Petitions to Intervene were filed by James Valley Cooperative Telephone Company, South Dakota Telecommunications Association, Alliance Communications Cooperative, Inc., Splitrock Properties, Inc., West River Telecommunications Cooperative, Golden West Telecommunications Cooperative, Inc., Vivian Telephone Company, Venture Communications Cooperative, and Tri-County Telcom, Inc. WWC objected to the intervention of South Dakota Telecommunications Association. At its regularly scheduled meeting of December 2, 2003, the Commission granted the above Petitions to Intervene. On January 2, 2004, WWC filed a Motion to Amend Petition to substitute as petitioner WWC License, LLC as the correct party. At its regularly scheduled meeting of January 20, 2004, the Commission granted the Motion to Amend Petition.

On March 11, 2004, the Commission received a Motion to Withdraw Petition to Intervene of Alliance and Splitrock. At its March 23, 2004, meeting, the Commission considered this motion. No party objected to granting the Motion to Withdraw Petition to Intervene of Alliance and Splitrock. An Order Granting Motion to Withdraw Petition to Intervene of Alliance and Splitrock was issued on March 25, 2004.

The Commission has jurisdiction over this matter pursuant to SDCL Chapters 1-26 and 49-31, including 1-26-18, 1-26-19, 49-31-3, 49-31-7, 49-31-7.1, 49-31-11, 49-31-78, 49-31-81; ARSD 20:10:32:42 through 20:10:32:46, inclusive; and 47 U.S.C. § 214(e)(1) through (5).

On March 22, 2004, the Commission received a Motion to Withdraw Petition of West River Telecommunications Cooperative (West River). At its April 6, 2004, meeting, the Commission considered this motion. No party objected to granting the Motion to Withdraw Petition of West River. The Commission voted to grant the motion.

It is therefore

ORDERED, that the Motion to Withdraw Petition of West River is granted.

Dated at Pierre, South Dakota, this 19th day of April, 2004.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By: Melaine Kebbo

Date: 4/20/04

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

Robert K. Sahr

ROBERT K. SAHR, Chairman

Gary Hanson

GARY HANSON, Commissioner

James A. Burg

JAMES A. BURG, Commissioner

SDTA
Rural roots, global connections

South Dakota Telecommunications Association
PO Box 57 ■ 320 East Capitol Avenue ■ Pierre, SD 57501
605/224-7629 ■ Fax 605/224-1637 ■ sdtaonline.com

April 21, 2004

RECEIVED
APR 21 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Pamela Bonrud, Executive Director
SD Public Utilities Commission
500 East Capitol Ave.
Pierre, SD 57501

RE: WWC Petition for Designation as an ETC
Docket TC03-91

Dear Ms. Bonrud:

It has come to my attention that in the rush to get Intervenor's Surrebuttal testimony completed and filed with the Commission this past Friday, April 16th, there was a mistake on my part. Contrary to what is indicated in the certificate of service filed with Intervenor's testimony, a paper copy of the testimony did not get mailed to counsel for Western Wireless on the 16th. A complete version of the testimony was, however, sent via electronic mail to Talbot Wieczorek and Mark Ayotte and the Western Wireless witnesses on that date.

All of the SDTA Staff has been gone from the SDTA office the past couple of days and my oversight with regard to the paper copy of the testimony was not discovered until just this morning. We have corrected things and Federal Expressed the paper copy today for tomorrow morning delivery.

I have discussed this matter with Talbot Wieczorek and he has indicated that he did receive the electronic version of the testimony the day it was e-mailed, on April 16th. Apparently, though there was some e-mail server problems at Mr. Ayotte's firm and he did not receive the e-mail with testimony until this Monday. Given these circumstances, Intervenors and Western Wireless have agreed that the current procedural schedule should be altered to allow a couple of additional days for the filing of Western Wireless's testimony on April 26th (rather than April 23rd).

This matter has been discussed with John Smith of the Commission and he is OK with the change. The purpose of this letter is to officially request the change on behalf of the Intervening parties. If anything further needs to be done to allow for this change in the schedule, please advise immediately.

Thank you.

Sincerely,

Richard D. Coit
SDTA General Counsel

CC: Talbot Wieczorek
Mark Ayotte

GUNDERSON, PALMER, GOODSELL & NELSON, LLP

ATTORNEYS AT LAW

WYNN A. GUNDERSON
J. CRISMAN PALMER
G. VERNE GOODSELL
JAMES S. NELSON
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TERRI LEE WILLIAMS
PAMELA SNYDER-VARNS
SARA FRANKENSTEIN
AMY K. SCHULDT
JASON M. SMILEY

April 26, 2004

CONFIDENTIAL INFORMATION ENCLOSED
NEXT DAY DELIVERY
Pamela Bonrud
Executive Director
SD Public Utilities Commission
500 E Capitol Avenue
Pierre SD 57501

RECEIVED
APR 27 2004
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

RECEIVED
APR 27 2004
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

RE: In the Matter of WWC's Petition for Designation as an ETC
Docket TC03-191 GPGN File No. 5925.030691

Dear Ms. Bonrud:

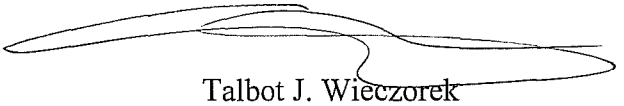
Enclosed please find the original and ten copies of WWC's Surrebuttal Testimony and Certificate of Service in the above-entitled matter. The enclosed testimony includes the following:

1. James Blundell; and
2. Don Wood.

Please note that Exhibit JHB-6 of James Blundell's Testimony contains confidential information and Petitioner requests this be treated as confidential information pursuant to ARSD 20:10:01:41. This exhibit contains confidential information dealing with receipts federal support money. We request the information remain confidential for 10 years. Any questions on the confidentiality may be directed to me. Grounds for this information to be confidential is that it is proprietary, trade secret, and internal financial information not subject to public disclosure.

If you have any questions, please call me.

Sincerely,



Talbot J. Wieczorek

TJW:klw
Enclosure
c: Clients
Richard Coit, Darla Pollman Rogers and James Cremer via Next Day Delivery

RECEIVED
APR 27 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of	)	
WWC License LLC, d/b/a	)	
CellularOne© for Designation	)	DOCKET NO. TC03-191
as an Eligible Telecommunications	)	
Carrier	)	

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 26th day of April, 2004, I served a true and correct copy of the Western Wireless Corporation's Surrebuttal Testimony of Don J. Wood and James Blundell (with exhibits) by Email and Next Day delivery, prepaid, to:

Email jcremer@midco.net
James Cremer
Bantz, Gosch & Cremer
PO Box 970
Aberdeen SD 57402

Email at richcoit@sdtaonline.com
Richard D. Coit
SD Telecommunications
PO Box 57
320 E Capitol Ave
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dprogers@riterlaw.com
Darla Pollman Rogers
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PO Box 280
319 South Coteau Street
Pierre SD 57501

GUNDERSON, PALMER, GOODSELL
& NELSON, LLP

Talbot J. Wieczorek
Attorney for WWC License LLC
PO Box 8045
Rapid City SD 57709
1-605-342-1078

STATE OF SOUTH DAKOTA COUNTY OF HUGHES	IN CIRCUIT COURT SIXTH JUDICIAL CIRCUIT

RECEIVED
MAY 04 2004
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of WWC License, LLC d/b/a CellularOne© for Designation as an Eligible Telecommunications Carrier	Docket No. TC03-191 ORDER

Pursuant to Benjamin H. Dickens, Jr.'s Sworn Motion Requesting Admission to Practice and Darla Pollman Rogers' Motion for Admission of Non-Resident Attorney to Practice hereto filed with this Court, and good cause appearing therefore, it is hereby

ORDERED that Benjamin H. Dickens, Jr., of BLOOSTON, MORDKOFSKY, JACKSON & DICKENS, 2120 L Street, N.W., Washington, DC 20037, be admitted to practice in this court in the above-entitled matter.

DATED this 30 day of April, 2004.

BY THE COURT:

Judge

ATTEST:

Christal L. Espeland
Clerk

(SEAL)

State of South Dakota } ss
County of Hughes }
I hereby certify that the foregoing instrument is a true and correct copy of the original on file in my office.
Dated this 30 day of April, 2004.
CHRISTAL L. ESPELAND, Clerk of Courts
By Christal L. Espeland
Clerk of Courts/Deputy

STATE OF SOUTH DAKOTA
CIRCUIT COURT, HUGHES CO.
FILED
APR 30 2004
Christal L. Espeland Clerk
By _____ Deputy

PUBLIC UTILITIES COMMISSION HEARING
Tuesday, May 4, 2004; 9:30 A.M.
Room 412
Pierre, South Dakota

ASSEMBLAGE

	Person	Representing
1.	Rich Coit	SDTA
2.	James Groft	James Valley Telephone
3.	Sue Vanicek	TELEC Consulting, Inc.
4.	Jim Cremer	James Valley Telephone
5.	Randy Houdek	Venture —
6.	BEN DICKENS	Golden West, Vivian, Venture Tri-Lak
7.	Jim Adkins	Swiftel Communications
8.	DENNY LAW	SIOUX VALLEY TELEPHONE/GOLDEN WEST
9.	RaeAnn Kelsch	WWC
10.	Talbot Wieczorek	WWC
11.	Georgi Strankell	Golden WEST
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PUBLIC UTILITIES COMMISSION HEARING
Tuesday, May 5, 2004; 8:00 A.M.
Room 412
Pierre, South Dakota

ASSEMBLAGE

	Person	Representing
1.	Rich Coit	SDTA
2.	Jim Cremer	Jam Valley
3.	Dennt Law	Sioux Valley Tel./Golden West
4.	James Groft	James Valley
5.	Talbot Wieczorek	Western Wireless
6.	Randy Houdek	Venture
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RECEIVED
MAY 2 1 2004
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF SOUTH DAKOTA

= =

IN THE MATTER OF THE FILING BY
WWC LICENSE CO., INC. D/B/A
CELLULARONE FOR DESIGNATION AS
AN ELIGIBLE TELECOMMUNICATIONS
CARRIER IN OTHER RURAL AREAS

TC03-191

= =

Transcript of Proceedings
May 4-6, 2004

ORIGINAL

= =

BEFORE THE PUBLIC UTILITIES COMMISSION,
ROBERT SAHR, CHAIRMAN
GARY HANSON, VICE CHAIRMAN
JIM BURG, COMMISSIONER

COMMISSION STAFF
Rolayne Ailts Wiest
John Smith
Greg Rislov
Harlan Best
Pam Bonrud

APPEARANCES
DARLA POLLMAN ROGERS,
RITER, ROGERS, WATTIER & BROWN, LLP,
Attorneys at Law, 319 South Coteau Street,
Pierre, South Dakota 57501,
appearing on behalf of Golden West
Telecommunications Co-op, Vivian Telephone
Company, Venture Communications, Tri-County
Telecom, Inc.;

Reported By Cheri McComsey Wittler, RPR

PRECISION REPORTING
LIMITED

105 S. EUCLID AVENUE, SUITE E • PIERRE, SOUTH DAKOTA 57501 • (605) 945-0573

THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF SOUTH DAKOTA

= =

IN THE MATTER OF THE FILING BY
WWC LICENSE CO., INC. D/B/A
CELLULARONE FOR DESIGNATION AS AN ELIGIBLE TELECOMMUNICATIONS CARRIER IN OTHER RURAL AREAS — TC03-191

= =

Transcript of Proceedings
May 4-6, 2004

= =

BEFORE THE PUBLIC UTILITIES COMMISSION,
ROBERT SAHR, CHAIRMAN
GARY HANSON, VICE CHAIRMAN
JIM BURG, COMMISSIONER

COMMISSION STAFF
Rolayne Ailts Wiest
John Smith
Greg Rislov
Harlan Best
Pam Bonrud

APPEARANCES
DARLA POLLMAN ROGERS,
RITER, ROGERS, WATTIER & BROWN, LLP,
Attorneys at Law, 319 South Coteau Street,
Pierre, South Dakota 57501,
appearing on behalf of Golden West Telecommunications Co-op, Vivian Telephone Company, Venture Communications, Tri-County Telecom, Inc.;

Reported By Cheri McComsey Wittler, RPR

APPEARANCES (Continued)

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BLOOSTON, MORDKOFSKY, DICKENS, DUFFY & PRENDERGAST,
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SOUTH DAKOTA TELECOMMUNICATIONS ASSOCIATION,
Attorney at Law, P.O. Box 57,
Pierre, South Dakota 57501,
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JAMES M. CREMER,
BANTZ, GOSCH & CREMER, LLC,
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appearing on behalf of James Valley;

MARK J. AYOTTE,
BRIGGS AND MORGAN,
Attorneys at Law, 2200 First National Bank Blg.,
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appearing on behalf of Western Wireless;

TALBOT J. WIECZOREK,
GUNDERSON, PALMER, GOODSELL & NELSON, LLP,
Attorneys at Law, 440 Mt. Rushmore Road,
Rapid City, South Dakota 57709-8045,
appearing as co-counsel on behalf of Western Wireless.

TRANSCRIPT OF PROCEEDINGS, held in the above-entitled matter, at the South Dakota State Capitol Building, 500 East Capitol Avenue, Pierre, South Dakota, on the 4th through the 6th day of May 2004.

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Randy Houdek	553	556	573	575
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8A - Attachments to WWC 331 Discovery Responses (late filed exhibit)	--	--	--
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(Western Wireless Exhibits 1 through 5 are marked for identification)

(Interveners' Exhibits 1 through 10 are marked for identification)

CHAIRMAN SAHR: I will begin the hearing for Docket TC03-191, In the Matter of the Filing by WWC License, LLC, Doing Business as Cellular One for Designation as an Eligible Telecommunications Carrier in Other Rural Areas.

The time is approximately 9:30 a.m. The date is May 4, 2004. The location of the hearing is in Room 412, State Capitol, Pierre, South Dakota. I am Robert K. Sahr, Commission Chairman. Commissioners Gary Hanson and Jim Burg are also present. I am presiding over this hearing.

This hearing was noticed pursuant to the Commission's Order For and Notice of Procedural Schedule and Hearing issued February 13, 2004. The issue at this hearing is whether WWC License, LLC should be granted designation as an eligible telecommunications carrier in the study areas of certain rural telephone companies.

All parties have the right to be present and to be represented by an attorney. All persons so testifying will be sworn in and subject to cross-examination by the parties. The Commission's final decision may be appealed by the parties to the State Circuit Court and State Supreme Court.

Rolayne Ailts Wiest will Act as Commission

counsel. She may provide recommended rulings on procedural and evidentiary matters. The Commission may overrule its counsel's preliminary rulings throughout the hearing. If not overruled, the preliminary rulings will become final rulings.

At this time we will take the appearances of the parties. Western Wireless.

MR. WIECZOREK: On behalf of Western Wireless, Mr. Chairman, Talbot Wieczorek with Gunderson, Palmer, and Mark Ayotte with Briggs and Morgan.

CHAIRMAN SAHR: Thank you. Just the attorneys at this point. Thank you.

MR. COIT: Mr. Chairman, representing the South Dakota Telecommunications Association, Richard Coit.

MS. ROGERS: Mr. Chairman, representing Golden West Telecommunications Co-op, Vivian Telephone Company, Venture Communications, and Tri-County Telco, Darla Pollman Rogers. And appearing with me as co-counsel for those clients is Ben Dickens of Washington, D.C.

MR. CREMER: Commissioners, I'm Jim Cremer. I'm an attorney from Aberdeen, and I represent James Valley Telephone.

MR. SMITH: And I'm John Smith, representing Commission staff.

CHAIRMAN SAHR: Thank you. Any other parties?

Seeing none, I will turn the proceeding over to Rolayne. Thank you.

MS. AILTS WIEST: Before we get started with opening, are there any motions that anybody has or any preliminary matters to bring forward?

If not, I think we can start with opening statements. Mr. Ayotte.

MR. AYOTTE: Thank you. Chair Sahr, members of the Commission. I am Mark Ayotte. I'm with the Briggs and Morgan Law Firm in St. Paul and delighted to be back before you representing Western Wireless.

Western Wireless is a commercial mobile radio services provider in South Dakota. As you probably know, it is authorized by the FCC, and it currently provides services throughout the State of South Dakota. It's licensed throughout the state in all rural service areas, RSAs and MSAs.

Western Wireless has an existing network in place today that provides a variety of services,

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mobile telephony, data, 911, voice mail, and other features.

We filed an application seeking designation as an ETC for the purposes of eligibility to receive federal universal service support in the study areas of seven of the rural LECs. Western has already been designated, as you know, an ETC in South Dakota in Qwest areas as well as the study areas of 26 other rural LECs.

Today Western Wireless will offer the testimony of two witnesses to address its compliance and satisfaction of the applicable ETC criteria under Section 214(e) of the Federal Act and which is the same standard set forth in state law.

First there will be Jim Blundell. Jim is the executive director of external affairs for Western Wireless Corporation, the parent company of WWC License. Mr. Blundell is responsible for regulatory and legislative matters for the company at both the state and federal levels, and he has lead responsibility for ETC applications before numerous State Commissions and the FCC.

We'll also sponsor the testimony of Don Wood. Mr. Wood is an independent consultant, an expert in

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economic and regulatory issues in the telecommunications industry. Mr. Wood has a B.A. in finance, an M.B.A. with concentrations in finance and microeconomics. Formerly he's worked in the telecommunications industry for an RBOC and an interexchange carrier.

To date Mr. Woods has testified before 35 State Commissions, the Common Wealth of Puerto Rico, as well as the District of Columbia, and the FCC. He has expansive experience on issues relating to the design and implementation and administration of universal service support mechanisms and specifically ETC designations.

Mr. Blundell will primarily address the statutory requirements for designation as a federal ETC in the rural study areas. As I said, these are the same requirements that are set forth in South Dakota Code 49-31-78, and the basic requirements for ETC status are fairly simple and straight forward.

Our evidence will show that Western Wireless meets all of the required ETC criteria. It's a common carrier. It offers the supportive services as required by FCC Rule 54.101. It will advertise the availability of the supported services and

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charges using media of general distribution and it can and will make those services available throughout its requested designated service areas.

Then there's the public interest determination. And the public interest determination is required under Section 214(e) if the Commission is being asked to designate an additional ETC in an area served by rural telephone company. And our evidence will show that Western Wireless's designation as an additional ETC is consistent with the public interest.

And that's what this case is about. It's about the satisfaction of the criteria under Section 214(e) for designation as a federal ETC.

Now the incumbent rural LECs where Western is seeking designation, they've already been designated by the Commission as an ETC in all of the South Dakota exchanges where they provide service. Each LEC is the only ETC in their respective exchanges. So the designation of Western Wireless as an additional ETC will enable competition in the provisioning of universal service.

And that's also what this case is about, about competition. Now it's not competition for the sake

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of competition, but competition as a means to an end. It's about the benefits of competition. Lower rates, the mobility of Western's services, expanded local calling areas, faster deployment of service, improved services, giving the customers a choice. It's about the benefits to the rural consumers.

Now the FCC recognizes that promoting competition and advancing universal service are not mutually exclusive. They're compatible goals. Anyone who suggests otherwise is presenting a false choice between competition and universal service. Both are expressed goals of the '96 Act, and both can be accomplished through the designation of Western Wireless as an additional ETC.

Now the Intervener's evidence, through their evidence they do not and cannot dispute Western's evidence of its compliance with the basic ETC criteria. Federal law states a CMRS provider such as Western Wireless is a common carrier. Western's existing network provides each of the nine supported services under FCC Rule 54.101.

Once designated an ETC, Western will advertise the availability of its universal service offerings and charges using media of general distribution and

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Western Wireless can and will make those services available throughout the requested designated service areas which are listed on Attachment A to the application.

In fact, none of the Interveners will sponsor any testimony to dispute or object to Western Wireless's evidence demonstrating its satisfaction of the basic ETC criteria. The Interveners' sole issue relates to whether granting ETC status is in the public interest.

Our evidence on the public interest that we will submit demonstrates that Western Wireless's designation is indeed in the public interest. Our witnesses will also be fully prepared to respond to any questions or concerns the Commission may have on these issues. But based on the prefiled testimony, the primary question to be resolved by the Commission is whether Western Wireless's designation as an additional ETC is in the public interest.

Our evidence will show that wireless technology provided by Western represents an attractive service option to rural consumers and that the principles of competition and the benefits of an additional ETC will support the public

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interest determination.

Now the public interest is really a balancing test. It's a balance of the benefits against any harms. That's what the Commission previously did when they determined it was in the public interest to designate Western Wireless as an additional ETC in the first proceeding, and it's that similar balancing test you'll hear a lot of testimony that the FCC performed in both the Virginia Cellular and Highland Cellular Decisions.

We believe that the Commission should look to whether competition will be promoted and whether consumers will realize the general and specific benefits related to that competition and the new services to be provided by Western Wireless and balance those benefits against any demonstrated harm to the consumers.

What this case is not about is that the Interveners will attempt to raise a host of other issues in an attempt to oppose or to limit the application. And those issues are going to be presented in a variety of formats all under the guise of public interest. You'll hear evidence regarding they need to have build-out plans and build more towers. You'll hear evidence regarding

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the Commission has to make a determination as to the affordability of the services in order to determine that it's in the public interest.

And you'll hear a lot of testimony regarding the Joint Board's recent Recommended Decision and how you'll be urged to deny the application because of the potential loss of support to the rural LECs as a result of the Joint Board's recommendations.

The sole basis for the intervener's objections are not criteria, are not criteria for ETC designation, and are not permissible factors to consider as part of the public interest. There are not any lawful requirements that are based on any consideration of Western Wireless's service or its request to be designated throughout the study areas of the seven rural LECs. They only raise speculative uncertainties based on the Joint Board's recommended proposals which cannot be relied on by the Commission to make any adverse public interest determination.

Because nobody knows whether, how, when, or if the FCC might respond to the Joint Board's recommendations and, therefore, it cannot be a basis to determine it's not in the public interest and it cannot be a basis to deny the application.

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Because the result then is otherwise a wholesale denial of ETC designation to an entire class of competitive carriers.

In conclusion, our evidence will show that Western Wireless meets the criteria to be designated an additional ETC. It is a common carrier. It offers and provides the supported services. It will advertise the availability of those services and will demonstrate its ability to provide those services throughout the requested designated areas. And Western's existing status as an ETC throughout South Dakota is fairly compelling evidence that it meets those criteria.

In addition our evidence will show that the designation of Western Wireless is indeed in the public interest, and we respectfully ask the Commission to approve the application. Thank you.

MS. AILTS WIEST: Ms. Rogers.

MS. ROGERS: Thank you. I will be the lead batter today. My name is Darla Pollman Rogers. I'm with the law firm of Riter, Rogers, Wattier & Brown, and that's located here in Pierre. As I stated previously, I'm representing Golden West, Vivian, Venture, and Tri-County in this proceeding.

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In preparation of this case it occurred to me that it is, as Mr. Ayotte said, easy to get bogged down in some of the details. You have been inundated with a lot of prefiled testimony, with a lot of Interrogatory and Discovery Requests and a lot of exhibits. So I think it's important that we step back and focus on the big picture.

And what is the big picture? What is the purpose of this proceeding? Well, it is about Western Wireless's application to be designated as an eligible telecommunications carrier in the study areas of Golden West, Vivian, James Valley, Tri-County, West River in Hazen, North Dakota, Venture, and Alliance. An interesting side note is that those seven rural incumbent local exchange carriers are the total amount of remaining carriers in the State of South Dakota with the exception of CRST. So we are not selecting and excluding certain ones. This is the balance with the exception of that company.

Now that's the big picture and what the case is about on its face. But I think that we need to narrow the focus a little bit. Why has Western Wireless submitted this petition at this particular time? And according to their testimony, they've

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submitted this application in order to be eligible to receive federal USF moneys. And a more accurate statement would be to receive more federal USF moneys. Because, of course, they already have received and are receiving substantial USF dollars based on prior designation.

Now having said that and placed the focus before you, I think it is important to look at the applicable standards. And the reason I think it's important in this case is because those standards have to a certain extent changed or at least there has been some additional guidance given to you as State Commissions as you view these cases.

As stated previously, the standards are found in -- the statutory standards are found in 214(e) of the Communications Act of 1934 as amended. The ETC shall throughout the service area, and importantly this means the study area for rural telcos, offer the services supported for federal USF, advertise the availability of those services. And then for those areas served by rural telcos, which is the situation we have here, the Commission must find that the designation is in the public interest before an additional ETC can be designated.

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In addition to that, this Commission should consider and examine the use of the support. Section 254(e) of the Act states that, "A carrier that receives USF support as an ETC shall use that support only for the provision, maintenance, and upgrading of facilities and services for which the support is intended."

So how the ETC spends or will spend a federal USF money has become an important part of the public interest analysis, and this is especially true in the aftermath of the Virginia Cellular case. The FCC recently found in that case that the public interest test is fact-specific. It's a fact-specific exercise balancing the benefits and the costs. And included in that exercise is a consideration of specific plans to build new towers and facilities to offer better coverage, and that goes not only to the public interest test but also of the availability and commitment of the applicant to serve -- or to provide services throughout the study area.

Now having said that, let's look at the evidence in this case and how that evidence falls within those standards. First of all, Western Wireless makes nothing other than a verbal

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commitment that it will provide coverage throughout the entire service area of the ETC designation areas in which it's -- or the areas in which it's seeking ETC designation. In fact, at the current time they don't even claim to offer services throughout the entire area. They say that they have selected these seven companies or areas because they are capable of offering services to 85 percent.

Now 85 percent is not in the statute. It's not in the state statute, the federal statute. And, in fact, that falls far below throughout the service area. So at the outset there is no evidence presented that it can offer services throughout the service area.

Then the question becomes what about in the future? And there I think it's really important to look to the new standards that are articulated in the Virginia Cellular case. The information required by the Virginia Cellular case as part of its FCC public interest finding far exceeds what Western Wireless has presented to you. It detailed -- it required the Virginia Cellular company to detail by site, by county, by population within the coverage contour, by dollar expenditure

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as to how the funds would be spent and when and how much. That's the standard that was required by the FCC in the Virginia Cellular case.

We would submit that Western Wireless's evidence falls far short of that so not only have they failed to meet the public interest cost benefit analysis, they've also failed to demonstrate their capability and their commitment to provide coverage throughout the service area.

We will present testimony through five witnesses, and they will affirm during this hearing and, in fact, in their prefiled testimony and exhibits that Western Wireless has, in fact, not demonstrated any new services or tangible benefits as a result of the significant sums of USF funds that Western Wireless has already received, nor is there evidence of new services and benefits that would result if this application is granted.

Equally, however, and maybe even more important, is Western Wireless's own failure to adequately explain its uses of the USF money, either the money it's already received or the money it will receive on a go-forward basis.

We think that it is really important, and we urge you not to wear blinders with regard to what

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is happening in Washington, D.C., not only with regard to the new cases and guidelines that have come down but also what may happen to the USF funds and standards for eligibility for them on a go-forward basis.

The FCC is surely destined to stop the explosive growth in the Universal Service Fund by capping that growth in some manner and I don't think that we can be blind or oblivious to that fact. So the question then becomes in light of all of the evidence that has been prefiled and that will be presented over the next couple of days, what's your focus? Where do you focus? What can you do at this time?

What Western Wireless is asking you to do is designate them now and then question the use of the funds later, question their commitment and capability and build-out plans at a later time. And I think this is demonstrated even in their initial application when they requested that this proceeding be put on an expedited path, they asked for an expedited hearing.

But what we're asking you to do is take a careful look at this now. And you have the authority to do that under the standards that are

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currently in place.

What the Joint Board Recommended Decision says is the proper place to address these concerns is at the point when the decision is made to designate an additional ETC in an area served by a rural carrier. "If a State Commission believes that a particular rural area or a particular rural carrier cannot stand the loss or dilution of current levels of support, then under Section 214(e)(2) of the Act it should point that additional ETCs are not in the public interest." That's a quote from the Joint Board Recommendation Decision which you as a Commission certainly are free to consider.

So there are stringent standards, and Western Wireless we believe at the end of the evidence will not be able to meet them. They will not be able to demonstrate, and they have not done so in the past, their commitment and their capability to meet the standards for the State of South Dakota.

And we believe at the end of the testimony, at the end of our evidence you will deny the application. Thank you.

MS. AILTS WIEST: Mr. Cremer.

MR. CREMER: Thank you. As I said in my introduction, I represent James Valley

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Telephone. And I would ask the Commissioners to focus on four things with respect to the James Valley service area.

Those four things are currently the number of towers that Western Wireless has in the James Valley area. Secondly, the quality of service provided in the James Valley service area from those towers. Third, the amount of money that they would receive if this ETC designation is granted. And then fourth, what they're going to do with that money in the James Valley area to address the service quality problems.

And I think at the end of the day when you consider those four factors you will conclude that it is not in the public interest to grant this ETC designation because there will be no benefit to those rural consumers in the James Valley service area. Thank you.

MS. AILTS WIEST: Mr. Coit.

MR. COIT: I would just like to state for the record that SDTA supports the comments of both Mr. Cremer and Ms. Rogers. Thank you.

MS. AILTS WIEST: Staff.

MR. SMITH: I'm a relative

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late-comer to this proceeding so pardon me if my sophistication isn't quite up to your level at this point in time. I think the staff's focus will -- I guess just by way of having now read through all of the several inches of prefiled testimony and everything, it occurs to me and to the staff persons that I've worked with on this that -- and I think it's born out by the comments of the other attorneys here that one of the primary and maybe the primary issue in the case boils down to what is meant by the phrase in Section 214(e), "throughout the service area for which the designation is received."

Western Wireless has in various places in its testimony made commitments, at least verbal commitments, to extend service throughout the service territory. In its two recent cases the FCC -- that's the Virginia Cellular and Highland Cellular cases. The FCC seemed to state that it agreed with the Petitioners in this case that it's not necessary that the applicant be providing services throughout the service areas ubiquitously at the point at which it files its petition.

However, those two cases as I read them do seem to indicate that some level of commitment, and

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that may be up to the Commission as to what level of commitment you think is appropriate to ultimately as a part and as sort of a quid pro quo for receiving federal funds and customer funds from around the country is required to make a commitment to achieve that at some reasonable time period.

The way the FCC addressed that is to take that commitment at face value and to impose that commitment, impose a condition as a condition of continuing certification of ETC status, that those commitments be lived up to.

And I think the focus of the staff's approach is going to be as you did in your first Western Wireless case and as the FCC did in its two recent opinions, render a decision that impose conditions on the company and those conditions centered on many things, some of which we covered in our first Western Wireless case and also the condition in both of the Virginia Cellular and the Highland cases that a commitment be made or that a condition be imposed that the extension of service throughout the service areas be accomplished at some reasonable time.

And we would ask the Commission to pay particular attention to those concerns as you

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listen to the evidence today. Thank you.

MS. AILTS WIEST: Before we begin with our first witness, for the record we have premarked Western Wireless's petition and their prefiled testimony. Western Wireless Exhibit 1 is a Petition. Exhibit 2 is Blundell Direct, 3, Blundell Rebuttal, 4, Blundell Surrebuttal, 5, Wood Rebuttal, and, 6, Surrebuttal.

And we have also marked the Interveners' testimony. Exhibit 1 is Brown Direct, 2, Brown Surrebuttal, 3, Vanicek Direct, 4, Vanicek Surrebuttal, 5, Groft Direct, 6, Groft Surrebuttal, 7, Strandell Direct, 8, Strandell Surrebuttal, 9, Houdek Direct, 10, Houdek Surrebuttal.

Were the parties going to stipulate to the admission of all of these exhibits?

MR. AYOTTE: Yes. That's agreeable.

MR. COIT: Yes. That's agreeable to the Interveners, I believe.

MS. ROGERS: Yes.

MR. CREMER: That's correct.

MS. AILTS WIEST: With respect to Western Wireless's Exhibits 1, 2, 3, 4, 5, and 6, they have been offered and admitted and with respect to Interveners' Exhibits 1 through 10, they

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have been offered and admitted.

With that, Mr. Ayotte, you may call your first witness.

MR. AYOTTE: Thank you. Western Wireless is pleased to call Jim Blundell as its first witness.

JAMES BLUNDELL,

called as a witness, being first duly sworn in the above cause, testified under oath as follows:

DIRECT EXAMINATION

BY MR. AYOTTE:

Q Mr. Blundell, would you please state your full name and spell it for the record.

A James Blundell, B-L-U-N-D-E-L-L.

Q By whom are you employed?

A I'm employed by Western Wireless Corporation.

Q In what capacity?

A I'm the executive director of external affairs.

Q I normally run through a wonderful series of questions to lay foundation for the exhibits, but you have before you Western Wireless Exhibits 1 through 4 which includes the ETC petition, your prefiled direct, rebuttal, and surrebuttal.

MR. AYOTTE: The witness is available for cross.

MS. AILTS WIEST: Mr. Dickens or Ms. Rogers? I'm sorry. Mr. Coit.

MR. COIT: Thank you.

MR. AYOTTE: I'm sorry. We discussed this off the record. I'm not sure if the Commissioners were aware, we did have one correction to the Western Wireless Exhibit 3, which is the rebuttal testimony of Mr. Blundell. I almost skipped over my little Post-it note.

On page 4, line 18 strike, "in excess of 215," insert "111," and then after the word "cell sites" insert "and extenders."

So that sentence, the first line of the sentence, will read, "Western Wireless currently has 111 cell sites and extenders in its South Dakota." And that change has been made to the official file copy.

He's all yours, Mr. Coit.

MR. COIT: Thank you, Mr. Ayotte.

CROSS-EXAMINATION

BY MR. COIT:

Q Good morning, Mr. Blundell.

A Good morning.

Q You have worked for Western Wireless since January of 1999; is that correct?

A That's correct.

Q Were you employed in the telecommunications industry prior to that time?

A I was not.

Q And you have a law degree; is that correct?

A Yes, I do.

Q You do not have a degree in engineering?

A I do not.

Q Do you have a degree in economics?

A I do not.

Q I'm going to refer you to your testimony as we go along. I'll try to make sure that I reference it as direct or surrebuttal. If you can go to your direct testimony, on page 2, starting on line 25 of that page the statement is made, "Federal regulations require a carrier such as Western Wireless to contribute approximately 9 percent of its revenues to the funding of universal service."

Is that percentage you cite exactly the percent?

A No. That's why I used the word approximately.

Q Okay. What is the exact percentage?

A The contribution factor today, the universal service contribution factor, is approximately 8 and a half. It changes quarterly, and it has -- at the time I think it

was inching closer to 10. It's now 9 or below.

Q Would you agree that currently it's 8.7 percent?

A Subject to check, I think that sounds right.

Q Now does the federal law when it comes to wireless carriers require a contribution of 9 percent on all of the revenues or just a portion of those revenues?

A The contribution factor under federal regulation applies to interstate revenue.

Q And is there a safe harbor percentage that is applied to determine what those interstate revenues subject to the contribution would be?

A There is indeed. For wireless carriers -- wireless carriers can use an established percentage to determine the percentage of interstate versus noninterstate revenue, and it's currently 28 percent.

Q Does Western Wireless use that 28 percent?

A Yes, it does.

Q So effectively the 9 percent surcharge applies to the 28 percent of your total revenues?

A That's correct.

Q So it does not apply to 9 percent of all of Western Wireless revenues?

A That's correct. That's how the federal universal service contribution is calculated, yes.

Q Thank you. Going to page 3 of your direct testimony,

the statement is made beginning on line 10 that, "Without access to universal service support Western Wireless will be severely limited in its ability to provide competitive telecommunications services to consumers in high-cost areas such as those served by the rural telephone companies."

Approximately how many wireless subscribers does Western Wireless currently have in South Dakota?

MR. AYOTTE: I'm going to object. Assuming the witness knows, we would treat that information as confidential, and we would need to clear the hearing room for those who have not executed the protective agreement if the precise amount is something important, Rich.

MR. COIT: An estimate would be fine.

MR. AYOTTE: Well, an estimate is going to be equally confidential.

MR. COIT: I agree. And everyone in the room as far as I know has executed the protective agreement at least as far as the Interveners are concerned.

MS. AILTS WIEST: There are some staff people here also. Do you want them to leave?

MR. AYOTTE: No. I assume that

staff people are otherwise subject to the Commission's rules. And perhaps we can just check. Is there anyone in the hearing room who is not staff and who has not otherwise executed the protective agreement?

(No audible response)

MS. AILTS WIEST: Mark this as confidential in the transcript.

MR. AYOTTE: At least the number. And boy, Mr. Blundell, I hope you know after all of this.

(Confidential proceedings)

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Q Do you know where these wireless local loop customers would be located generally?
A No. I don't know their location.
Q Do you know if they're concentrated in any particular area of South Dakota?
A I don't know their location.
Q The wireless local loop service that is offered, is that marketed any differently than any of the other Western Wireless services?
A Typically our wireless local loop service offering is -- yes, it is marketed slightly differently. It has a different price point. It is a slightly different service offering that appeals to different users so it is marketed differently, yes.
Q Does your company have any special marketing materials that it uses in marketing that service?
A I believe we do, yes.
Q And that is one of your universal service offerings; correct?
A That's correct.
Q Would you have any objection to providing copies of those marketing materials for the record in this proceeding?
A Again, assuming that they exist, I certainly don't have any problem with that.

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Q So you're not certain that they exist?
A My testimony was that we typically market them differently using slightly different materials. If they exist, I don't have a problem providing those to this Commission.
Q So if they exist, you would agree to provide them for the record?
A Yes.
Q Does the wireless local loop equipment support a digital wireless service?
A Yes. We typically use equipment manufactured by a company called Telular, which originally manufactured analog wireless access units, now manufactures digital units using both the CDMA and TDMA technology. We typically use the CDMA technology, given that we are a CDMA provider. So, yes, those are both digital technologies.
Q Does that wireless local loop technology provide a data capability?
A Yes, it does.
Q And do you know what the speed of that data capability is?
A Speeds vary, but the current -- the current product, the current high speed data product that Western Wireless provides under the brand name Open Door, is

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approximately 60 to 80 kilobits per second, and that's using what's called a 1XRTT technology. That technology supports specifications of 140 kilobits per second. In the real world, as I said, it provides about 60 to 80 kilobits per second.
Q Okay. These wireless local loop lines, when you submit lines to the Universal Service Administrative Company you don't just submit these wireless local loop lines, do you?
A No, we do not.
Q What types of lines are submitted?
A The way that Western Wireless counts its lines and submits them is somewhat complicated. Western Wireless assigns a location to each one of its subscribers and geocodes that location, and pursuant to federal rules it's the billing address of the subscriber.

So we locate that subscriber in a service area, either a wire center or a study area, and essentially count those subscribers, report them by study area or in some cases by zone or by wire center in the case of a nonrural telephone company and report those numbers to USAC.
Q So would it be correct that the lines that you submit are the lines that are associated with universal service offerings of your company?

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A The lines that we submit are --

MR. AYOTTE: I'm going to object to the question as vague.

MR. COIT: I can clarify.
Q The lines that you submit -- excuse me. I'll back up. You have certain offerings that are universal service offerings; correct? You have certain mobile or fixed wireless offerings that are categorized as universal service offerings; correct?
A Correct.
Q And when you submit lines to USAC would you submit just the lines associated with those universal service offerings?
A Yes. We submit the number of subscribers on eligible universal service offerings.
Q Do you have some way of tagging those particular customers?
A Well, essentially it's the -- it's essentially all of the subscribers because all of the plans are eligible for universal service.
Q You state on page 30 of your surrebuttal testimony, starting on line -- well, I guess I don't have a line on mine. It's the second -- the first full paragraph after this question that starts, "Would you like to respond to Mr. Brown's accusation?"

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You state that, "Western Wireless has never sought to limit the scope of its ETC designation in any particular service offering including its wireless local loop offering."

You indicated earlier that you were not a witness or you did not appear at the previous Commission hearing on your prior ETC application in South Dakota. Did you review the transcript of that process?

A I believe I -- yes, I've reviewed the, you know, transcript and the portions of the record.

Q Now isn't it true that some states have limited the ETC designation to Western Wireless to only those lines or phones that are wireless local loop offerings?

MR. AYOTTE: Objection, irrelevant.

MS. AILTS WIEST: Any response?

MR. COIT: My response would be that it's offered for the purpose of impeachment. He's indicated specifically in his testimony that they've never sought to limit the scope of their offering.

The fact of the matter is is that it has been limited in certain cases.

MS. AILTS WIEST: Objection overruled.

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Q So isn't it true that some states have limited the ETC designations to Western Wireless to only those lines or phones that are wireless local loop offerings?

A No.

Q So no state has limited your recovery from the Universal Service Fund to only wireless local loop lines?

A That's not my testimony. You asked whether the Commission in its -- I believe in its Order of granting ETC designation has limited us.

Q Not this -- going, I guess, beyond South Dakota and looking at the entire area that you serve and all of the ETC applications that you have submitted, has any state ever limited your designation and eligibility for USF to only wireless local loop lines?

A Not in any ETC designation, no.

(Interveners' Exhibit 14 is marked for identification)

Q Mr. Blundell, do you have that exhibit that just was marked as Interveners' Exhibit 14 in front of you?

A Yes, I do.

Q Are you familiar with that document?

A Yes, I am.

MR. AYOTTE: I'm going to object to this document as irrelevant to this proceeding.

MS. AILTS WIEST: Can you explain

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the relevance, Mr. Coit?

MR. COIT: Yeah. It's relevant to the question that he just answered. They've indicated that it's never been limited in any jurisdiction, and this is a stipulation that they've entered into to specifically limit.

MR. AYOTTE: I believe the witness's response was that no Commission Order designating Western as an ETC ever so limited the scope of the designation. But, nevertheless, a stipulated settlement agreement with the Texas Public Utilities Commission is irrelevant to the issues in this proceeding.

MR. COIT: I guess going back to page 30 of the surrebuttal testimony you've specifically stated that Western Wireless has never sought to limit the scope of its designation in any particular service offering including its wireless local loop offering, and I think this document is specifically in contravention of that statement.

MS. AILTS WIEST: I believe he can show whether or not this document does contravene that statement because he did make that statement in his testimony.

MR. AYOTTE: The statement in the

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testimony is Western never sought to limit its designation. He's now trying to construe that with reference to Commission orders or subsequent settlement agreements regarding a limitation on the designation.

MR. COIT: I don't think his statement was that specific in his testimony.

MS. AILTS WIEST: You can go forward, Mr. Coit.

MR. AYOTTE: Thank you.

Q Reviewing this document -- there was a particular paragraph that I wanted to reference. Okay. Paragraph 3 of the stipulation on page 3 summarizes the terms.

Could you read the first couple of sentences -- at least the first sentence of paragraph 3 into the record, please.

A "Western Wireless in its --

CHAIRMAN SAHR: Excuse me, Mr. Blundell. Somebody just entered the room and may not be a problem but I just wanted to note that we do have somebody new in the room and since we're going to have confidentiality questions come up from time to time, I just want to make sure that we had the person signed on board or if not, that we knew that.

MR. COIT: He's not signed a protective agreement. I know that for a fact because he's not a specific party to the process.

CHAIRMAN SAHR: Okay. So let's be a little bit cautious if we move into something that's confidential and certainly, sir, you're welcome to be here and stay, but we may have things come up from time to time that are confidential in nature and at that point in time we may need to ask you to leave. Thank you.

Q I guess for the purposes of moving things along, if I could just ask you, I guess, to rather than read paragraph 3, describe what the terms of this stipulation are as set forth in paragraph 3.

A Read that paragraph?

Q Or just explain what the terms are generally as indicated by that paragraph.

A Well, the term in paragraph 3 requires Western Wireless to amend its quarterly line count reports it files with USAC not only on a going backward basis, but also -- to exclude "the number of customer lines in Texas that use handheld mobile phones but also on a going-forward basis."

Q So pursuant to the terms of this stipulation in the state of Texas you will no longer be able to submit as

a company anything other than wireless local loop lines for university service support; correct?

A No. That's not correct. We filed an application for designation as an ETC, which would essentially allow Western Wireless to file those lines.

Q Okay. But that hasn't been granted yet?

A It has not.

Q Okay.

A I'd also say that the first whereas clause acknowledges my earlier statement that the parties to this agreement have a reasonable disagreement between them --

MR. COIT: Excuse me, nonresponsive. I didn't ask him any further question.

MS. AILTS WIEST: Sustained.

Q Going to page 15 of your direct again --

MR. COIT: Excuse me. I would like to ask for the admission of Interveners' Exhibit 14 into the record.

MS. AILTS WIEST: Mr. Ayotte.

MR. AYOTTE: Other than my relevancy objection, I have no further objections.

MS. AILTS WIEST: I will allow Exhibit 14.

Q The general statement is made on page 15 of your direct

testimony lines 10 through 11 that, "The treatment granted to certain wireless carriers under Section 332(c)(3)(a) does not allow states to deny wireless carriers eligible status."

Would that statement be true if the wireless carrier is not meeting the ETC service requirements or its designation is not found to be in the public interest? Do you want me to rephrase my question?

A No. I'm reading my entire answer to the question of the testimony.

MS. AILTS WIEST: Could you state the page number you're on Mr. Coit?

MR. COIT: Page 15 of the direct testimony.

MR. AYOTTE: I will object to the question as being compound.

MR. COIT: I can rephrase the question.

MS. AILTS WIEST: Go ahead.

Q Okay. You've generally stated as I indicated that this section of the federal law 332(c)(3)(a) does not allow states to deny Western Wireless -- or wireless carriers, excuse me, eligible status.

Is this a true statement if this Commission finds that the wireless carrier is not meeting the ETC

service requirements?

A I think generally speaking this Commission has the authority to grant ETC designation and to take it away. It has continuing jurisdiction to review whether or not Western Wireless or any ETC, for that matter, continues to meet its obligations under the ETC requirements.

Q So Section 332 of the Federal Act does not in any way trump this Commission's authority when it comes to the process of designating ETCs?

A It actually does trump in a certain way the Commission's authority. It prohibits -- Section 332(c)(3)(a) prohibits the State Commission or the State at all from regulating wireless carriers. Either the rates that -- their entry into the market or their rates. So in that -- to that extent it does trump this Commission's authority.

But under a different section of law the Commission has authority to designate Western Wireless as an ETC and with that authority the right and responsibility to remove that designation, revoke it, as it does any other ETC, Wireline or wireless.

Q Going to pages 16 and 17 of your direct testimony regarding this Commission's authority to establish universal service areas, is Western Wireless in this process seeking to redefine the existing service areas

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of any of the rural telephone companies that are subject to its application?
A No. Western Wireless has sought ETC designation throughout the entire study area of each of the rural telephone companies included in the application.
Q So you are not seeking in this process to redefine any of the current service areas for the purposes of determining Western Wireless's universal service obligations or distributions; correct?
A That's correct.
Q Is it correct that Western Wireless has not finalized its pricing for the universal service offerings that are available or going to be available in these service areas where it is seeking ETC status?
A Yes. And the reason for that statement is that Western Wireless changes its rates somewhat frequently, files those rates on an informational basis here at the Commission, did that in the first case, and those are on file, but Western Wireless certainly reserves the right to change those rates and so prior to ETC designation has not finalized their rates or the offerings that it would file in such a compliance filing.
Q So going to page 20 of your direct testimony starting on line 21 -- or line 22, excuse me, you've made the

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statement that, "Western Wireless has not finalized its pricing for the universal service offerings but when the entire packages of services and their value are compared side by side" and it goes on, that's what you meant by that statement, that your prices change all the time so you haven't effectively finalized the pricing?
A In advance of ETC designation Western Wireless hasn't finalized those offerings. Western Wireless is an ETC today, and it has filed a compliance filing that includes its service offerings, its rate plans. The Commission is satisfied at least by its approval and its acceptance of that compliance filing. This Commission is satisfied with that process and also satisfied with the filing of it, I would guess.
Q If I could -- do you have all of the Interveners' testimony available at your desk there?
A It looks like it.
Q If yes, could I direct you to the Vanicek direct testimony which has been marked for the purposes of this record Exhibit No. 3?
A Yes.
MR. AYOTTE: Vanicek direct?
MR. COIT: Yeah. Vanicek direct.
MR. AYOTTE: Thank you.

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Q In an exhibit attached to the Vanicek direct testimony --
MR. COIT: And, I'm not sure, is this confidential, Mr. Ayotte, this Exhibit 12 that's attached to Vanicek's direct with the universal service offerings?
MR. AYOTTE: I don't have an Exhibit 12.
MR. COIT: It's attached as Exhibit 12 to Ms. Vanicek's testimony. It's the last part of that filing. It's entitled, Universal Service Offerings and Advertisements.
MR. AYOTTE: I'm not seeing it.
MR. COIT: It's in her rebuttal. It should be attached.
MR. AYOTTE: I got it. Do you know the source of this?
MR. COIT: It was provided in discovery. Let me look to see the response.
THE WITNESS: It's not her rebuttal, though?
MR. WIECZOREK: It's in her direct, Rich.
MR. COIT: Excuse me. I'm sorry.
MR. AYOTTE: It is not a

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confidential document. In fact, I believe it's the document produced in discovery, which was also filed with the Commission as part of the original compliance filing.
MR. COIT: So we're free to ask questions, I'm assuming, regarding this?
MR. AYOTTE: You're free to sign up for any of the rate plans that are identified.
MR. COIT: Thank you very much.
Q Mr. Blundell, as was noted, this document was provided in response to some rural local exchange carrier discovery by Western Wireless, and that document lists 15 different wireless service plans as being universal service plans.
Are you familiar with this document, number one?
A Yes.
Q Would you still agree with the indication, I guess, that these are all of Western Wireless's universal service offerings in South Dakota?
A Yes.
Q And so pricing information is included on this exhibit?
A Yes. This was filed pursuant to the Order in the first ETC Designation Order.
Q You still stand by your statement previously that you

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have not yet finalized your pricing for the universal service offerings?
A Prior to designation in this case, no.
Q Does Western Wireless agree with the statement that competitive ETCs should meet carrier of last resort obligations?
A Carrier of last resort obligations are typically state requirements imposed on local exchange carriers that are similar to but not identical to ETC obligations.
In many ways the ETC obligations are similar. And so as an ETC we do agree that Western Wireless is obligated to meet certain service area requirements, again, similar to COLR obligations but not identical. So the answer is -- I think the answer is no.
Q So you don't agree that competitive ETCs should meet carrier of last resort obligations?
A The last time I checked, the COLR obligations are not required in an ETC as an ETC criteria or requirement. So they're completely different obligations.
Q Are you familiar with the Federal State Joint Board Decision? Is that a fair statement on my part?
A Yes.
Q Have you read that document in its entirety along with some of the -- or the separate statements of the FCC Commissioners attached to that document?

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A Unfortunately, yes.
MR. COIT: I seem to have lost the document here. Excuse me.
Q Now the Joint Board Decision, which for the record is FCC 04J-1, includes separate statements including of FCC Commissioners and Joint Board representatives, including a separate statement of Commissioner Kathleen Abernathy. And she makes the statement, if I can find it here -- here it is, that, "State Commissions exercising their authority under Section 214(e)(2) and this Commission acting pursuant to Section 214(e)(6), therefore, should make certain that an applicant for ETC status is ready, willing, and able to serve as a carrier of last resort and is otherwise prepared to fulfill the goals set forth in Section 254 of the Act."
Do you agree with that position?
A Where is it found?
Q It's in her separate statement --
MR. AYOTTE: What page, Rich?
MR. COIT: I'm looking. Actually, I may have mistakenly referred to the Joint Board Decision when I meant to refer to the Virginia Cellular case. I'm sorry.
MR. AYOTTE: Then I'll object to your question as without foundation.

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MR. COIT: I think it's on the Virginia Cellular case, that or the Highland. Let me find it here. I apologize.
A correction then for the record, and I apologize, Mr. Blundell.
Q Are you familiar with the Virginia Cellular case?
A Yes.
Q And you've read that decision?
A Yes.
Q Along with the separate statements attached?
A Yes.
CHAIRMAN SAHR: And it's Appendix C, which is on page 27, and the sheets are not numbered after that but it looks to me to be the second or third sheet in.
MR. COIT: Okay.
Q It is FCC document 03-338. I'm referencing page 1 of that decision -- of her separate statement, excuse me, and it's in the second paragraph.
Would you like me to reread the statement, or do you have it in front of you?
A I have it in front of me.
Q Do you agree with her position as indicated by that statement?

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A Well, first of all, Ms. Abernathy, for as much as I like her, cannot change federal rules or federal law in a separate statement to a Virginia Cellular case. I'll continue to maintain my statement, the rules do not require an ETC applicant to either meet or commit to meet the carrier of last resort obligations.
Q Thank you. On page 21 of your direct testimony, lines 9 and 11, starting, I guess, on line 8, you made the statement, "Western Wireless stands ready, willing, and able to bring competition to consumers in South Dakota which will result in better consumer pricing, better service quality, immediate service availability, and better customer service."
Will the wireless services offered in these service areas that are subject to this application, this current ETC application, will they be any different than the wireless services that you are offering in those areas where you are already designated?
A The network is the same essentially. In some cases the same cell sites and antenna, same switching center. It's the same radio frequency propagation that we use throughout. So it is the same network which provides the services, the same nine supported services if that's what you mean.

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Q Has Western Wireless conducted any surveys or studies to measure the current quality of service that is provided by the rural local exchange companies in those service areas where it's seeking designation?
A Not that I know of.
Q Going to page 18 of your direct testimony, you indicate that you've done, A review and analysis of certain data and information, and you've done your best to identify the study areas where Western Wireless can meet its obligation to respond over time to a reasonable request for service.
So did you personally do this review?
A Yes, I did.
Q Do you know what study areas in South Dakota were left off the list?
A I believe it would be the Cheyenne River Sioux and one was mentioned in opening statement and I can't recall the name of it but, no, I hadn't focused on those that had been left off, just those that had been included.
Q So when you did your analysis what areas did you focus on, if you're not aware of those that were left off?
A Well, for starters, we took all the rural telephone companies' study areas in which we had not already been designated. We superimposed our signal coverage, and were able to assign a percent of population covered by

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our signal coverage in each wire center and, therefore, in each study area.
Those study areas in which Western Wireless's coverage met the 85 percent threshold in all centers and in many it was 90 to 100, those are the study areas that we included in the application.
Q Now you state on page 5 of your rebuttal testimony relating to the same matter, beginning on line 14, "I personally reviewed Western Wireless service areas to determine where we would commit to provide service as an ETC. After conducting this analysis we excluded any areas where we reached fewer than 85 percent of all consumers today."
Could you indicate for the record what information or documents were part of that personal review or at least what sort of documents were part of that personal review?
A I'm not sure that -- excuse me?
Q How did you conduct the review? What information did you use? I guess that's the question. What information did you use in conducting the review?
A Our engineering department performed the technical sort of overlay of coverage in population and wire center boundaries and matched those three data points up, sent me an Excel spreadsheet electronically.

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We then used our 85 percent threshold, reviewed each of the percentages in each wire center, and selected those that met the threshold and removed those that didn't.
Q Okay. Your testimony indicates that Western Wireless picked those study areas where it could meet its obligation to respond to reasonable requests for service over time.
Is there any evidence that you've provided in this proceeding that you could refer to that allows this Commission to judge what time period this would be?
A The FCC actually in a case emanating from this state, the South Dakota preemption case set forth that standard of reasonable time, reasonable requests.
Q So you haven't -- there's no evidence indicating specifically what that time is in this record.
A There's no indication in the FCC's Order that adds to that language, "reasonable requests," and --
MR. COIT: I would object. Witness is being nonresponsive.
MR. AYOTTE: Perhaps you could let the witness respond to your question before you interrupt him.
MR. COIT: He is not responding to

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my question.
Q My question is is there anything in the testimony that's been filed or anything that's already been admitted into this record that would indicate what this reasonable time period is?
THE WITNESS: Is there an objection?
MR. AYOTTE: There's no objection.
MS. AILTS WIEST: Go ahead.
MR. AYOTTE: As long as you've committed to respond.
A I believe there's substantial evidence in the record about Western Wireless's -- the steps that Western Wireless takes to meet reasonable requests for service. There is no -- there is no evidence in the record that establishes Western Wireless's opinion about what reasonable time means or, you know, that the time frame of a reasonable request for service.
Q In your rebuttal answer, rebuttal testimony --
MR. COIT: And we're going to reference an exhibit that's confidential. So at this point in time I think anybody that hasn't signed the protective agreement probably needs to leave the room.
(Unidentified person exits the room)
(Confidential proceedings)

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CHAIRMAN SAHR: Mr. Coit, if I may, I would ask that everyone please be cognizant of the fact that we'll be going in and out of confidential materials and the person who has left the room for reasons relating to confidentiality certainly has the right to be back in when we're not discussing confidential information. And for the court reporter's sake I think we also need to be as clear as possible, and this goes for all parties, when we're going in and out of confidential statements. Otherwise, we'll have difficulty tracking in the record and, frankly, it's not fair to a member of the public who came here to listen to the proceedings if we are limiting his or her right to be in here while nonconfidential information is being discussed.

In no way, shape, or form is that directed at you. I think we all need to be very aware of that, especially if we have a member of the public who would like to listen. And I don't know, but I think the last part would have been nonconfidential so if it's a time when they can come back in -- or maybe we've moved into confidential now, but I think we should offer to that member of the public that that part of the record may be reviewed if

it's not confidential.

MR. AYOTTE: Agreed.

MR. COIT: I agree, and at this point in time I -- I think that person can come back into the room. This is not confidential.

MR. AYOTTE: Could we remove the exhibit, at least turn it around?

(Exhibit is removed from easel)

MR. AYOTTE: Thank you.

Q Going to page 13, lines 11 through 13 of your rebuttal, the statement is made, "The rural ILECS in this case have introduced no evidence to suggest that their respective service areas differ at all from those at issue in the earlier ETC case or that they are so exceptional as to deny the consumers in these areas the benefit of competition."

Do you know how the rural telephone company service areas that are subject to this current application compare in terms of comparing per line high-cost support amounts to the service areas of those areas in South Dakota where Western Wireless has already been designated an ETC?

A No. I haven't examined differences in per line support or, as the question asks, population density between the earlier designated areas and those that are at

issue here.

Q So you have not done any sort of an analysis like that yourself in this process?

A No. And the question asked about evidence in this case, and the answer is no.

Q So you have not compared the high-cost support amounts received by the rural telephone companies that are subject to the current ETC application with any national average?

A No, I haven't.

Q Mr. Blundell, as an applicant for ETC status, who has the burden of proof in an ETC proceeding?

A I think the applicant has the burden of proving that it meets the criteria for ETC designation, and then I believe there is some burden shifting. In other words, I think that in a balancing test that is part of the public interest examination, the rural ILEC Interveners who oppose designation have the burden of showing that there's some harm and then you balance -- the Commission should balance the benefit against the harm.

Q On page 18 of your rebuttal testimony you reference the consumer code of the Cellular Telecommunications & Internet Association, CTIA, and you indicate that Western Wireless is a voluntary signatory to the CTIA consumer code.

Is there any entity that enforces those code provisions?

A As a competitive carrier the consumer enforces those provisions every day. In other words, we're answerable to consumers. Consumers decide whether they're going to take our service or not, whether it is of high quality, high value, and a good price every day.

Q You address -- going on in your rebuttal testimony on page 21, you address briefly Western Wireless's financial resources, and you provide a total market capitalization number, an annual revenue number, and an available cash on hand number.

Would you agree with the statement that in order to get a fair representation of a company's financial well-being that the company's debt is relevant?

A Yes.

Q So is there a particular reason that no debt number or numbers was provided?

A We provided a few numbers too from the annual report and one sort of from the market valuation for that day and felt as though that was a pretty good look at our financial capability.

Q But there's no specific debt number, is there, that's provided in your testimony?

A There's also no mention of a whole host of other financial factors.

Q Would Western Wireless have any objection to putting its latest annual report -- and I'm assuming the latest annual report completed is annual report for 2002. Would you have any trouble with putting that into the report in this proceeding?

A The most recent annual report is for 2003, and, no, I wouldn't have an objection to putting either of those two in the record.

MR. COIT: I'm not sure how to proceed here. Could we seek the admission of those two reports so the Commission has more information on financial resources?

MS. AILTS WIEST: Do you have them?

MR. COIT: I've got 2002. I was not provided 2003.

MR. WIECZOREK: Just for the record, I think 2000 through 2002 were provided early on in the discovery, and I'm not sure if 2003 was done by that time. So that might have been why you haven't received it at that point.

MS. AILTS WIEST: Do you have 2003?

MR. WIECZOREK: I don't believe I have it with me today.

MS. AILTS WIEST: Can Western Wireless provide it after the hearing? Is there any objection to marking 2002 as Intervener Exhibit 15 and 2003 as Intervener Exhibit 16?

If not, we will mark those. Annual report for 2002 is 15, annual report for 2003 is 16.

MR. AYOTTE: 16 will just be a late-filed exhibit.

MS. AILTS WIEST: That will be a late-filed exhibit. Those will be admitted with 16 being late-filed.

(Exhibits 15 is marked for identification)

Q Going on, you indicate on page 22 of your testimony that gas-powered generators are available to provide backup power to Western Wireless cell sites in South Dakota, should the backup battery power not be sufficient.

Are these permanently installed generators at the cell sites?

A I'm not sure what you mean by permanently.

Q Well, are they mobile units or permanent units affixed to the tower location?

A I don't know.

Q So you don't know if they're permanent generators or portable generators that are used for backup power on

these cell sites?

A I believe the generators installed at the mobile switching centers are permanent. I don't know with regard to cell sites.

Q Is it Western Wireless's position that considerations of affordability should have no part in this Commission's public interest analysis?

MR. AYOTTE: I'm going to object. Could you define what you mean by affordability? Vague.

MR. COIT: Affordability?

MR. AYOTTE: Yes.

Q As a matter of clarification, I guess we're talking about whether the universal services that are relied on for the purposes of receiving universal service support are affordable.

MR. AYOTTE: I will continue to object as being vague and ambiguous. That's merely providing the same term as part of the definition.

Are you referring to lifeline qualified low income consumers, or from what benchmark or standard?

MR. COIT: We are, I guess, referring to the affordability standards that are set forth in the federal law insofar as they are

set forth in the Federal Act.

And it's also -- affordability is discussed in Mr. Blundell's testimony in his rebuttal at page 23, starting at page 23.

So I guess within the -- we're referring to affordability as that matter is discussed in his testimony. It's already been provided.

MR. AYOTTE: Well, in his testimony he is responding to Ms. Vanicek and her discussion of affordability. That doesn't mean that this witness is adopting or applying that term. I'm just asking you to define it for the purposes of the question.

MR. COIT: Well, I am defining affordability, I guess, as it's referenced in the federal law dealing with affordability in relation to universal service.

MR. AYOTTE: Could you provide a reference for that, please, because there is no such standard that I'm aware of.

MR. COIT: Well, I'm not referring specifically to the Federal Act provisions that relate to 214, but certainly the 254 provisions of the Federal Act relating to universal service reference affordability. They reference

affordability specifically in Section 254(b)(1), quality services should be available at just, reasonable, and affordable rates.

MS. AILTS WIEST: Based upon your understanding of those sections, do you have any opinion on affordability?

THE WITNESS: I do.

Q Can I repeat my question? Do I need to repeat my question?

A I don't think so.

Q Okay. Go ahead then. Thank you.

A The answer is it is not relevant. Affordability is not one of the directives that either the law or the FCC has given to a State Commission in deciding an ETC matter. It is instead a founding federal law in Section 254(b) as sort of a guideline that the Joint Board should consider in making its recommendations to the FCC.

Affordability is not a criteria that a State Commission should consider in determining whether or not an applicant should be designated as an ETC.

Q Would you agree that one of the primary purposes of universal service support is to make basic telecommunications services affordable?

A But that's not a relevant question in this case. The

question in this case is whether Western Wireless meets certain criteria. Affordability is not one of those criteria. So if you're asking me whether under sort of notions of federal policy, whether affordability is relevant, I suppose it is one of those listed factors that the Joint Board should consider.

It is definitely -- even if it may not be a relevant consideration for this Commission, it is something that Western Wireless certainly meets. Our services are affordable.

Q Mr. Blundell, you state on pages 2 and 3 of your surrebuttal testimony starting at the -- in the bottom paragraph on page 2, you state that, The witnesses for Interveners concede that Western Wireless is a common carrier, one. Two, that Western Wireless offers all other required supported services and, three, that Western Wireless will appropriately advertise the availability and charges for the supported services using media of general distribution.

How do you come to the conclusion that somebody has conceded an issue?

A None of the witnesses in this case have put on any evidence whatsoever that Western Wireless doesn't meet the statutory and regulatory requirements for being designated as an ETC.

Q Earlier we talked a little bit about burden of proof. Isn't it Western Wireless's burden of proof as the applicant in this case?

A So by that statement what I mean in conclusion is that Western Wireless has put its case on. No testimony or evidence has been put forward to contest it, and I conclude that the parties must concede that Western Wireless meets those requirements and the Commission should find, therefore, that it does.

Q So in your view any silence on an issue can be interpreted as a concession?

A I would conclude that, yes.

Q Doesn't Western Wireless as the party with the burden of proof -- and you're an attorney. Doesn't Western Wireless have the obligation to present evidence on each factual criteria that this Commission is obligated to address in the ETC designation process under both federal and state law?

A And Western Wireless has done that, more than adequately, and no party has disputed any of those facts. And I suggest that that means they concede that Western Wireless meets those.

Q You reference on page 9 of your surrebuttal the propagation map that is provided with Glenn Brown's testimony, and that is in his testimony provided as GHB 8, and his testimony for the record has been mark as Interveners' Exhibit 1; is that correct?

UNIDENTIFIED SPEAKER: Surrebuttal 2.

Q Interveners Exhibit 2, Exhibit GHB 8. Mr. Blundell, have you ever personally conducted what can be characterized as an RF propagation analysis?

A I have not personally, no, but I've reviewed the results of those analyses within the company on numerous occasions.

Q You state on page 12 of your surrebuttal testimony that Western Wireless -- let me see what lines. At the bottom of the page starting on the bottom of page 12 continuing on page 13 you state, "Western Wireless use a very sophisticated computerized RF propagation mod to analyze its signal coverage and relies on this modeling to operate its business."

MR. COIT: At this point I'm going to be referencing a confidential exhibit.

MS. AILTS WIEST: Okay.

(Unidentified person exits the room)

(Confidential proceedings)

MS. AILTS WIEST: Off the record.
(Discussion off the record)
MS. AILTS WIEST: We'll be back here at 1:15. Thank you.
(A lunch recess is taken)
MS. AILTS WIEST: Mr. Coit.
MR. COIT: Thank you.

Q (BY Mr. Coit) Mr. Blundell, I would refer you to page 13 of your surrebuttal testimony, which indicates that the service area boundaries that Western Wireless has used are those that are within the map info software. And would it be correct that you've used those boundaries as a basis for your conclusions regarding your ability to provide the required services throughout the rural telephone company service areas?

A Yes.

Q And would you agree that the boundaries contained in the map info software do not in all cases match the actual service area and exchange boundaries that have actually been established by the South Dakota Public Utilities Commission?

A I'm not aware of any discrepancies between the map inf boundaries and boundaries that the South Dakota Commission has established.

Q Now it's our understanding -- well, I'll back up here. Do you have any responsibilities with respect to Western Wireless's activities in the State of Colorado, service-wise?

A Service-wise?

Q In terms of ETC designations, so forth.

A Yes.

Q So you're familiar with the process that is occurring over there or has occurred in Wyoming for ETC designation for Western Wireless?

A I'm confused. You said Colorado first.

Q Excuse me. Colorado.

A The company has applied for ETC designation in Wyom as well as Colorado, and there are pending application there in both states.

Q Would I be correct in saying that in the State of Colorado that you did not use map info boundaries in the State of Colorado with regard to the service area of Century Tel of Eagle, Colorado?

A For the purposes of making the same determination? M understanding is we did.

Q That you did use the map info software?

A Yes.

Q So to your recollection you did not in Colorado use actual exchange boundaries rather than those established through map info or indicated in the map

info software?
A For the purposes of analyzing the population covered and determining which wire centers we would request designation in? We did use map info for that.
Q Did you use the actual exchange boundaries for some other purpose in Colorado?
A I can't recall specifically. It may have been that another party to the case may have submitted a different map with different boundaries on it. I can't recall in particular.
Q You state on page 14 of your surrebuttal -- let me see the lines here.
A My apologies that there aren't any line numbers on this testimony.
Q In the last paragraph you indicate that, "Interveners agree that the Commission has previously applied an appropriate public interest analysis," referring back to the prior ETC designation proceeding.
On what basis do you conclude that the Interveners agree with the analysis that was applied in that prior proceeding in terms of the public interest analysis?
A I'm sorry, but I don't see that.
Q It's actually in the question. "Do the Interveners agree that the Commission previously applied an

appropriate public interest analysis?" And your answer is, "Yes."
So I'm asking now what's the basis for that statement?
A Well, I think if you go to the last line of my answer on page 14, you'll see that I state that neither SDTA nor the rural LECs dispute that the Commission applied such a balancing test referring to the balancing test that I described in the paragraph.
In other words, it's a balancing test similar to that applied by the FCC most recently in the Virginia Cellular case.
Q Now are you aware of the fact that Interveners as part of SDTA in the earlier South Dakota Supreme Court proceedings on this Commission's prior designation sought to give this Commission the authority to reopen the record so that it could take additional evidence prior to having to address the public interest question?
MR. AYOTTE: Objection, irrelevant.
MR. COIT: Well, I think it is relevant because he makes the statement on page 14 that we agreed as Interveners to the public interest analysis that was previously applied.
MS. AILTS WIEST: That is the

statement. You can answer the question.
A I don't --
Q So the question is are you aware that SDTA in the prior court proceedings, the South Dakota Supreme Court proceedings addressing the prior designation of this Commission, sought to reopen the record to take additional evidence on the public interest issue?
A This question and answer has to do with the balancing test used in --
Q Can you answer my question? Are you aware of the fact that that was done?
A I can hear you just fine.
Q Okay. Excuse me.
A Subject to check, if that's what you say.
Q And are you aware of the fact that the request was denied and that as a result this Commission was not in a position to hear all of the evidence related to the public interest as it related to the prior ETC designation?
MR. AYOTTE: I'll object. There's no foundation. That's a misstatement of the record in the first proceeding.
MS. AILTS WIEST: That's sustained.
Q Going on to page 17 of your surrebuttal, you reference the Highland Cellular Decision, and you tried to attach

significance to the fact that the FCC in that decision did not incorporate any of the Joint Board's recommendations.
You specifically state in the first paragraph that, "Both witnesses overlooked the fact that the FCC's Highland Cellular Decision was issued after the Joint Board's recommendations were released and the FCC did not incorporate any of the recommendations in its analysis."
Mr. Blundell, I've handed you a copy of the FCC's Decision in Highland Cellular Inc. It's referenced as FCC 04-37. And I would direct your attention to paragraph 3 of that Decision. For the record could you read that into the record?
A The entire paragraph?
Q The entire paragraph?
A "In response to a request from the Commission, the Federal State Joint Board on universal service (Joint Boards) is currently reviewing: One, the Commission's rules relating to the calculation of high-cost universal service support in areas where a competitive ETC is providing service. Two, the Commission rules regarding support for nonprimary lines and, three, the process for designating ETCs. Some commenters in that proceeding have raised concerns about the rapid growth

of high-cost universal service support and the impact of such growth on consumers in rural areas. The outcome of that proceeding could potentially impact, among other things, the support that Highland Cellular and other competitive ETCs may receive in the future and the criteria used for continued eligibility to receive support."

Q Now if you go to the first page of the Highland Decision, is there an adopted date listed on that page?

A February 24, 2004.

Q And, Mr. Blundell, do you know what date the Joint Board Decision was adopted and released?

A February 27, 2004.

Q So would it be fair to say that the Highland Decision was already adopted prior to the Joint Board's Recommended Decision?

A The point in my answer was this Order was released after the Joint Board Recommended Decision. The FCC new full well about the recommendations contained in that Recommended Decision and did not apply them. They did not apply the very recommendations that you suggest ought to be applied here in a decision, an ETC decision, that they themselves were making at the time that those recommendations were made. So, in other words, they ignored the Joint Board Recommended

Decision.

Q But you would agree that Highland Cellular was adopted on February 24, 2004?

A The FCC certainly had two months --

Q Yes or no, please.

A The Order says adopted one date, and released another. So the Commission certainly had an opportunity to -- and was aware of the Recommended Decision by the Joint Board at the time that it released its Order in April.

Q But would you also agree that in speaking to the Joint Board Decision in the Highland case the FCC referenced that Decision in the future tense.

A Which makes my point even more important. The FCC referenced the Joint Board Recommended Decision and did nothing about it.

Q You provided in your surrebuttal testimony as Exhibit JHB 6, if you want to grab that, please.

MR. AYOTTE: This is a confidential exhibit, and I assume that the questions will relate to confidential information.

MR. COIT: Yes.

(Unidentified person exits room)

MR. AYOTTE: Thank you.

(Confidential proceedings)

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(Discussion off the record)
Q My question was does Western Wireless provide equal access currently to interexchange carriers in South Dakota?
A Western Wireless does not provide equal access to interexchange services, cannot technically do so today, and is not required and, in fact, states are prohibited from requiring it under federal law.
Q In the Western Wireless petition for designation there's a statement, paragraph 26, "The Western Wireless network will have the capability of providing advanced services that meet or exceed what can be provided on a landline network."
Has Western Wireless established any specific date by which it will make these advanced services available in those areas where it's seeking designation?
A My understanding is that 1XRTT technology which is our high speed data offering technology will be available throughout South Dakota by the end of '04.
Q And throughout the entire state where you have coverage today?
A That's my understanding. It is a CDMA technology so it would follow our CDMA footprint.
MR. COIT: That's all I have on

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cross at this point.
MS. AILTS WIEST: Mr. Dickens.
CROSS-EXAMINATION
BY MR. DICKENS:
Q Mr. Blundell, we met the night before last or at some other point since you look familiar. I want to follow up on a question Mr. Coit just asked about equal access.
I think as part of your answer to his question you indicated that Western Wireless is not technically capable of providing equal access?
A That's correct.
Q You're no doubt familiar with the fact that last July 10 the FCC ruled on a Joint Board recommendation concerning whether wireless carriers should have to provide equal access for ETC purposes and declined at that time to adopt the requirement.
Do you remember that?
A Yes. I believe, yes, I would agree.
Q Didn't your company tell the FCC that if they required equal access, you would simply provide it as part of that proceeding?
A That is not inconsistent with my testimony here.
Q So you could technically provide it?
A We've made a commitment to comply with all applicable

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lawful requirements, ETC and otherwise.
Q Okay. So when you say you can't technically supply equal access that doesn't imply that you couldn't supply equal access?
A I think that's correct, yeah.
Q Okay. Earlier today before the lunch break you were answering questions from Mr. Coit about the 85 percent population coverage that I believe was discussed in your prefiled testimony that you say determined which study areas you would seek ETC status in and resulted in the study areas identified in this petition.
Do you recollect that?
A Yes.
Q Okay. Let me ask you, when you were analyzing your signal contour coverage at that time was your analysis based on analog technology or digital technology?
A The analysis was based on a neg 104 dBm threshold, which is the same threshold that we use and that the FCC uses in determining the CGSA, which is the original analog amps. Well, it is neither analog or digital, the CGSA standard. It was created at a time when amps was the sole technology.
Today, of course, we offer both analog and digital. The CDMA coverage that we offer with booster technology approximates the neg 104 dBm threshold. But

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it was a neg 104 dBm threshold that I used in analyzing that 85 percent pops covered analysis.
Q Well, I guess you may have anticipated my question, but would you not -- would your construction plans in the future not include plans to gradually shift from analog technology to digital technology over some course of time?
A As the FCC phases out its requirement for us to provide analog amps technology and as our customer base transitions fully to a digital technology, some point down the road, whether it's five years, 10 years, you know, a few years, I don't know but it's entirely possible that amps technology would be -- would not be provided.
Q For the areas that you identified that are covered, where 85 percent of those areas are covered by your existing signal contour, are any of those areas presently served by analog technology?
A Yes.
Q And do you have any plans in the next, say, 12 months to change that technology out to digital in those areas?
A No. Not that I know of, no.
Q Would your job responsibilities require you to know that?

A Yes. I would -- yes, I would say so, yeah. In order to be fully knowledgeable, I would know that.
Q There are two ways to interpret your answer, you know.
A Is that a question?
Q No. Let me ask you about the 17 -- you know what? I may be getting into a confidential exhibit.

MR. DICKENS: I apologize, Jim.

(Unidentified person exits the room)

(Confidential proceedings)

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Q Mr. Blundell, if you can, can you tell me -- I realize that there are a number of variables involved in the answer to the question I'm about to ask you, but can you tell me on average what the reliable service contour is at a cell site? Is it 20 miles or 25 miles or 10 miles?

Can you tell us on average what that is?

A It varies substantially from cell site to cell site so I don't know an average. I've been told that it varies quite substantially. And it can depend on many factors, you know, where it resides in the network, the geography of the location and surrounding location so it varies substantially.

(Confidential proceedings)

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Q I can't remember if we talked about this this morning or not, but I think someplace in your surrebuttal testimony you discussed the fact that Western Wireless drive tests its coverage area after -- is that after you do a computer propagation analysis?

A I think it's an ongoing process. We're continually monitoring our network for signal coverage and propagation. So it's a continual process.

Q As part of the process for filing this application when you were trying to overlay your signal contour results on top of the study areas, I presume that you would have done a propagation analysis to determine what kind of coverage you provide in those areas; is that true?

A That was my testimony, yes.

Q Okay. Did you drive test that area?

A As I said, the company is continually drive testing to update the data in the RF propagation analysis.

Q Is the answer yes?

A Did I drive test?

Q No. Did someone in your company drive test the areas of the telephone companies covered by this application?

A Yes.

Q As part of the analysis we just talked about?

A Yes. Yes. The data represents an analysis that is updated with drive test data.

Q And the James Valley service area is up in the northeast part of the state; is that correct?
A Yes.
MS. AILTS WIEST: I'm sorry to interrupt. Is this confidential?
MR. CREMER: It is not.
MS. AILTS WIEST: Go ahead.
Q Now also on this map Mr. Brown put the cell tower sites of Western Wireless. Is that your understanding?
A I don't know whether that accurately depicts that or not.
Q If I would ask you to assume that it does, we'll have Mr. Brown testified to that when he testifies, am I correct that there's only one cell tower site in the James Valley service area?
A I don't know that -- I don't know that we can assume that.
Q Well, I'm asking you for the purposes of your testimony to assume that, and if Mr. Brown doesn't confirm it, then, of course, the hypothetical question that I ask you wouldn't be appropriate, but for these purposes this map would show, does it not, that there's only one cell tower in the James Valley service area of Western Wireless; is that correct?
A Does that map show one tower within the James Valley

MS. AILTS WIEST: Mr. Cremer.
MR. CREMER: Thank you.
CROSS-EXAMINATION
BY MR. CREMER:
Q Mr. Blundell, I'm going to be asking you some questions from some exhibits up here. Let me grab them.
Mr. Blundell, you were here when I gave my opening statement, weren't you?
A Yes, I was.
Q I'm not going to ask how good you listened to it because that might not be fair, but what I told the Commission is I wanted them to focus on four facts as it relates to my client, James Valley, okay. And I want you to help me with three of those facts.
One of those deals with the number of towers in the James Valley service area. And I'm going to show you what was produced in Mr. Brown's testimony as Exhibit GHB 3.
Did you review that, or did you see that as a part of his testimony?
A Yes.
Q You will see that on this map of South Dakota he put the service areas in which Western Wireless is seeking ETC status; is that correct?
A I think that's correct, yes.

study area?
Q Yes. That's the question.
A I better approach.
CHAIRMAN SAHR: Mr. Cremer, perhap I should be going to my documents, but what is the symbol that denotes a tower, for those of us who are trying to read off the exhibit you put up there?
MR. CREMER: I would say it looks like an A, capital A.
CHAIRMAN SAHR: Thank you.
A As that map depicts it, and I've got some doubts about whether it depicts Western Wireless's cell site locations, as that map depicts it, there is one tower in the James Valley study area.
Q Very good. Thank you. Now the second fact that I wanted to present to the Commission dealt with the amount of USF money that Western Wireless would rece in the James Valley service area.
I'm going to have you look at Brown Exhibit 1. Would you agree with me that for the James Valley service area the amount of USF funds that would be received annually by Western Wireless would $868,032?
A I have some questions about that exhibit before I can

answer it. I don't fully understand it.
Q Well, as I understand, Mr. Blundell, these are the number of lines that Mr. DeJordy in his -- the information he supplied as a part of this record told this Commission are in the James Valley service area; is that correct? Is that your understanding?
A No. They don't match at all.
MR. CREMER: I'm going to get into a confidential exhibit.
(Confidential proceedings)

Q Would you agree that the USF per dollar amount for James Valley is $26.40?
A I haven't checked that reference, the USAC HCL1 recently. But if you say it is --
Q All right. So then if we simply multiply 2,740 by $26.40 a month for 12 months, we'd end up with annu USF funds of $868,032; is that correct?
A Is that what you've done on the exhibit, you've multiplied it times 12?
Q That's what I understand was done, that's correct.
A Okay. Yeah. I mean, if that's -- again, subject to checking the math.
Q All right. So the answer to my question as we started down this trail was that's the amount of money Wester Wireless would receive from the James Valley service area annually, assuming this number of lines, this amount of monthly support; is that correct?
A There's no way to -- actually there's no way to with much accuracy to predict exactly how much USAC will up distributing to us. Now I assume that the per month -- the per line, per month subsidy is taken from the projection, from HCL1, correct?
Q Correct.
A The projection and, you know, any time we speak with USAC about their quarterly projections they equivocat

quite a bit about the accuracy of those projections. Because we try to account for the support that we receive, and they very rarely match the projection.
Q But, Mr. Blundell, based upon what we know today and based on the numbers on this exhibit, this would be th annual amount of support? Isn't that fair to say?
A No. If you were going to ask me the actual annual support that Western Wireless would receive, no, I can't agree to that. Those projections are fairly inaccurate.
Q Okay. But what I asked you was assuming these numb that would be correct; isn't that right, if you assume those numbers?
A If we assume that USAC pays on the basis of the projections that it makes, then, yes, I suppose that's true.
Q All right. Thank you.
MR. CREMER: I'm going to get into a confidential exhibit.
(Confidential proceedings)

MR. CREMER: That's all the questions I have. Thank you.

MS. AILTS WIEST: Mr. Smith, do you have any questions?

MR. SMITH: Just a couple.

MS. AILTS WIEST: Are they confidential?

MR. SMITH: I don't know.

MR. AYOTTE: I'll let you know.

MR. SMITH: Okay.

MS. AILTS WIEST: Can he open the door?

MR. SMITH: Yeah. Open the door. I don't think so.

CROSS-EXAMINATION

BY MR. SMITH:

Q Back to the 85 percent, am I to understand based on questions that Mr. Cremer just asked you and if I understand your testimony, your direct and your rebuttal and surrebuttal, that after this build-out including the 17 hours is complete that is when the 85 percent number that you cite has been achieved?

A Yes.

Q Is that where the 85 percent number is achieved?

A In some wire centers and some study areas it is achieved without the 17 sites. The fact that the company doesn't plan to construct a tower in the James Valley study area is that Western Wireless believes currently today that it can meet the requirement -- the ETC requirements today in that are that it can respond to reasonable requests for service, and that it can provide service today in a fashion that satisfies the ETC requirements today.

Q So the 85 percent number, just to make it real simple here, is the number of at least some of the wire centers or service areas that will -- that's the percentage of coverage you will have following the total build-out that's currently planned?

A Correct.

Q Currently planned?

A Yes. And in some -- just to clarify my earlier statement, in some the plan to build is necessary, anc in others it is not necessary to meet our internal requirement of 85 percent. It's our way of deciding whether we can meet those obligations.

Q When that build-out is done, though, if my very limitec knowledge of math is correct, we'll still have 15 percent of the service areas of some of these areas at least, perhaps, not covered as is based upon these test criteria?

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A Many, if not most, of the wire centers that we analyzed are between 90 and 100 percent well covered. And, yes, in sum that number may drop down to 86 percent, 87 percent. What the ETC designation will allow Western Wireless to do is exactly what it's intended to do, to allow us to provide service into that additional 15 percent or in some cases 5 or 10 percent.

We want to be able to provide service there. We're in the business of providing service, not of denying requests for service.

So it's in our interest. There is incentive not only today but also following ETC designation to provide service to those additional 15, 5, 10, 15 percent of the population in those areas.

Q Just on what may be a philosophical level here, but I think it might get to one of the ultimate questions we're talking about, one of the purposes of the Universal Service Fund is to provide funds for businesses to serve areas, telecommunications carriers to serve areas that using normal free enterprise business cases they would not serve.

Is that a fair statement?

A It's a mechanism to support the provision of service where it is considered high-cost and, yes, I think, you know, the notion is these are rural remote areas both

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for wireless and for wireline carriers. It's expensive to provide service there.

And so the government decided to create a mechanism to support carriers who desire to serve those areas that are considered high-cost.

Q And so might the Commission reasonably expect Western Wireless as one of the quid pro quos, if you will, for receiving a rather large increment of government dollars every year to be willing to maybe even go beyond that 85 percent and to go into areas where it absolutely would not make sense from a normal business case scenario and build out throughout the service area as that term is used in Section 214(e)?

A Well, I'm not sure I -- I'm trying to answer your question. The standard for meeting the requests for service of consumers is this reasonable request -- you know, build-out -- or respond to reasonable requests for service. The Commission has an annual certification process that applies to all ETCs, wireline and wireless, and through which Western Wireless has complied and satisfied the Commission's requirements and this Commission has certified Western Wireless under 254(e).

If your question is can the Commission through that 254(e) process expect Western Wireless to

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go beyond the -- let's say the 85 percent and to provide service sort of just automatically without a reasonable request from a subscriber -- keep in mind, I mean, that's really what drives all of this. That's what drives it for the wireline carriers as well as wireless. Wireline carriers don't have nearly the ubiquity of coverage that wireless carriers have because they respond to reasonable requests for service.

When a customer builds a house and requests a line, the telephone company extends a line. Should Western Wireless be expected to without a reasonable request build out into that 15 percent? I'm not sure. I kind of think that the standard makes sense. If there are --

Q Let me ask you this then. Upon reasonable requests, and I acknowledge that no matter how thoroughly you build your system there are probably going to be dead spots and so on and I understand your testimony in that regard, but in cases like we've had recently where we've had entire communities of people request service because the service is lousy throughout that particular geographic zone or where we have large numbers of complaints, whether or not they're within those 17 will Western Wireless be committed to a continuous program

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of construction and system upgrades to achieve that objective and with your condition based upon a reasonable request that service be extended throughout the entire service areas of these ILECs?

A That's exactly what we're in the business of doing. Western Wireless wants to be a service provider, wants to be in a position to be able to attract customers in our network and to provide them service. We do not want to be in the position of denying service to potential customers. That's what universal service is all about is providing support to enable a carrier to do just exactly that.

Q And that means going beyond the 17 towers and making necessary additional build-outs in the future to achieve that?

A Sure.

Q As a reasonable request?

A Absolutely. In other words, the 17 towers represent this year's expenditures. Next year I don't know what it will look like but absolutely.

Q There will be some?

A There will be. And the standard -- I'm sorry to interrupt.

Q Go ahead.

A But the standard on that is the upgrade, provision, and

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maintenance of the network. So the support under 254(e) has got to be used for the upgrade, maintenance, and provision of the support.

So, just to be clear, the 17 cell sites represent one component of that 254(e) requirement. It also extends to and applies to the maintenance of the network and the upgrading of the network.

Q All right. I understand that. The FCC in both of its recent Decisions in the section called -- and I can have you read it and all of that, but I think you're aware of it, included a section called Regulatory Oversight: It's in paragraph 43 of the Highland Cellular Decision.

A Okay.

Q And although the FCC did not specifically term the provisions in that paragraph as conditions of its grant of service, it included specific mandatory conduct on the part of the company that basically performed the same function as what we do with conditions or what this Commission has done with conditions.

Would a condition similar in terms of build-out and in terms of reporting requests for build-out that it remain unfulfilled -- or for service I should say because I realize your argument that service might otherwise be provided.

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Would that kind of annual reporting condition be something Western Wireless could live with so the Commission would have a way of monitoring the company's commitment that it's made here today?

A First of all, whether or not this witness feels comfortable with something is really not the -- shouldn't be the standard. The question is whether certain requirements and conditions are applicable and mandatory and actually do apply.

Western Wireless has been designated in this state, and there were conditions on that designation that Western Wireless has met and that this Commission has determined have been met. There are conditions in other states that are different that have been applied.

In some cases we have challenged those and in others not and Western Wireless is comfortable with a level of that sort of compliance and reporting and, you know, satisfaction of those sorts of reasonable expectations.

Q So the company wouldn't be opposed to the Commission imposing similar regulatory oversight conditions as the FCC did in this case?

A We've agreed to be bound by, for instance, the CTIA consumer code, which is listed there, the requirement to submit build-out plans. You know, I don't know what

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you want to call those, and, you know, what we've tried to do is give this Commission the comfort in my testimony that we are actually building -- we're going to be building these sites once designated. Whether you call that a build-out plan or not, I don't know.

I think one of the problems with that sort of expectation is that they obviously do need to be expected of all ETCs, wireless and wireline alike. When a wireline carrier meets the 254(e) expectation as well as its reporting to NECA for the purposes of universal service support it certainly does not project out what it's going to spend, how it's going to build. It essentially presents its costs to NECA and to USAC and expects to be made whole.

So those kinds of expectations on future-looking build-out plans becomes a little troubling when you impose that on both wireline and wireless ETCs.

Q I don't know that the Highland Cellular Decision actually imposed a specific build-out plan filing. What it did state is a general reporting of your progress and also reporting of requests for service that have not been satisfactorily fulfilled and the general reporting of gradual movement toward fulfilling the standard.

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And I can quote it to you, but basically it said additional requirements will further the Commission's goal of ensuring Highland Cellular satisfies its obligation under Section 214(e) to provide supported services throughout the designated service area.

Is that a problem?

A Is the imposition of that general notion a problem?

Q Would that precise paragraph as its written be a problem in this case?

A I'm sorry. Could you refer me to --

Q The paragraph is 43 in the Highland Decision.

A Right.

Q And, again, there may be things the Commission will want to do other than that. I'm just trying to get a feeling here for what Western Wireless's commitment level -- what you think the commitment is you're making here because the level of conditions you're going to live with or provisions in the Order I think tell the Commission something about that.

A Right. I think so too. And I look back to the original -- the first ETC designation as a sign of this company's commitment here. This company was subjected to a series of conditions there, all of which have been met, not the least of which was the complete revision

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of our terms and conditions, our service agreement that customers use.

And we're a company that likes to use the similar service agreement throughout its nationwide footprint and to create a special agreement -- that was something unique that we did, and we've complied with that. We are subject to reporting today, reporting to the Commission. We're subject to the Commission's jurisdiction over complaints. Those kinds of things I think show this company's commitment pursuant to an ETC designation, all of which have been imposed by this Commission and that the company has complied with.

Are the specific conditions included in Highland, is the company comfortable with those? Not 100 percent. But, you know, those types of assurances that commissions impose, you know, I think we show our comfort by complying and we've done that today as an ETC today and we hope to and expect to be able to do that in the future with another ETC designation.

Q With respect to the CTIA consumer code, this is a little issue but again I'm just trying to get to --

A Sure.

Q -- Western Wireless's attitude here about all of this. I noticed recently -- we've heard this a few times. You've probably heard it too, and it's not just your

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company, it's other companies around the country. The imposition of surcharges more or less out of the blue of the customer's standpoint.

Would you please discuss -- recently on the website right now it says the surcharge increased from 97 cents to $1.70 effective January 20. I note that the standards here or the consumer code says, "Carriers will not modify the material terms of their subscriber's contracts in a manner that is material or adverse without providing a reasonable advanced notice and allowing subscribers a time period of not less than 14 days to cancel their contracts."

Is this the kind of thing that provision is meant to apply to, paragraph 7?

A Our interpretation of that is an increase -- the increase that you're referring to was not material.

Q Okay.

A The imposition of the surcharge at the beginning, at the outset was, and that's why we had -- we did make it possible for consumers to -- I believe you said a 14-day.

Q To opt out?

A To opt out.

Q Thank you. I'm looking at exhibit -- just an exhibit here for the purposes of a question on an exhibit for

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the purposes of getting maybe the data here as precise as possible. Exhibit JHP 52, surrebuttal.

A Yes. I have that.

Q This is the kind of thing Harlan notices, and I never would in a million years. At the bottom there you have West River Cooperative Telephone Company listed, and it's our understanding that that should be West River Telecommunications Cooperative.

A I think you're probably correct.

Q And it does have a miniature -- it has a small impact on the numbers there.

A I see. In other words, you're saying we may have --

Q Picked the wrong --

A -- picked the wrong telephone company. Okay. Well, we'll definitely take a look at that.

MR. SMITH: I have no further questions. Thank you.

MS. AILTS WIEST: Commissioners?

COMMISSIONER BURG: I have a couple. We had quite a bit of discussion of the 85 percent. Do you know -- just curious on this, do you know, can an ILEC receive universal service funds if they're providing at an 85 percent level?

THE WITNESS: I would actually say -- I don't mean to be flip about this. I would

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say that the ILECs provide service to substantially less than 85 percent of the territory of wire centers. I mean, they are, you know, single line, very little ubiquity throughout that area.

COMMISSIONER BURG: Of requested service of requested residences?

THE WITNESS: See, that's a difference that -- but we did not use 85 percent of requested service to analyze whether or not we were going to include that area in our service area. So let me be clear just a moment. In analyzing whether to include an area we looked at just sheer population coverage, pops in that wire center covered.

At 85 percent, I mean, that's a very different thing than geographic coverage. So we believe that population coverage is a more accurate reflection of our ability to meet ETC expectations.

The standard that the FCC has established in expecting ETCs to respond to requests for service is this reasonable request for service standard. That's a different thing than the 85 percent analysis we use, which is an internal standard. It's what we've used to determine whether we feel we can meet the obligations to serve the customers

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in that area.

COMMISSIONER BURG: What's the FCC's requirement for reasonable request, what percent of coverage?

THE WITNESS: There's no -- you know, reasonable is reasonable. I mean, I think it depends on the specific instances of that request. So, in other words, the FCC hasn't attached a time frame or a percentage. It just means, you know, the carriers both wireline and wireless are expected to respond to reasonable requests for service.

COMMISSIONER BURG: Let me turn it a little then. You're saying that under your standard that you could refuse service to 15 percent of the reasonable requests and meet that standard?

THE WITNESS: No. That's not my testimony at all. The expectation on an ETC is that it offer and advertise -- I mean, the language of the law and of the rule is to offer and advertise the supported services throughout the designated service area. What does that mean?

The FCC says it means respond to requests for service within a reasonable time. That's what they

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said in the South Dakota Preemption Order. They recognize that competitors would never be designated if they had to be built out essentially 100 percent throughout the entire area.

So the reasonable request language applies -- again, applies to all ETCs. We use the 85 percent threshold as a way of getting at that -- you know, somewhere between, we think, 0 and 100 percent. The FCC says it doesn't expect 100 percent. We want to be able to make assurances to you that we meet it at some level above 0.

We think 85 percent of the population covered is a good threshold to use to convince you that we are providing service in that area, it's not 100 percent, that we recognize there are gaps. We want to make it better. We want to be eligible for the support in order to expand the network to subscribers there. We want to be able to provide the service to those additional 15 percent.

COMMISSIONER BURG: Believe you me we want you to too because we're the ones who hear about it with those that don't. So, I mean, I'm still confused. I still don't understand. Because we hear from that one that doesn't get service. And so what you're saying --

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I'm just trying to figure out exactly what you are saying. You tell me that you're not saying that under your own standard that up to 15 percent of the people could be denied service and you'd meet your standard. You're saying that's not the case. What does it mean then?

I mean, yes, I know reasonable request, I mean, let me get back to -- I don't think you should have to necessarily meet every valley in your case or in the case of the wireline every mountain.

THE WITNESS: Let's assume that Western Wireless is designated in a hypothetical wire center and we analyze it internally as being a 90 percent pops covered wire center. So now we're beyond this case. We're actually designated there.

Now we're in the business of responding to requests. So we've got 10 percent of the population out there. Let's say it's 20 people. I don't know. Those 20 people, A, could already be subscribers, B, they might not be subscribers but want to be subscribers and ask us for service, or, C, they may not want the service at all.

For those B subscribers we have -- there are a number of ways that Western Wireless responds to a

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request for service. First of all, I mean -- and let's say it's in an area where we haven't been able to -- we haven't been able to build out yet.

If the customer says I want to be a customer but you don't have service in this area, we can do a number of things on kind of an escalating scale. We can make sure that they get the right equipment in their hands, whether that's, you know, a handset that works, a handset with booster technology, a handset that is maybe a 3 watt phone, a number of sort of user equipment ways that we can sort of enhance the likelihood that we'll have service for that person in that spot.

There are a number of network things that we can do. We can tweak the network. We can make configuration changes in the network. There is booster technology on the network side that we're looking at, we're going to be looking very seriously at in kind of a test basis starting in Nevada that we think could substantially change the way that our network is amplified and transmitted.

There are a number of steps we can take, the last of which is the construction of an additional cell site. If there is, you know, one person who requests service and doesn't have service today and

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it would cost, you know, 3 or $400,000 to build a cell site, is that a reasonable request? I don't know. Probably not.

So, you know, each request for service I think is individual, has multiple factors, but Western Wireless responds in a whole number of different ways to be able to provide service to those requesting customers.

COMMISSIONER BURG: It is my personal feeling that anybody who has ETC designation, wireline or wireless, should have the same standard to provide service. If there were that one customer or those five customers on wireline, could they deny it the same?

THE WITNESS: As an ETC the same standard applies. The FCC in that South Dakota Decision -- in fact, they repeated it in both the Virginia Cellular and the Highland Cellular case. So it is the standard. They said in that context this is the standard that applies to ETC, respond to reasonable requests for service.

Does the wireline LEC carrier have perhaps other different state regulatory expectations such as carrier of last resort that might be interpreted to be a different obligation? Sure.

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COMMISSIONER BURG: And you don't have a carrier of last resort even though you get the same universal service support.

THE WITNESS: The FCC has, in fact, said wireless carriers can't be expected to be -- to apply for and be designated as COLRs, as carriers of last resort.

COMMISSIONER BURG: But you do get the same universal service support.

THE WITNESS: Because we meet those nine supported services. And the FCC and the law says -- basic services, provide the nine supported services, offer and advertise, you've got to be a common carrier. It's that set of obligations, that set of criteria, not state regulatory, you know, carrier of last resort obligations or certificate expectations. It's a different set.

COMMISSIONER BURG: What's the difference between an extraordinary and a -- no. An extender and a full cell site?

THE WITNESS: My understanding is that an extender is -- runs off lower power, is an extension of another cell site. So it's not a stand-alone cell site in that it is -- it has certain limitations, but it does fill a need to

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expand coverage on a somewhat limited basis into an area.

COMMISSIONER BURG: Is it quite a bit cheaper?

THE WITNESS: I think so, yes.

COMMISSIONER BURG: You don't have any idea how much?

THE WITNESS: I don't, no.

COMMISSIONER BURG: And then I read something in the last week or so where the FCC was considering allowing in certain conditions to put more power to try to get the signal out farther from an individual cell site.

Is that something that you can adapt -- is that something that might apply?

THE WITNESS: I --

COMMISSIONER BURG: I think it was within a certain megahertz band width that they were considering. It has not been approved, but they were considering allowing a stronger signal.

THE WITNESS: I didn't see that. It's possible it has to do more with this booster technology possibly. I don't know. I didn't see that.

COMMISSIONER BURG: I was just

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wondering, you know, if that was something you would be adaptable to.

You were asked what the average coverage is for a cell site. You said you could not give an average. What do you use as coverage when you're planning then for a new site?

THE WITNESS: I believe the engineers actually try to design and plan a cell site into the network using RF propagation models, which, you know, based on the design and planning of that cell site are going to propagate at, you know, different levels.

COMMISSIONER BURG: Are you controlled by the amount of power you can put on your signal by law or rule?

THE WITNESS: Yes.

COMMISSIONER BURG: So wouldn't that pretty well control how far that signal went? I guess one thing I'm getting at is we go out and we meet -- we're using the criteria of about 15 miles, and from your answer I was saying that doesn't sound like we're being accurate.

THE WITNESS: I just don't have any -- I mean --

COMMISSIONER BURG: I guess I keep

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thinking if you don't -- you know, if you don't have an idea of how far a cell site will reach when you're talking in generalities, not specifics, how do you plan, how do you talk to the groups that are wanting more information?

THE WITNESS: Well, that's why we ask the RF engineers to -- what the engineer will do when analyzing this is they will, you know, experiment. They'll look at how to design in that area. A lot of it's based on the availability of a location. But they can kind of -- they can sort of approximate where they might put a site.

They can model the propagation from that cell site based on, you know, a computer model that generates -- based on a whole bunch of different factors, generates different scenarios. And they can essentially model it. So they don't --

COMMISSIONER BURG: So if somebody calls you up and said I don't have a good signal and you say -- they say -- you asked them how far they live and they say I live 19 miles from the tower I'm aware of, you don't say that's stretching our signal or anything like that?

THE WITNESS: I wouldn't be able to say that.

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COMMISSIONER BURG: The last question I have, you answered some questions on James Valley's service. It was indicated that there was only one tower there now in that whole service territory and there is no plans to put any in the proposals that you have before us. And you indicated that perhaps you have adequate coverage there now, you meet the 85 threshold now.

Do you have a map that would show how you can meet that with your current one so that -- because, I guess the question I have is if you can't, if we don't know that, how come you're requiring ETC in an area you don't have coverage now within that territory at least and there is no plans to actually build that? So why would you ask for ETC coverage for the area?

THE WITNESS: Well, we do have coverage there. In fact, we meet the 85 percent threshold in James Valley. The question was whether there was a site located within that study area. I've got two -- I've got a couple of problems with it. Number one, sites in adjacent study areas most certainly can propagate radiofrequency coverage into the James Valley study area. There's no question that's what's going on

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there.

COMMISSIONER BURG: I guess do you have a map that would show that?

THE WITNESS: The maps that have been supplied showed both the James Valley --

COMMISSIONER BURG: Yeah. I know that. But the map that we had up there does not show where the cells are that would serve that area if there aren't any in the area.

MR. AYOTTE: Excuse me. You understand that wasn't our map? That is a map one of the -- that isn't our map.

COMMISSIONER BURG: Right. I recognize that. That's what I was wondering. That's what I asked. Do you have a map that shows where the cell towers are that would serve that area since there's only one in the area?

THE WITNESS: We haven't supplied that in this case. We weren't asked to supply that, I don't think. Location of cell sites is somewhat sensitive, but I think under the confidentiality agreement we could --

COMMISSIONER BURG: Well, I've always had a problem when they say current cell site is confidential or sensitive. I mean, they're

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so obvious. I can't imagine why it would be confidential where a current one is located.

I can understand the planning ones. But I've heard that before, and I'm thinking that's ridiculous. Like there isn't an elephant in the room.

THE WITNESS: Again, subject to the confidentiality agreement, I think we'd be willing to provide that to the Commission.

The point that I wanted to -- in responding to Mr. Cremer's question is that I don't believe that Mr. Brown has captured all of the cell sites of Western Wireless in South Dakota, especially if he relied on the ULS database at the FCC. And as I go into some detail in my testimony, the cell sites that are reported to the FCC are only those cell sites that contribute to the exterior boundary of our CGSA.

And that's what the FCC's most concerned with. Any changes that we make to our exterior boundary of that CGSA are obviously important because they may come up against other carriers, and that's why the FCC is really in business. They want to keep us away from each other.

So I'm fairly well convinced that he didn't

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capture all of the cell sites that Western --
COMMISSIONER BURG: Is this prefiled testimony that you're going from of Mr. Brown's?
THE WITNESS: Yes.
COMMISSIONER BURG: Would it not have been a good idea to rebut that with a definition of where they are? Would you be willing to give us a map of all of your cell sites including extenders, even if it's confidential, I don't care, as a late exhibit?
THE WITNESS: Yes. The reason we didn't supply it is we felt that showing you the coverage from those sites was more useful to you, more important, more relevant. But we'd be glad to. And the other clarification I'd make is when you talk about the 85 percent I want to make sure that we understand it's not geography covered. It's population.
COMMISSIONER BURG: I understood you meant 85 percent. Because I followed Mr. Smith's comments that that means that 15 percent would not have to be covered to meet your standard.
THE WITNESS: 15 percent of the population?
COMMISSIONER BURG: Right. 15

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percent of the population could not be covered and still meet your standard; is that correct?
THE WITNESS: Yes. That's correct.
COMMISSIONER BURG: That's all I have.
CHAIRMAN SAHR: Mr. Blundell, we've talked a lot about how much area towers cover. With those type of questions is that something that typically a system engineer or some type of systems expert for a wireless company would evaluate and be knowledgeable about?
THE WITNESS: I suppose so. I'm not sure what answer an engineer would give if asked that question. So I don't myself know the answer that an engineer would give, but, yes, I think that's something an engineer might be asked and might be able to formulate an average.
CHAIRMAN SAHR: And realizing there are geographical differences among areas, certainly differences depending on height of tower and so on and so forth, would it surprise you that through my discussions with people in your organization, Verizon and a number of other people that work in the wireless field that for a 250, 300 foot tower in your typical South Dakota terrain on a typical

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day acknowledging that snow may help, plants may hurt, those type of factors, that 12 to 18 to 15 miles is a rule of thumb at the very least for our radius of that type of height tower?
THE WITNESS: I'm not going to dispute it. I imagine there are differences between technology, between maps, and CDMA, TDMA. I'm not going to dispute the average that you have.
CHAIRMAN SAHR: Thank you. And the question was asked about whether a site construction -- my recollection is that last year -- and acknowledging that typically build-out will happen in the warmer weather months for obvious reasons, but last year you did put up sites in South Dakota during the winter months.
Could you talk about that a little bit?
THE WITNESS: Are you talking about the Howard and Parker sites?
CHAIRMAN SAHR: Yes.
THE WITNESS: It's not typical for us. I think we were trying to be responsive to the concerns of local folks there. They really wanted coverage, and we want to be responsive to that. It's not our typical build time.
CHAIRMAN SAHR: But it is

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technically -- depending on weather conditions, so on and so forth, it would be technically possible to build a tower even in the fall and winter months?
THE WITNESS: We approved it.
CHAIRMAN SAHR: Back to the reasonable request for service, I'm just kind of curious, how does Western Wireless evaluate those type of requests?
If someone is within an ETC designated area, and I'm not talking prospectively, but it does help us understand how it would work in these particular areas. Let's say an individual consumer calls up or a community contacts you and says -- a regulator, as the case may be, contacts you and says we would really like to see a tower built or acknowledging that you don't necessarily have to build towers to provide coverage, we want you to make some sort of upgrade or change to your system maybe in an adjacent area to cover our community.
How would you evaluate that from a -- that sort of request from an area where there is an ETC designation?
THE WITNESS: It's a really tough one to respond to because each one is different,

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and I think that's why the FCC recognized that it needs to be somewhat subjective and why they use the words "reasonable."

Each one should be evaluated on its own. Western Wireless nor any other ETC can spend, you know, an unlimited amount of time and resources on every request. I mean, there are -- I don't know specifically about South Dakota, but I imagine there are some unserved customers with wireline service. That certainly is the case in most states.

So I'm not sure I can help out a lot more than that, that each -- you know, that each request is fairly -- is different, should be probably treated differently.

CHAIRMAN SAHR: When we talk about a request, if I walk -- and I may be beyond your knowledge base, let me know, but if I walk into my local Cell One dealer and I say, I live in Blunt, South Dakota and I can't use my phone, I'd like coverage there, I mean, is that a request or do I need to put in something more formalized or file a complaint of some sort or, you know, what's the mechanism for filing this request through the pipeline?

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THE WITNESS: Well, I think that is a request. And, you know, nine times out of 10 I'm thinking, hoping, that that can be dealt with at the Cellular One store. The expectation on our employees is that they will escalate those requests if -- you know, if there is trouble getting service to that subscriber.

Again, please realize that with mobile service, you know, subscribers that may be in that 15 percent -- or, again it might be 5 or 10 percent in the wire center may be subscribers. And because of the ubiquity of our network, they may still enjoy the benefits of the service that we provide.

So the customer that walks into the store might also finish their sentence by saying, you know, you don't provide service at my home or at the far end of my ranch but I want the service anyway because I drive a substantial amount and, you know, I'll enjoy the benefits that way.

CHAIRMAN SAHR: And I have heard that from a lot of consumers who say maybe I can't use it here, but I like it when I can use it elsewhere, which kind of brings me to another question.

In your mind how do you define what is a

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service area or what is providing service within a particular market? Is it to the person's house or the ability to use it somewhere within the state, or is it somewhere in between?

THE WITNESS: Well, first of all, we consider service and coverage to be quite a bit distinct from, you know, the place that we file for support, which under federal rules is the billing address. So we consider those to be separate matters.

Yeah. Is it reasonable or not, I think is the best way. And we'd be open to the Commission for a suggestion as to how -- two things. How might we internally, you know, sort of be more aware, make you more aware of these requests and the reasonableness of them and then, second, how -- you know, how better can we interpret the reasonable request language?

Wireline carriers typically have a line extension policy that says the customer typically pays, you know, for some cost above a certain threshold. You know, should we enter into discussions about that? I don't know. We've tossed that around. That's a possibility. So we're certainly open to putting more substance into

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that standard.

CHAIRMAN SAHR: And you anticipated one of my next questions and I'm going to ask the wireline question, and realizing that you may not know the answer to that question, but you talked about the phrase "line extension" or "line extension fee" or something similar to that.

What's your understanding of how that works on the wireline side of things?

THE WITNESS: My understanding, it's sort of a typical situation and most of these filed in tariffs, that the line extension policy as a threshold, a cost threshold, beyond which the subscriber would be responsible for, that the wireline carrier would not pay the cost above some threshold, 1,000, $5,000, something like that.

CHAIRMAN SAHR: So there are -- under your understanding of how it works in the wireline side of things, there are people out there who wanted service and got that service because -- and I'm talking about the customer who got that service because they paid part of that cost; is that correct?

THE WITNESS: Yes. It's also my understanding some subscribers can't afford that

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cost and so don't have service because they couldn't pay the line extension fee.

CHAIRMAN SAHR: Now when we're looking at ETC designated areas and when we're evaluating and I'm trying not to really get into the 85/15 type question so I'm not really going that route, but if somebody makes a request for service, are we evaluating that request from their residence? Are we evaluating that request from where they spend time within the area, where their Post Office Box is? I mean, do you know where that request gets evaluated from?

Because with mobile technology, that is certainly an interesting and probably a necessary question because you can use it in multiple spots throughout the ETC designated area. And, I mean, is there any legal standards or business place standards for looking at that that you know of that are hard and fast?

THE WITNESS: I don't think so. I think again -- and my apologies for the equivocation but it is what the FCC has given us to deal with and that is a fairly subjective standard of these reasonable requests. If there's a subscriber who is covered, for instance, and wants

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service outside of the coverage area, is that a reasonable request for service? It depends on lots of factors.

I can answer it best by saying we don't desire to take on these obligations in order to facilitate our denial of service. It is not what we're about. So we don't look at this standard as a way -- as a barrier, as a way to say no. It's something we have to deal with with this Commission and with the FCC.

If we can figure out better ways to expand our coverage, upgrade our service, et cetera, we will do that, and we'll do that with your input. It's a hard standard to get around.

CHAIRMAN SAHR: Do you know, is that left up to -- can State Commissions do that through rule-making, promulgate those type of standards?

What's your understanding about this? Is it something that's done through FCC and case law based on FCC rules and federal law, or is there a rule for the State Commissions in trying to find that type of issue about service area and reasonable requests?

THE WITNESS: It's never come up as far as I know, other than the pronouncements from

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the FCC. I think there's definitely a role for the State Commission. It is after all a standard that the FCC has sort of placed under this service area requirement, which is part of the State Commission's designation.

So, yeah, I think the State Commission definitely has a role to play in determining whether or not a carrier in an ETC is meeting its obligation in that respect.

CHAIRMAN SAHR: And kind of in that evaluation mode, my reading of the federal cases is, you know, certainly subject to some strict scrutiny, if you were looking at trying to provide service in a prospectively -- in an area that's going to be designated ETC and it's prospective, that the -- where really the rubber meets the road is in the certification process, or certainly it seems like the FCC and the courts are talking a lot about and even the Joint Board to a certain extent is talking about the role of the certification process in making sure that Universal Service Fund requirements are being met.

Are you comfortable enough to talk generally about how that -- your understanding of how that would work?

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THE WITNESS: Sure. Yeah.

CHAIRMAN SAHR: Please proceed.

THE WITNESS: Well, this -- for starters, this Commission has one of the higher expectations, I guess I'd say. I mean, you have expected us to provide some data that we don't provide in other states. And we've done that. We've complied with your requests, and you seem satisfied and made the certification.

I think that is probably -- I think you've hit on probably the more important function or role for the State Commission, to kind of provide an ongoing annual process, a checkup, if you will, that a lot of this stuff that we deal with in these ETC cases is really not so relevant now but certainly could be relevant then.

So I'm not sure I have a whole lot more to add than that, but I will say this. I think there are -- I think State Commissions should be more concerned about that certification process for both wireline and wireless ETCs. I think that in the rate of return regulation mechanism as a whole at the federal level I think there is a lot of -- there are a lot of secrets. And State Commissions could do a better job at looking under the hood a

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little bit more at the use of universal service by wireline carriers.

And we testified to that in the rate of return regulation petition that we filed at the FCC. I think there are lots of opportunities there for further investigation.

CHAIRMAN SAHR: Changing modes just a little bit to another issue, and I know it's discussed in the prefiled testimony, but what about the impact on universal service? What about the, you know, potential drain on the fund as more and more companies seek the assistance via universal service?

THE WITNESS: The increasing distribution to competitive carriers was clearly contemplated by the FCC and by Congress when it passed the '96 Act and made it possible to support on a per line basis from incumbents to competitors.

Clearly growth in the receipt of support by competitors was contemplated or they just didn't know what per line support and portability of that support meant. And I think they did.

The growth of the fund to date has been -- as attributable to wireless carriers has been fairly inconsequential. The growth in the fund as a

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result of proposals made and adopted by the FCC for increases in support that go to ILEC carriers as a result of the MAG and NRTF orders has been substantial and has accounted for the substantial amount of growth in the fund in the last few years.

Those are proposals we supported and they were appropriate. But in comparison to any increases that have gone to wireless carriers, increases to competitive ETCs have been inconsequential.

And the final thing I'll say is that growth in the size of the fund as a result of competition really should not be a factor. I realize the Joint Board discussed that, but any time you create a system where competitors are eligible to receive support and you're making judgments on those applications, it's kind of a -- it's a cyclical -- it's a cyclical reasoning to say, well, if we're going to designate you and you receive support and that support is, you know, X, Y, or Z, then we shouldn't designate you, I think that's a troubling circular argument and I would recommend that this Commission not get into that, not consider impact on the fund as one of the factors it looks at here.

CHAIRMAN SAHR: And I may have some more questions after redirect, but I just have one

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last question for now. Mr. Smith was asking you about some of the standards that were coming out that the Highland case. And, of course, it's difficult in your position to necessarily agree to certain things or not agree to them because of, I'm sure, certain corporate steps that probably need to be followed.

That being said, is Western Wireless willing to agree to any -- and there's going to be some legal wrangling within this question, but are you willing to agree to any sort of appropriate legal standard that the FCC has said that states can hold companies requesting ETC designation to?

THE WITNESS: Any legal, I think you said --

CHAIRMAN SAHR: Legal business. I'll strike legal and just say standard. And thank you for clarifying my own question. But the point is he's asking you from that particular case here are the standards that appear to be coming forward from the FCC and appear to be deemed, I shall say, appropriate -- or permissible perhaps is the right word.

You as an attorney for Western Wireless and someone who knows these legal requirements or

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standards, are you comfortable with the standards that are coming forward from the FCC and if it's something that the State of South Dakota wants to look at and say, well, it appears we can put this in an Order, is that something you're comfortable in agreeing to?

THE WITNESS: Again, not 100 percent. There are lots of conditions and compliance requirements and reporting requirements that Western Wireless has complied with after the fact. Whether I tell you today that we agree with them or not is really irrelevant. You know, the question is whether you, first, impose them. Second, you know, whether they're lawful. Third, whether we comply with them.

And, you know, we comply today with all of those kinds of requirements that are imposed on us in other jurisdictions. There is some stuff in Highland and Virginia Cellular -- and, by the way, Virginia Cellular is subject to a reconsideration petition. There are some conditions in those cases that we're not comfortable with.

I don't think that there is a requirement that an ETC file build-out plans, for instance. Is it appropriate and responsible for a Commission in the

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254(e) process to ask them the questions that this Commission asks in that process? Yes.

But I don't think that 100 percent of the conditions that were imposed -- and I'm looking at Highland Cellular here, that we're comfortable with them.

CHAIRMAN SAHR: Thank you.

MS. AILTS WIEST: I think we need to take a break for the court reporter.

(A short recess is taken)

MS. AILTS WIEST: Commissioner Hanson, do you have any questions?

VICE CHAIR HANSON: Yes, I do. Thank you. First of all, Mr. Blundell, I'd like to say thank you very much for the completeness of your answers, and I'd appreciate it if you'd tolerate if I ask any questions that have already been asked. I'm doing some reading as we're going through these processes, and at the same time I may want you to expand a little bit on some of the questions that have already been asked.

During the opening statements counsel for Western Wireless spoke of the responsibilities of the PUC and what we needed to do here and I'm going to ask you to speculate a little bit what he meant

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when he said one of our responsibilities and main decisions for the PUC is public center criteria and we should be concerned with the balancing of benefits versus harm.

What type of harm should we be looking out for here?

THE WITNESS: Harm to consumers primarily.

VICE CHAIR HANSON: What fashion?

THE WITNESS: Well, to tell you the truth, in a public interest -- in the public interest balancing tests I've seen I haven't seen any harms as a result of, you know, competitive ETCs application and designation. But the types of harms that I suppose you would look at or look for would be impacts on prices to consumers, and in every case I think most would agree competition spurs lower prices.

So it is a bit speculative, and I'd be glad to go down that path with you. But that's just it. There aren't any.

MR. AYOTTE: We rest.

VICE CHAIR HANSON: I recognize it's difficult to testify against your own position but at the same time that's our responsibility, and

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perhaps I can help you just a little bit.

Well, you had made a statement pertaining to the Joint Board. You said the FCC referenced the Joint Board Decision and did nothing about it. What did you mean by that?

THE WITNESS: What I meant was the Joint Board made its Recommended Decision, and that's really all it is. And if you look carefully at it, there isn't a whole lot for us to place all of this attention on, but it was issued at around the same time that the Highland Cellular case came out. In fact, the Highland Cellular case was issued after. So after the Joint Board made its recommendations.

So the FCC in its own case immediately following the Joint Board Recommended Decision did not apply the factors that the Joint Board recommended or the recommendations that the Joint Board made.

VICE CHAIR HANSON: So do you mean to imply that we should disregard the Joint Board's recommendations?

THE WITNESS: Yes. The Joint Board's Recommended Decision has no binding effect. It is a recommendation from an advisory group. It

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is not binding at all. And even if it were, if you look at the text of the Joint Board Recommended Decision, it has very little in the way of recommendations at all.

VICE CHAIR HANSON: One of the Joint Board's recommendations was to -- somewhat piggybacking on Chairman Sahr's statements, the dilution of Universal Service Funds as a result of additional ETCs.

Obviously we should be concerned with that. But I don't mean to testify for you. You had made a statement during your answer to Commissioner Sahr, and I thought I heard you say that the Commission should not consider the impact on the font through the addition of the ETCs. Is that what you meant to say?

THE WITNESS: That's what I meant to say, and that is what I said. If you were federal policymakers, if you were deciding how to set up these mechanisms, it might be relative. This Commission has a set of criteria that are statutory and regulatory in nature, that the applicant must show it meets.

This applicant has done that. Your job, I think, is to evaluate those criteria, determine

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whether this applicant has met these criteria and we have and, therefore, I think you should designate Western Wireless, irrespective of the impact on the fund.

Again, I think it's circular to sort of analyze the impact on the fund of designating an applicant for ETC designation, you know, by definition the designation is going to result in an impact on the fund.

VICE CHAIR HANSON: However, if we're concerned with service to the consumer, the law of diminishing returns has to set in somewhere. If there are too many ETCs, eventually the fund will be diluted to the extent that the service will be impacted, won't it?

THE WITNESS: I can sort of give you my high-end responses. A lot of this discussion has been taken on by our other witness, Mr. Wood, and he has addressed those in his testimony. I really think you have a fairly limited set of criteria that you look at in designating an ETC. And those kinds of impacts are relevant in setting up the federal mechanism, making modifications to it, and not relevant in deciding whether the carrier meets the criteria and should be designated

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and, therefore, eligible.

VICE CHAIR HANSON: In your testimony on your surrebuttal testimony on page 8 there was a question, "Does Western Wireless typically develop capital expenditure plans for areas where it is seeking ETC designation prior to obtaining the designation?" Your response was, "Typically the company would not invest the time and resources necessary to develop a capital expenditure plan prior to ETC designation." That's the first portion of your --

Wouldn't you need to have some sort of build-out plan in order to -- and you have demonstrated to an extent 17 sites, cell tower sites that you're planning on building, that Western Wireless is planning on building.

Wouldn't you need some sort of plan in order to request a certain amount of dollars, in order to justify that you need those dollars?

THE WITNESS: Not the way the mechanism is designed today. First of all, I mean, build-out plans are not required. The reason in these cases in these FCC cases there were build-out plans at all is because the carriers didn't even cover -- covered 0 percent. So they had to

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establish their effort to and commitment to provide service there. Western Wireless is a very different carrier than Virginia and Highland --

VICE CHAIR HANSON: If I may interrupt, your answer is going to be it's not necessarily apparently. Isn't it a good business plan to have that information?

THE WITNESS: Well, I thought your question was -- and the question that I answered in my testimony was does the company develop a capital expenditure plan in advance of and for the purpose of a designation in a particular area or for seeking designation in a particular area.

And the answer is no, not specifically, not, you know, necessarily with that in mind. Does the company do capital expenditure planning? Does it do network planning? Yes. Absolutely.

This is different in that the ETC designation grants certain obligations on the company, certain expectations. We feel like we need to be able to meet those and to show you that we meet them we created this threshold and also have put in evidence other ways that we're showing this Commission that we meet the commitment, that we plan to meet the commitment in the new areas, and

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that, gosh, we've been meeting it in the existing ETC designation for years now with no dispute.

VICE CHAIR HANSON: In regard to that, you were asked -- I believe Mr. Coit asked you pertaining to the number of sites if a number of sites had been constructed, and you answered that none of the sites had been constructed.

Is there any plan for extenders to be added to the system?

THE WITNESS: Not in the 17. The 17 are --

VICE CHAIR HANSON: I know -- your testimony was the 17 are cell sites. I'm asking if there's any additional plans other than those 17 for -- and I believe there's been discussion about boosters and extenders, and I'm not certain if people are meaning to state that boosters are the same as extenders. Sometimes people say boosters when they're talking about cellphones so I'm not certain what the discussion was meaning to state there.

But I'm curious if there is any plan at this point for extenders.

THE WITNESS: Not that I know of. But the nature of extenders is that they can be

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deployed at a lower cost and less cumbersome fashion than a full cell site. And just to clarify, the booster -- when we talk about booster technology, it is something that can be used at both the end user commitment and also at the network. And it really is a fancy way to think merely of amplifying a signal.

And there are ways to do that both with end user equipment and as we are investigating network equipment. That's not the same thing as an extender.

An extender would add additional antenna. Booster technology is something that would be added to existing -- you know, existing network coverage to increase the coverage in the output.

VICE CHAIR HANSON: Thank you. In the second portion of your answer in the question I referred to earlier you stated as the FCC has observed, such hypothetical planning would be an inappropriate use of resources, referring to the -- what I would call a business plan.

Did the FCC really say that? Do you find that on page 8, towards the bottom?

THE WITNESS: Uh-huh. Yeah. I think what the -- yes. I think what the FCC is

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saying is it's not -- it doesn't make any sense to require a competitive ETC applicant to do a whole lot of planning for an area that they're not designated in yet. And once they're designated as an ETC, then the obligations apply.

Then you ask either at compliance or certification, you know, on a continuing basis are you meeting those obligations.

VICE CHAIR HANSON: Ms. Rogers asked or made the statement that there was no evidence of new service from the old Universal Service Fund. I'm going to assume that you would disagree with that.

THE WITNESS: I'm sorry?

VICE CHAIR HANSON: If I quoted you incorrectly, please let me know. During her opening statement Ms. Rogers made reference to the performance of Western Wireless with its use of Universal Service Funds and stated that there was no evidence of new service from the old USF.

I'm wondering if you would agree with that.

THE WITNESS: I'm just going to guess on what I think you're --

VICE CHAIR HANSON: The previous Universal Service Funds which were received by

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Western Wireless.

THE WITNESS: As a result of the earlier ETC designation?

VICE CHAIR HANSON: Correct. Is there any evidence that you can enlighten us of where those funds were used to provide additional service?

THE WITNESS: Absolutely. That is exactly what the 254(e) certification process is all about. And the standard, as I had testify earlier, is the upgrade, maintenance -- under 254(e) the ETC is required to upgrade, maintain, and provision facilities and services. And in that process this Commission accepted Western Wireless's statements in that regard and the information that we supplied to you as well as all the other ETCs and granted that certification.

So you agreed with us that we spent the money appropriately. We've been through one of those processes with you, and we look forward to many more.

So has the money that Western Wireless has received as a result of the previous ETC designation been spent according to that set of requirements? Absolutely. And you agreed with us

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on that.

VICE CHAIR HANSON: Mr. Cremer made a statement, and I'll ask all the counsel to forgive me if I testify incorrectly on what you folks stated. You can correct me.

Rather than going to his statement I'll ask a question. How will Universal Service Funds increase service to James Valley?

THE WITNESS: We will use universal service to -- for the purpose that it's intended to be used for, which, again, sort of the legal technical jargon is upgrade, maintain, and provision service there.

As I have testified, you know, there are undoubtedly gaps in our coverage. There are places where the coverage could be improved, and there are probably people in the James Valley study area that would agree.

We will use the money in the James Valley study area and everywhere else to expand our reach, to upgrade the network so that we can expand the reach and provide service to as many people as we possibly can.

VICE CHAIR HANSON: So no promises of additional towers or services or such other than

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continuing to provide general services?
THE WITNESS: The promise is that we will meet the obligation, which is to upgrade, maintain, and provision the service. Again, in response to reasonable requests for service, if we need to build out, you know, more, we will do that.
VICE CHAIR HANSON: Do you have any idea on the number of requests for service that Western Wireless receives in the areas where you're requesting ETC?
THE WITNESS: No.
VICE CHAIR HANSON: Do you have any idea how many complaints you receive in any of those areas such as James Valley or throughout any of those areas?
THE WITNESS: No. We don't track it by ILEC study area, no. I mean, we don't -- yeah.
VICE CHAIR HANSON: Thank you. Thank you very much.
COMMISSIONER BURG: I had a couple more that came up. Did you tell me that you get Universal Service Funds designation depending on the mailing address?
THE WITNESS: No. Once we're designated and then we file on a quarterly basis

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with USAC, we file the subscribers as of their billing address. So we locate them according to their billing address. And that's by federal rule.
COMMISSIONER BURG: But from what I've heard are you saying you would not even have to be able to provide service to that billing address in order to collect universal service from that billing address, based on that billing address?
THE WITNESS: If we have a subscriber and they're located at a billing address, that's where they're geocoded. That's where we place them for the purposes of reporting to USAC.
COMMISSIONER BURG: But you've testified that if somebody's driving around, if they want to go 20 miles from that point, can get service to their customer and you should be able to get recovery. So you're telling me, though, that that person is getting service and you would have the right to Universal Service Funds even if the billing address did not have an adequate signal.
THE WITNESS: Yeah. And, I mean, this is all according to federal --
COMMISSIONER BURG: Well, I

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understand. My problem is not with you as much as it is all the ways the federal law is written. Because I want to follow up on a question that goes similarly then.
Do you collect ETC from any funds in the James Valley service territory today?
THE WITNESS: No.
COMMISSIONER BURG: You have said that you can serve James Valley from your current towers. If you get ETC designation for James Valley, would you immediately get ETC funds from everyone you now serve in service territory?
THE WITNESS: Yes, those customer --
COMMISSIONER BURG: As well as every one you could sign up?
THE WITNESS: Yes.
COMMISSIONER BURG: With no intende expenditure today?
THE WITNESS: Well --
COMMISSIONER BURG: In James Valley service territory. You testify you have no intention or no need to put up any towers.
THE WITNESS: Well, all due respect, I did not say that.
COMMISSIONER BURG: That's what I

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understood.
THE WITNESS: No. I said that it's not in the '04 plan to put a tower up there.
COMMISSIONER BURG: But you said yo meet your 85 criteria today in the James Valley area.
THE WITNESS: Correct.
COMMISSIONER BURG: And you only have the one tower there.
THE WITNESS: No. I dispute that. I'm not sure that that's correct.
COMMISSIONER BURG: Well, that's the one that we saw on the record, and you didn't -- you didn't have any way to refute it. Let's put it that way.
MR. AYOTTE: Commissioner, with all due respect, I think the witness did refute it and said he did not believe that to be accurate. I'll say it once again, that was an Intervener witness that was put on the board, and we will undertake to file a late filed exhibit per your request showing the location of all our cell sites throughout the entire state of South Dakota.
COMMISSIONER BURG: But, regardless, you set those towers up either in or outside the

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James Valley service territory without any USF funds, correct, from James Valley service territory?

MR. AYOTTE: Well, I think that was a question to him.

COMMISSIONER BURG: Well, you're answering for him. Correct?

THE WITNESS: That's correct.

COMMISSIONER BURG: So immediately upon our designation, and I'm kind of questioning why we have to designate because you've narrowed our authority so narrow I'm not sure why we even have it, but you are saying immediately upon your designation as an ETC in that territory you will immediately start to collect from every customer in that territory that takes service from you and anymore that you can sign up without any requirement that additional funds be spent in that territory. Is that the federal law?

THE WITNESS: I wouldn't give your last caveat there. No. In fact, that's not true. Under 254(e) Western Wireless has to show you that we are continuing to upgrade, maintain, and provision the service. The 17 cell sites are planned for '04. You know, we gave you a snapshot

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of the plan for '04. We don't have a plan yet for '05 simply because we haven't done that planning process.

But we will continue under this probably to have to upgrade, maintain, and provision the service. So there will be continuing expenditures under this obligation.

The fact that -- what shouldn't be lost on you is that the money that Western Wireless receives under what I have just explained comes right back here to South Dakota, and it's spent here in South Dakota.

COMMISSIONER BURG: Are you require to account to us the expenditure of all the USF funds that you receive?

THE WITNESS: Your process, the process you've set up, I believe it's under rules -- it may just be -- well, either way your expectation of us is that we supply both amounts of support received and capital expenditures and -- well, any expenditures on the upgrade, maintaining, and provisioning of facilities and services.

So, yes, you require us to do that. We do that in the 254(e) process, and you've certified that we meet that requirement.

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COMMISSIONER BURG: And if we would -- we could deny you, what, certification if we felt you had not met that?

THE WITNESS: Yes, you could.

COMMISSIONER BURG: Is there any requirement on the federal level that you approve of the expenditure of the Universal Service Funds?

THE WITNESS: The language requires -- the language requires either -- well, it's a self-certification process either at the FCC and USAC or at a State Commission who then certifies to USAC and the FCC. We do both in order to cover ourselves. We want to make sure that under that sort of dual process that we're certified. But, I mean, if USAC doesn't get its certification from you as we proved this last year, they will not distribute support.

COMMISSIONER BURG: Change the question just a little bit. Would you provide service to an area with financial support from that area if that was the only way they could get it in the area?

THE WITNESS: I'm sorry. Could you --

COMMISSIONER BURG: Well, we have a

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lot of small areas that no company has decided it's worth them investing, including yours. And hopefully that's not one of the 85 percent, it's one of the 15 that you have said. But if there were such an area and that area says if we make a local contribution will you put up a tower, can you do that, or would you do that?

THE WITNESS: A local contribution to us?

COMMISSIONER BURG: Yeah. To help finance the establishment of cell service in that area.

THE WITNESS: Gee. No one's ever offered that.

COMMISSIONER BURG: Well, you might get it. I didn't ask if they offered it. I want to know --

THE WITNESS: We do not expect that.

COMMISSIONER BURG: That's not my question. I expect it. I expect some people think it's so important they would be willing to spend economic development dollars to get a cell site to serve their area, and I'm asking you would you as a company put one up in that situation?

THE WITNESS: I think that the best

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way that would work is if a local community wanted to build -- and I know the legislature here -- I believe they passed legislation on the water tower -- if a local community wanted to build either a tower or, you know, somehow -- or designate a public location and make it attractive for us to site our antenna on that location, sure.

COMMISSIONER BURG: What would mak it attractive? Because we saw a map of water towers, and you'll get inundated if you'll put one every place --

THE WITNESS: I'm not saying we would put an antenna on every water tower. I think the reason I'm hesitating is it needs to be a location that fits in with our network, for one.

I've just never -- I have never considered and so I guess I don't have the authority on behalf of the company to say whether we would accept money from a local community. So I'm suggesting that perhaps the best way to accomplish that would be through local, you know, communities and their property and make water towers or other public facilities available for us to collocate on those.

COMMISSIONER BURG: Well, we've already had a lot of requests for we've got a water

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tower, they can sure use it. So, you know, you're going to get that request. So I guess I'm saying you are not aware that the company has a policy of local support I'll say beyond the water tower. Because I don't think that's going to be enough for you in some locations, and I guess what I'm saying is maybe the company needs to develop a policy.

THE WITNESS: Where we would accept private dollars?

COMMISSIONER BURG: Let's just say it takes $300,000 to put up a site with or without a water tower and they say, you know, we will raise 50 or $100,000 towards that cost, will you put one up with the rest. And I think that's the kind of question we're going to get into certain areas.

THE WITNESS: I'm sorry. Commissioner, I can't say without any doubts that we would do that in every instance. I think that's a very creative way to get at some of the problems with local siting and absolutely --

COMMISSIONER BURG: You answered m question. I asked you if there was a policy, and I think the answer was we do not have one.

THE WITNESS: Right.

COMMISSIONER BURG: I'm actually

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taking that a step farther and saying I think that's something I'd like to see you approach your board or whoever about it and make a determination of how you'd go about the process like that.

THE WITNESS: I don't want my response to be interpreted as, you know -- I don't want you to think that I think it's a bad idea. I think it's a great idea. I think that's a terrific way to get at some of these, you know, siting problems and absolutely we would look at that. I think that's a --

COMMISSIONER BURG: Well, and again I think we need to look at the Universal Service Funds as I think they should be available for some of those areas that are not feasible, and I think you'd probably say none of these are feasible Universal Service Funds but I think some of them you're actually going to come out ahead getting Universal Service Funds to do it and maybe we look at some of the marginal ones because we definitely are going to continue to hear clamoring to get coverage 100 percent of the area.

THE WITNESS: And I think and I hope you'll agree we have really tried to be extremely responsive to the communities and to this

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Commission's concerns, specific concerns, and the identification of specific areas that seem to need coverage.

I'm not sure we can put a tower every single place, you know, this year in --

COMMISSIONER BURG: I don't mean this year.

THE WITNESS: But, you know, we are, I guess, trying to be extremely responsive to just those kinds of demands.

COMMISSIONER BURG: And I appreciate that, and I recognize that. But then when I start to feel sorry for you I start to look at that 828,000 out of one service area and see that you're doing pretty well on the universal service side of it.

THE WITNESS: It's expensive to provide service in high-cost areas, as I think both the wireline carriers and us would attest.

COMMISSIONER BURG: That's all the questions.

CHAIRMAN SAHR: Mr. Blundell, I have a few more questions and I want to thank you also for your patience and everyone I think has been very professional and this obviously is a

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contentious issue and you've had long testimony.

And I should say when I came on the Commission I was really surprised to find out that we weren't doing what I thought was our statutory authority under the law as far as wireless services were concerned. And I know I immediately started working hard on that to figure out a way to build a better network across the state. And it's very -- I think it's a very good sign.

And I know Commissioner Hanson also was very active on that pass -- that part of it as soon as he announced his plans to run for the PUC and certainly as Commissioner fully supported my efforts to examine our state of wireless services in South Dakota expand and it's great to hear that we have Commissioner Burg on board now as well.

COMMISSIONER BURG: I didn't know I was ever off.

CHAIRMAN SAHR: Well, we can debate that another time. But certainly the build-out on water towers and partnerships and so on and so forth I think is something I know I've been discussing with the public and with your company and other companies for -- including the rural telephone co-ops since 2002, and I think this

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discussion while perhaps getting a little far afield is an important one to have at some point in time and I certainly would echo any comments that relate to in asking your company to evaluate how it can do more in any respect. So I appreciate that.

One of the things that came up that I would just like to clarify, we're talking about build-out plans and we can all kind of debate what isn't an appropriate build-out plan. But when I look at this attachment that we -- this is confidential. Close your eyes, and I think you're okay. I look at this attachment. It's your map that you attached, or rebuttal testimony and we can argue whether this is an appropriate build-out plan or not but I have a hard time not characterizing this as a build-out plan when we're talking about 17 new sites.

And maybe there's a couple of them that might not reach into the territories in question, but to me I think it clearly shows an effort, whether planned or coincidental, it shows it demonstrates some plans to go out there and serve these territories because almost all of these sites are either within the areas in question or they are right outside.

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So is it inappropriate for me to think that this at least for 2004 is a proposed build-out plan?

THE WITNESS: There's been a lot of discussion about build-out plans and what qualifies as one or not. You can call it whatever you want. We don't call it that. It's simply, you know -- and, you know, I would also add that I don't think build-out plans are required.

We wanted to give this Commission assurances in a couple of areas. One, our networks are not stagnant. They're dynamic. We're constantly improving them, expanding them, modifying, upgrading, and so forth.

Number two, assurances that we not only meet the commitment today, but we will in the future once designated. And, finally, I guess I think what it shows is that we don't consider that -- and I think it's a minimum 85 percent. We don't consider that to be the end of the story. That's not -- we don't stand pat on the 85 percent threshold.

We are continually trying to increase that number. We want to provide service to the additional folks that aren't covered today. That's

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what we're in business to do. So I think that map, I hope, shows this Commission that this is the start of, you know, the implementation of, you know -- your designation as a way to meet some of the things you just talked about as far as really enhancing the network in this state and bringing it to places that might not have it today, remote areas. And, you know, that's what we wanted to show with that map.

CHAIRMAN SAHR: We've had a lot of discussion about James Valley, and I'm sure that will continue on, and they obviously have an exhibit that's been of note to people and I'm sure will be tomorrow and I don't want to jump the gun on this but hearing some of the questions that have been asked, I'm going to ask you a few questions about that particular service territory but I'm asking it maybe in more of a generic sense.

And I realize the Interveners certainly may -- they have and certainly probably will disagree with some of the assumptions and some of the things that you have supplied the Commission. But I'm going to look at this April 5, 2004.

And Commissioner Hanson asked about new towers, but you don't necessarily have to put in

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new towers into an area to be eligible for the Universal Service Fund as long you are meeting the requirements to get the designation and then going on a forward basis meeting the requirements of the certification that we at the South Dakota Public Utilities Commission sign off of on an annual basis.

For instance, and we can argue about whether or not this map is accurate, but if you're serving the customers in that area and you ask for ETC designation and you can do it with your existing network, now there may be some restrictions on how you spend that money, but you would still be eligible for that even if you never put up another tower, assuming that you met the requirements with your existing system; is that correct?

THE WITNESS: Correct.

CHAIRMAN SAHR: And just for my point of clarification, when you received the money for an area which you've been designated as having ETC -- where you have received the ETC designation, and this may have been asked and answered earlier so I apologize if I'm asking something that's already been answered, is the requirement that you spend it within that particular center, is that the

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requirement that you spend it within that particular service territory, or is it just within the entire State of South Dakota?

How does that work? I mean, if you're getting money from the James Valley customers, so to speak -- I shouldn't say sort of from, but if the money is flowing because you have ETC designation in James Valley and could be anywhere hypothetically, does that have to directly be spent within that particular area or can that be spent anywhere within the State of South Dakota or what are the requirements on the expenditure side of things?

THE WITNESS: It's actually flowing from our customers to a greater degree.

CHAIRMAN SAHR: And when I say James Valley, I didn't mean -- I meant the people who reside in that area and not the customers of the company.

THE WITNESS: There's no more definition on it than that. We consider the designation to -- I mean, we consider it to be a State Commission designation. We put -- and through the certification process, you know, we're responsive to the State Commission. The funds are

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spent in South Dakota.

CHAIRMAN SAHR: But not necessarily within any particular area, just a requirement that they be spent in South Dakota in those areas, though, where you have ETC designation; correct?

THE WITNESS: Correct.

CHAIRMAN SAHR: So I should clarify that or perhaps we both should. So the funds have to be spent within ETC designated areas, but you don't necessarily have to spend them in James Valley territory just because you're receiving money for serving -- well, you have ETC designation there and receiving Universal Service Funds?

THE WITNESS: It would seem that way. There doesn't seem to be any further requirement to that extent.

CHAIRMAN SAHR: And just the final question that I have -- have I said final more than once?

And I've read through the Joint Board opinion and the FCC opinions, and I think I'd be remiss if I didn't ask your opinion of this and I invite the Interveners when they have the opportunity to answer this question as well, but what is your interpretation of the way that the FCC and perhaps

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even Joint Board, if you care to comment, has looked at the question of -- and I want to say this correctly but I think you'll get the gist either way -- the potential barrier to entry if companies were required to prove that they currently could serve the ETC areas in which they are seeking designation? Not the ones they already have designations but they are seeking. Could you comment about that?

THE WITNESS: Sure. As I said earlier, it emanated from a decision this Commission made originally. This Commission denied our ETC designation originally and we challenged that and eventually the FCC said no, you don't have to be fully built out in areas in order to be designated.

In fact, the same standard should apply to competitive ETCs as it applies to wireline ETCs and that is the reasonable -- respond to reasonable requests for service standard. That standard recognizes that a competitor by definition does not have the kind of market penetration that an incumbent has. And if 100 percent coverage were to be the required standard expectation, it would, indeed, be a barrier to entry.

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That standard has not only been established by the FCC in the South Dakota Preemption Order but has also been picked up in the Virginia Cellular case and the Highland Cellular case and I believe the Joint Board mentioned it in the Joint Board Recommended Decision. So it is a fairly firm precedent that has now been repeated over and over again and seems to be the standard.

CHAIRMAN SAHR: Thank you.

MS. AILTS WIEST: You talked about your wireless local loop service in your testimony, and I was just wondering could any customer in your current ETC areas, can they ask for wireless local loop service and receive it?

THE WITNESS: Yes. I believe so, yes.

MS. AILTS WIEST: What does that cost? Do they have to buy that telular unit?

THE WITNESS: Yes. That's the 14.99 plan with the wireless access unit. Yes, and the customer does purchase that unit.

MS. AILTS WIEST: How much is that?

THE WITNESS: I think it's approximately $300.

MS. AILTS WIEST: Okay. And does

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Western Wireless currently keep track of customers they're unable to serve in your current ETC areas?

THE WITNESS: Currently unable to serve, do you mean --

MS. AILTS WIEST: If someone in a current area that you've already been designated as, if they're unable to receive service, do you keep track of those people, those numbers?

THE WITNESS: It's not something we're currently tracking or -- I don't think that we're currently able to track. It's kind of a system issue that I'm pretty sure we're not doing that today.

MS. AILTS WIEST: And then just to clarify in my own mind that 85 percent, did you say when you were answering Mr. Smith's question that the 85 percent will be achieved after the proposed cell sites or is achieved today?

THE WITNESS: In some areas it is achieved today on existing -- on the existing network. In other areas what we've done is we've said these are the areas -- these are the sites that we're going to build and these are the areas that they touch and, therefore, that additional coverage brings those areas up above that 85

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percent minimum and so we added those areas to the request as well.

MS. AILTS WIEST: And then for the areas that you didn't request ETC status for, is it your testimony that's only the Cheyenne River study area or do you know?

THE WITNESS: I thought it was only Cheyenne River but counsel mentioned another company in her opening, and I certainly don't have any -- I don't have a record of that, but I wouldn't dispute it either.

MS. AILTS WIEST: I was just looking through the old orders, and I thought perhaps Faith Municipal Telephone was one of them that you didn't request it.

THE WITNESS: Again, our analysis was the opposite. We looked at which ones we wanted to add. We weren't trying to get rid of any areas.

MS. AILTS WIEST: And then in the Pine Ridge area, are you requesting ETC designation in that area?

THE WITNESS: We are already designated as an ETC on the Pine Ridge Reservation.

MS. AILTS WIEST: For tribal

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members. What about non-tribal members?

THE WITNESS: Let's see. I believe the -- for instance, the Golden West designation would more than likely touch --

MS. AILTS WIEST: And I'm just trying to clarify this for the record. Is it your understanding that even though Pine Ridge -- after I looked through the Order yesterday, it said that 9 percent are non-tribal members, and I believe the FCC only granted you the ETC designation for tribal members.

So it would be your position that within this current process you would also be seeking designation for the non-tribal members on the Pine Ridge?

THE WITNESS: I believe the FCC's designation is geographic in scope. In other words, it designates Western Wireless as an ETC on the reservation. I'm not sure that it's limited to tribal members only. But we could certainly brief that, cover that in briefs.

MS. AILTS WIEST: Okay. And then you also stated in your direct testimony, I believe, that Western Wireless's universal service offerings will be governed by federal law rather

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than state law.
Is Western Wireless subject to our state service quality rules?
THE WITNESS: By their -- on their face, no. Through the ETC, the original ETC Designation Order, this Commission applied them through the compliance process. So we have essentially in our compliance filing we've complied with those requirements. But, no, they are not -- they are not generally applicable to wireless carriers, no.
MS. AILTS WIEST: And that's based on Section 332?
THE WITNESS: No. I don't think by their -- on their face that they apply. I think the application excludes application to anyone other than a local exchange carrier above 50,000 lines or something like that.
MR. AYOTTE: Ms. Wiest, I would note just to confirm my recollection with yours that in the service agreement that was included as part of the compliance filing that was approved by the Commission there is a specific provision in that service agreement. I'm guessing it's like 3.1 or Section 3.2, which specifically addresses the

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South Dakota service quality rules, those which are applicable, some of which are written in wireline technology and that is a specific provision within the customer service agreement which makes those applicable service quality rules applicable in part of the customer service agreement.
MS. AILTS WIEST: Thank you. And then in your rebuttal you mentioned -- I believe it's on page 7. You mentioned several steps that you can take to enhance a customer's ability to send and receive wireless signals.
And I was just wondering for the first one the company can make sure the customer's equipment is properly working and it's the appropriate equipment. Would one of those be the customer would perhaps need to buy a more powerful phone?
THE WITNESS: That's definitely a possibility. It might be suggested that a customer would be happier with a 3 watt phone or a high gain antenna at their home.
MS. AILTS WIEST: And enhancement can be made and that's when you go to the high powered antenna and that would be also purchased by the customer?
THE WITNESS: Yes. Correct.

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MS. AILTS WIEST: And new technologies available to add to the customer's ability to boost the signal, would that also be purchased by the customer?
THE WITNESS: Yes, it would.
MS. AILTS WIEST: And that would perhaps be a signal amplifier. Would that be correct?
THE WITNESS: Yes. The booster technology, I believe it's called Signal Reach is the product name, is essentially a signal amplifier. And there are a couple of different products. One is sort of a car mounted, and the other is not. So a couple of different products you can use.
MS. AILTS WIEST: Then the wireless network can be enhanced by adjusting power levels, signal strength, and directional transmission of cell sites.
So that would be something that your company would do; is that correct?
THE WITNESS: Correct.
MS. AILTS WIEST: Would that be something that your people who work in your offices -- if someone says they can't get any

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service, how would -- at what point does it escalate to checking out whether the adjusting power level signal strength and signal transmission could be used to improve service?
THE WITNESS: There's a tight link between our engineering department and both our customer care representatives as well as salespeople. Salespeople in the field have quite a bit of contact with customers. If there's a reported problem, you know, a need for service enhancement, those are communicated constantly to engineering.
And so in the same decision process about expansion of the network through construction of cell sites, it is also possible for the engineering department to consider other network tweaks, if you will, network changes that might enhance the coverage of a particular location.
MS. AILTS WIEST: This is my last question. Looking at just an internal map of our areas you didn't request it for what we refer to it as foreign exchange areas that come into South Dakota; is that correct, ETC designation?
THE WITNESS: No. I believe we did. By that you mean wire centers that straddle the

border?
MS. AILTS WIEST: Well, I'm talking about exchanges that perhaps are based in another -- for example, like Consolidated Telecom, are those areas that you left out because they didn't meet your 85 percent or you left out because you didn't think you needed ETC designation for those areas?
THE WITNESS: Any area that's left out of this request would be left out because it didn't meet that minimum 85 percent threshold.
We included -- if it met the threshold, we included wire centers that straddle the border with, you know, facilities both in North Dakota or South Dakota or Nebraska, if that's the case. But the fact that a switch is located in, let's say, North Dakota and yet that wire center extends across the boarder in South Dakota, this Commission is the appropriate jurisdiction for designation of the territory that resides within this state.
You certainly, I think, would probably object if North Dakota tried to designate that territory as an ETC --
MS. AILTS WIEST: Like Dickey Rural Telephone Co-op, I mean, those are right on the

border, and you have ETC designation all around that. I'm just wondering why those were left out.
THE WITNESS: I'm not sure what you're looking at.
MS. AILTS WIEST: It's just an internal map of ours. And I just went through the list of all of our independent local exchange companies against your list of the ones that you've been designated and I was trying to see exactly which ones you hadn't requested. And when you left out the foreign exchange for the most part it appeared I was wondering if that's what you see because you had it in other states --
THE WITNESS: This Commission is the only entity that has the authority to designate territory within its borders. So we wouldn't have excluded on that basis.
It's possible -- does your list include study areas from the prior designation as well as this application?
MS. AILTS WIEST: Yes.
THE WITNESS: Okay.
MS. AILTS WIEST: That's why I'm asking the question. That's all I have. Do you have any redirect?

MR. AYOTTE: Yes. Thank you.
REDIRECT EXAMINATION
BY MR. AYOTTE:

Q Mr. Blundell, I'm going to actually go in reverse just because of my Attention Deficit Disorder. In response to your questions from Ms. Wiest regarding various steps that the company will take to enhance service as described in your rebuttal testimony on page 7, can you tell us are these the various steps that you've been alluding to today that would enable the company to meet the obligation to provide service to those customers within a wire center who may be outside of that minimum 85 percent standard?

A Yes.

Q In response to a question from Commissioner Burg, you alluded to service for existing customers in the James Valley study area, and he asked you whether you would provide service with no expenditures of moneys for those customers.
Does it cost the company money to operate its network on a going basis?

A Yes, it does.

Q I believe your answer was that it would not be necessary to spend money to construct additional cell sites, but would the company potentially need to

recover the costs of the debt associated with any existing cell sites in the James Valley area?

A Yes. That would be an expense.

Q And if there were lease payments, you were otherwise leasing the location where the tower is constructed, would there be ongoing lease payments with respect to the existing facilities?

A Yes, there would.

Q And would the company need to recover its cost of providing the services within that area?

A Yes. Provisioning, providing, yeah.

Q What about the costs of maintaining the network on an ongoing basis?

A Yes. That's a cost as well.

Q And providing service to low income consumers at a discounted rate. Would that be a further cost which you would recover through universal service support?

A Yes, it is.

Q And you made reference to the annual 254(e), the annual certification process, and were you referring to the Commission's Order that was issued in Docket TC03-158 issued on September 23 of 2003?

A Yes. That sounds like the Order that I was referring to.

Q And as part of that certification process did the

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company undertake to submit information on a confidential basis to the Commission regarding the amount of federal universal service support it had received in those areas where it was designated an ETC?

A Yes.

Q And similarly did the company provide to the Commission its 2003 expenditures in the designated service areas for the provision, maintenance, and upgrading of facilities and services?

A Yes. That's what we provided.

Q Mr. Blundell, I'm going to show you a copy of what was filed with the Commission on a confidential basis but I'd ask you not to reveal the specific dollar amounts. It can be reviewed by the Commissioners or by their staff.

But as part of the 2003 certification process if you look at the total amount of universal service support received and the total amount of the expenditures made before any return on investment, can you give us some sense of the magnitude, how much of the federal universal service dollars equate to what the expenditures were for the provision, maintenance, and upgrading of facilities?

MR. CREMER: Excuse me. I have an objection at this point. Will we be able to see

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that exhibit so we can cross-examine the witness on it?

MR. WIECZOREK: Just for the record it was produced as Confidential Exhibit No. 10 in discovery. So you should have copies of it within the discovery file.

MR. CREMER: Thank you.

MR. COIT: I'd like to make a request that the Commission take judicial notice and incorporate into the record in this process the filing and the Order from that Docket. There have been a lot of questions regarding, you know, the certification.

I would just for the record like to request that the Commission take judicial notice and incorporate the filings made by Western Wireless on this annual certification. And then I think there was also one in 2002, and I'm not sure what Docket that would be. Just so we have them as part of the record in this process, particularly the filings and the Order, I would guess, to make it complete.

MS. AILTS WIEST: Is there any objection to that?

MR. AYOTTE: I think that's a swell idea.

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MS. AILTS WIEST: The Commission will take judicial notice of the filing and the Order in the Western Wireless certification dockets.

Q Going back to my question, Mr. Blundell, what percentage of the total expenditures for the provision and maintenance and upgrading facilities in 2003 -- what was the relative percentage of universal service support received as compared to the expenditures?

A A little less than 10 percent.

Q You likewise had a question from Commissioner Burg regarding billing address for the customer which is used to report and receive support; correct?

A Correct.

Q And a question about what happens if a customer can't receive service at that billing address. Do you recall that question?

A Yes.

Q Those same steps that you alluded to in response to Ms. Wiest's questions, steps that can be taken short of putting up a new cell site, are those the same type of steps that the company can utilize to provide service to that customer at that billing address?

A Yes. Most definitely.

Q You had some questions from Commissioner Sahr as well

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as, I think, Mr. Smith regarding regulatory oversight and a specific reference to paragraph 43 of the Highland Cellular Decision.

You were asked a couple of times sort of what sort of standards are you willing to commit to here. Although they didn't ask for it voluntarily, I'll suggest that they were looking for some sort of commitment on the part of the company as it relates to those types of regulatory oversight matters addressed in paragraph 43 of Virginia Cellular.

Do you recall that?

A Yes, I do.

Q I'd like to ask you about specific standards that are addressed in paragraph 43. First, I would suggest that there's a requirement that Highland Cellular is obligated under Section 554(e) to use high-cost support only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.

Is Western Wireless willing to agree to that requirement?

A Absolutely.

Q And a requirement to have the Commission annually certify Western Wireless's compliance with the 254(e) standard, is Western Wireless willing to commit to

that?
A Yes.
Q Next it references a submission of records and documentation on an annual basis detailing progress toward meeting build-out plans.
Is Western Wireless willing to commit to such a standard here in South Dakota, relating to the submission of build-out plans and some further follow-up and reporting of documentation on an annual basis regarding such build-out plans?
A Western Wireless is more than willing to respond in this way to, you know, the Commission's desire to see progress. And so, yes, the company is willing to do that.
Q The next requirement is the commitment to become a signatory to the CTIA consumer code for wireless service. Is that something which the company is committed to?
A The company has already agreed to do so and is a signatory on the CTIA consumer code.
Q What about providing to the Commission the number of consumer complaints per 1,000 mobile handsets on an annual basis? Is that something which the company is willing to voluntarily commit to here in South Dakota?
A Whether or not that specific sort of report itself is

something we can do today, this type of reporting to the Commission is something definitely we would be willing to do.
Q How about annually submitting information detailing requests for service from potential customers that were unfulfilled for the prior year?
A As I testified earlier, it's not something I believe we track today so I'm not sure about that one.
Q Based upon your knowledge and familiarity with Western Wireless's provisioning of service here in South Dakota, do you believe that such a requirement is even necessary?
A I don't think it's necessary at all.
Q Why not?
A Well, in part because this Commission already has jurisdiction to hear consumer complaints, number one. Number two, we have an existing relationship. We've, I think, exhibited a dialogue and a responsiveness and, I mean, it's working today without such a requirement.
Q You had a question from Commissioner Burg -- I guess you perhaps answered it in a hypothetical, but I want to make sure that it's clear. You talked about the steps taken to serve. I think your hypothetical was existing coverage to 90 percent of the population to the wire center and what are we going to do with these

other 10 percent.
Do you recall that?
A I do, yes.
Q If one of those customers within that 10 percent of the population that's not currently receiving service but if one of those customers submits to Western Wireless a reasonable request for service -- so I want you to assume that it's a reasonable request for service. Is Western Wireless willing to provide service to that customer?
A Absolutely.
Q Is Western Wireless committing to provide service to that customer?
A Yes.
Q Is Western Wireless committing to meeting its obligation throughout its requested designated service areas to provide service to all who request -- who submit a reasonable request for service?
A Yes.
Q You had a question from Mr. Coit regarding the provisioning of equal access service. Do you recall that?
A Yes, I do.
Q Do Western Wireless's customers have the ability to use dial-around access if they wish to choose their long

distance carrier of choice?
A Yes, they do.
Q You had a series of -- I'm going to get this marked.
(Exhibit WW7 is marked for identification)
MR. AYOTTE: I would note for the record that this is a Confidential Exhibit 7, but I don't believe it necessary to clear the room based on the questions I will ask.
Q Mr. Blundell, are you familiar with what has been marked for the purposes of identification as Western Wireless Exhibit 7?
A Yes.
Q And have you seen this before?
A Yes, I have.
Q Have these three maps been produced by Western Wireless to the Interveners as part of their discovery request?
A Yes.
MR. AYOTTE: We would offer Western Wireless Exhibit 7.
MS. AILTS WIEST: Any objection?
MR. COIT: No objection.
MS. AILTS WIEST: It's admitted.
CHAIRMAN SAHR: Do you know -- our General Counsel for this matter doesn't have a copy. Do you have an extra copy?

MR. AYOTTE: Sure.

Q Mr. Blundell, in your cross-examination -- I'll assume it was by Mr. Coit. It was by Mr. Coit and others. They had you look at a map, which is otherwise part of the Houdek surrebuttal, Interveners' Exhibit 10, with respect to Western Wireless's existing amps and CDMA coverage; correct?

A Yes. Correct.

Q And that's the first page of Western Wireless Exhibit 7.

A Right.

Q And that shows current signal coverage today; right?

A Correct.

Q On the second page of Western Wireless Exhibit No. 7 does that depict the existing amps and CDMA coverage with the addition of the new 2004 cell sites that you previously discussed?

A Yes.

Q And on the third page does that show Western Wireless's signal coverage based upon existing amps, existing CDMA coverage, the addition of the 2004 cell sites plus the additional cell sites to be constructed conditioned upon the receipt of ETC designation?

A Yes. That's correct.

Q And were these signal coverage maps, the second and

third pages of Western Wireless's Exhibit 7, were they prepared using the same methodology as the map on the first page?

A Yes.

Q You had a question from Mr. Coit regarding affordability. You indicated you didn't believe it was relevant, it was not a criteria for ETC designation, 254(b)(1) is a directive to the Joint Board, the FCC. Do you recall that?

A Yes, I do.

Q You concluded your response by saying nevertheless our services are affordable. Do you recall that?

A Yes, I do.

Q Can you explain why you believe that Western Wireless's services are affordable?

A Yeah. I think -- first of all, I don't think it's an easy comparison, wireline to wireless. It's somewhat of an apples and oranges. However, the customer really is the one who is in the best position to decide that at all.

That's a decision that governments should not decide. Consumers should decide, given the choices that are available to them, and hopefully they have lots of choices for services that the customer decides. I mean, if a service is not affordable and if there are

other factors that contribute to that consumer's decision not to take the service, then they won't and that consumer decides whether it makes sense, not the government.

And it should also be mentioned that if that customer doesn't decide to take our service in the designated areas, once designated we will not get a dime of support. So the customer has really the ultimate power here, and that's a good thing.

Q You also had a question from Mr. Coit regarding this obligation to respond to reasonable requests over time and what evidence you have as to what constitutes a reasonable time. Do you recall that question?

A Yes.

Q With respect to Western Wireless's commitment and ability to meet that standard, to provide service to those who submit a reasonable request within the designated service area, what do you rely upon to demonstrate Western Wireless's ability to provide service to those customers consistent with federal law?

A What do I rely upon?

Q Yes. I understand you've testified that Western Wireless will commit and will meet that standard; right?

A Correct.

Q What's the basis?

A The basis is Western Wireless's experience responding to customers today and through the four or five or six-step process that the company will use in responding to those requests.

Whether that time frame is 30 days, 60 days, 90 days, I don't know. I don't know what a reasonable time frame is. And it depends on the factors in each individual case.

I do know that Western Wireless does respond to requests in, you know, today most cases by activating and turning up service to a customer in 24 hours and in many cases in quite a bit less than that, in a couple of hours.

Q Are you aware of any complaints having been made to the South Dakota Commission in those other areas of South Dakota where Western has already been designated?

Are you aware of any complaints to suggest that Western Wireless has not responded to any reasonable requests for service?

A No. I'm not aware of any of those.

Q And if I understand correctly, based upon your minimum 85 percent coverage of the existing population of the wire centers, does that give you confidence as to Western Wireless's ability to provide service to the --

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all of the customers within the wire center?
A Yes. I think the fact that Western Wireless is a provider and is a substantial provider in those service areas, gives me a substantial amount of confidence that we can -- with the help of universal service support can meet the demand to provide service to the remaining uncovered populations.
Q Now this standard of responding to reasonable requests for service, that's not a standard that the company is subject to just in South Dakota, is it?
A No. It's a standard that applies in all of our ETC designated areas.
Q And you have responsibility from a regulatory point of view for overseeing the company's compliance with its ETC obligations in the other states as well?
A Yes, I do.
Q Are you aware of any complaint ever having been made in any other jurisdiction where Western has been designated as an ETC suggesting it has not responded to providing service to customers within the requested areas?
A No.
Q Finally, Mr. Coit asked you a question regarding the status of the company's provisioning of enhanced 911 service. Do you recall that?

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A Yes, I do.
Q Can you tell us now the company's current status, where it's deployed, phase one, or where it has any pending phase two requests?
A We've received -- excuse me. We have deployed phase one E 911 service in seven counties in South Dakota. And I don't have those county names off the top of my head.
Q Would those perhaps include Brown?
A Yes, it would.
Q Davison?
A Yes.
Q Lawrence?
A Yes.
Q Meade?
A Yes.
Q Minnehaha?
A Yes.
Q Moody?
A Yes.
Q Pennington?
A Yes.
Q And do you have any pending phase one requests in South Dakota?
A We do. We have two pending phase one requests.

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Q Might that be in Codington and Marshall Counties?
A Yes.
Q And finally with respect to any pending phase two requests, any of those?
A We have received two phase two E 911 requests in South Dakota.
Q And are those pending?
A Yes.
Q And would that be in Brown County?
A Yes.
Q You're on your own with the other one.
A I'm sorry. One county for phase two. Brown County we received a phase two request, and both parties agreed to an alternate implementation plan. The county is not ready to receive phase two data. And so the parties -- we're able to provide it. We can provide it today. We can provide it today anywhere.

But the PSAP is not ready to receive it, and we've mutually agreed that until such time as they're ready to receive it, we will not proceed with implementation. But as soon as they do, we will implement.
Q Is there a phase two request from Pennington County even though phase one has been deployed? Was that the other one?

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A Yeah. It may be.
Q But in any event does the company provide access to emergency services throughout all the areas in which it's requesting designation?
A Yes.

MR. AYOTTE: Okay. I have nothing further. Thank you.

MS. AILTS WIEST: I believe we need to recess. The Commissioners have an evening appointment.

(Recessed at 5 o'clock p.m.)

(Resumed Wednesday, May 5, 2004 at 8:30 a.m.)

(WWC Exhibit 8 is marked for identification)

MS. AILTS WIEST: Mr. Ayotte.

MR. AYOTTE: Thank you, Ms. Wiest. I mentioned to parties that in my haste to try to complete the redirect yesterday I missed one of my notes, and I would ask leave to resume redirect for the purposes of introducing an exhibit. I don't intend to have any further questions on the exhibit.

MS. AILTS WIEST: Go ahead.

MR. AYOTTE: Thank you.

Q (BY MR. AYOTTE) Good morning, Mr. Blundell, you have before you Western Wireless Exhibit 8. They are the

responses of Western Wireless to some Supplemental Interrogatories and Discovery Requests from the Interveners.

Do you recognize the document?

A Yes, I do.

Q And is that your signature which appears on actually the 15th page of the document?

A Yes, it is.

Q Did you have an opportunity to review the responses to the discovery requests prior to their submission to the Interveners in this proceeding?

A Yes, I did.

MR. AYOTTE: We would offer what has been marked as Western Wireless Exhibit 8.

MS. AILTS WIEST: Any objection?

MR. COIT: I guess my only comment would be that I think if we're going to introduce all of this -- all of the requests and answers within this particular document, I would like to see the attachments that were provided also introduced.

MR. AYOTTE: It wasn't my intention to offer the attachments. Several of the attachments have already been marked and introduced as exhibits. Others I didn't feel necessary so I

don't intend to offer the attachments. It would just be burdensome.

MR. COIT: Again, some of these answers reference attachments. So in order to get, I think, a clear picture of what all the answers are, the attachments should be provided if this document is going to be entered into the record in its entirety here.

MS. AILTS WIEST: Can you provide the attachments?

MR. AYOTTE: Sure. We'll be happy to supplement the record with the attachments, although I would note all the Interveners have all the attachments.

MS. AILTS WIEST: And some of the attachments are confidential?

MR. AYOTTE: That's correct.

MS. AILTS WIEST: We'll mark this as a confidential exhibit with respect to any attachments that are marked as confidential. And with that, we'll admit Exhibit 8.

Q Mr. Blundell, to the best of your knowledge are the responses set forth in Western Wireless Exhibit 8 true and correct?

A Yes, they are.

MR. AYOTTE: I have nothing further. Thank you.

MS. AILTS WIEST: Is there any further cross?

MR. COIT: I have a few questions for recross. And I think I'm going to be throwing up a confidential map. I can't recall what the exhibit number is.

VICE CHAIR HANSON: 7.

MR. COIT: 7. That would be -- I think it's actually in two places in the record. It's Western Wireless Exhibit 7, and then it's also attached to Mr. Houdek's testimony.

(Confidential proceedings)

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MR. COIT: For the record, the following questions don't relate to any confidential material.

Q Mr. Blundell, are you aware of the fact that Rural Cellular Corporation, another wireless carrier, has filed for ETC status in the State of South Dakota?

MR. AYOTTE: Objection, beyond the scope of redirect.

MR. COIT: Well, my response to that would be that we discussed a lot of the public interest standards -- the witness made some comments regarding the application of the public interest standard and potential harm to consumers, and my questioning is intended to address the application of the public interest standard.

MS. AILTS WIEST: Was that on redirect where you talked about that?

MR. AYOTTE: No.

MR. COIT: I think he answered some questions on cross so I guess I would be asking to be able to follow up on some of the questions that he provided in cross too to other examining persons, Commissioners and so forth.

MS. AILTS WIEST: Generally we do like to restrict recross to questions on redirect.

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MR. COIT: So --

MS. AILTS WIEST: Unless the Commission wants to do a different policy.

COMMISSIONER BURG: I guess my only feeling is if it's information we need to know, I'd like to hear it. I'm not at all following the legal proceeding.

CHAIRMAN SAHR: Do you know how man questions you intend to ask? Is this a night of preparation and 45 questions or --

MR. COIT: Four or five, yeah.

CHAIRMAN SAHR: I would move that we go into executive session.

VICE CHAIR HANSON: Okay.

(Discussion off the record at which time the Commission meets in executive session)

MS. AILTS WIEST: We'll go back on the record. In this instance I would just note that we did allow Mr. Ayotte to open up his redirect after we closed last night so in this limited instance we will allow a few questions, but as a general rule we would like to keep any recross associated with redirect.

Q (BY MR. COIT) Mr. Blundell, would you like me to repeat the question?

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A No. That's okay. I'm familiar with the fact that RCC's filed an ETC application, but I haven't seen the petition or any of the pleadings in the case.

Q And are you also aware of filings that have been made in other states by other wireless carriers such as Verizon Wireless and Nextel?

A Generally familiar, yes.

Q In your opinion, speaking to the public interest standard do you feel that that standard or do you believe that standard dictates any limit on the number of ETCs that are designated within any rural service area?

A No. And our other witness in this matter, Mr. Wood, is fully prepared and has testified in his prefiled testimony on these issues. I can certainly take a crack at it, but our intent was that Mr. Wood would field those questions.

Q Do you yourself feel or believe there should be a limit on the number of ETCs in rural service area ever?

A No.

Q You understand that ultimately it's the consumers that pay Universal Service Fund surcharges into the fund?

A In particular, wireless consumers.

Q And also landline customers; correct?

A To a far greater extent wireless carriers customers.

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Q What do you mean by to a greater extent --

A To a far greater extent than rural telephone company customers. We've actually done the analysis, and wireless customers pay a substantially greater percentage into the Universal Service Fund than rural telephone company customers.

Q That would be looking at it nationwide; correct?

A Yes.

Q Do you believe it's in the best interest of rural consumers to fund multiple ETCs in all service areas that are considered high-cost areas?

A As I said, our witness, Mr. Wood, is planning on responding to those questions. I'll just say that I think the benefits of competition on their face do not subject themselves to that kind of limitation. I think the more the better.

MR. COIT: I don't have anything further. Thank you.

MS. AILTS WIEST: Any further redirect? Mr. Ayotte? I'm sorry. Did you have a question?

MS. ROGERS: I have a couple of questions on cross, if I could.

CROSS-EXAMINATION

BY MS. ROGERS:

Q Mr. Blundell, my name is Darla Rogers. I have not had the privilege of visiting with you previously. I have just a couple of very brief questions. In your surrebuttal testimony on page 8 in particular I'd like to refer to you that, if I could.

My copy is not numbered, the lines, but I'm looking at the first ending paragraph before the question in the middle of the page. And there you state, "Western Wireless is already able to provide the supported services to substantially every potential customer within its requested ETC service areas."

First of all, is that your position as you sit here today?

A Yes. That's my testimony.

Q And are you referring to the requested ETC service areas of the service areas within this Docket in which you're applying for ETC status?

A Yes. The requested service areas that are the subject of this application.

Q And this is your testimony as you sit here today?

A Absolutely.

Q Okay. I have another question with regard to the Highland Decision. If you recall, yesterday pursuant

to the skillful leading of your counsel you told the Commission that you were willing to meet some of the -- you were willing to commit to some of the conditions that were imposed on the Highland Cellular company in that case.

Do you recall that discussion with your attorney?

A Yes, I do.

Q In particular your attorney asked you if you would be willing to commit "to submit records and documentation on an annual basis detailing your progress towards meeting a build-out plan."

Do you recall that question?

A Yes, I do.

Q And is it your position that you, Western Wireless, are willing to commit to that type of a condition?

A That was not my answer. My answer was we would be willing to show the Commission our progress on, you know, meeting our obligations under ETC requirements.

Q So you are not willing to commit to that condition?

A My willingness or unwillingness is irrelevant in this case. The question is whether it's necessary whether this Commission is going to impose that as a requirement and whether --

Q Well --

A Would you like me to finish or no?

Q You may finish, but I would remind you that I'm the one that asks the questions.

A And I'm the one who's answering the questions.

Q I don't think you've answered my question.

A Would you like to allow me to answer your question?

Q Yes. Please do.

A Okay. I've forgotten where I was.

Q Do you want me to ask it again?

A Sure.

Q My question was yesterday in response to your attorney's question he asked you if you on behalf -- if Western Wireless was willing to commit to submitting records and documentation, documentation on an annual basis detailing progress toward meeting build-out plans.

Do you recall the question from your attorney?

A I do.

Q And did you not in your testimony yesterday late afternoon agree that, yes, Western Wireless would commit to that?

A No.

Q So you are not willing to commit to that? Is that your testimony today?

A No. That's not my testimony today.

Q You are willing to commit to this?

A That's the question I was answering before I was cut off. Whether I am willing or not is not the question in this case. First of all, it's an unnecessary obligation that's not -- it wasn't a requirement of Highland Cellular in the Highland Cellular case. Highland Cellular put forward build-out plans because it was not built out at all in the areas in question.

So a company's willingness or unwillingness or a witness's willingness or unwillingness I think is irrelevant. If the Commission imposes such a condition on ETC designation in this case, you know, we'll have to -- the company will have to decide, is it going to meet that or not or object or not or comply, you know.

Q All right. Let's ask it that way. If this Commission would impose on Western Wireless the condition that you commit to submit records and documentation on an annual basis detailing progress towards meeting a build-out plan, if the Commission imposed that condition upon Western Wireless, would you be willing to commit to that?

MR. AYOTTE: I'm going to object as vague and ambiguous.

MS. AILTS WIEST: Overruled.

Q I believe, sir, you can answer that question with a yes or no.
A I don't think I can.
Q Yes, you would be willing to commit or no, you would not if the Commission imposed that condition? Yes or no?
A I don't have the authority to answer that question.
Q So the answer is no; is that correct?
A The answer is I don't have the authority to answer that question.
Q Thank you.

MS. ROGERS: That's a no. Excuse me just a minute.

(Pause)

MS. ROGERS: That's all. Thank you.

MS. AILTS WIEST: Mr. Cremer, do you have any questions?

MR. CREMER: No questions. Thank you.

MS. AILTS WIEST: Mr. Smith, any questions?

MR. SMITH: I have one, and I'm not sure it's perfectly technically in response to redirect.

MR. AYOTTE: I'm in my cage right now so go ahead.

RECROSS-EXAMINATION

BY MR. SMITH:

Q It's just a clarifying question and based on some of the questions the Commission asked yesterday and it regards the 85 percent threshold, and it wasn't totally clear to me that maybe some of the Commissioners whether they understood that 85 percent threshold is a Western Wireless self-imposed decisional threshold, it is not something that is set forth in any regulation or law; is that correct?
A That's correct.

MR. SMITH: Thank you.

MS. AILTS WIEST: Commissioners?

COMMISSIONER BURG: Yeah. I have a couple. Do you remember yesterday I asked several questions about the fact that you are currently serving numerous customers in the James Valley area?

THE WITNESS: I do remember, yeah.

COMMISSIONER BURG: And then I indicated that if we -- if you get ETC you will immediately start collecting Universal Service Funds for customers you do not now collect for; correct?

THE WITNESS: That's correct.

COMMISSIONER BURG: Then in the series of questions from Mr. Ayotte he questioned whether there's any cost involved with those customers.

Do you recall that?

THE WITNESS: Yes.

COMMISSIONER BURG: Did I ever insinuate there were no costs?

THE WITNESS: I'm not sure whether you did or not.

COMMISSIONER BURG: Well, I wanted to clarify you made a real big point of pointing out, yes, we have tower costs, we have land costs, we have operational costs. Of course, you have all of those. I'm aware of that.

Evidently you're recovering adequate funds to cover those now was the point I wanted to make and there will be no additional costs involved by serving those people if you do not put up more towers in that area; is that correct, costs that you don't have today?

THE WITNESS: There will be additional costs.

COMMISSIONER BURG: Okay. What kind

of additional costs?

THE WITNESS: The string of costs that we went through yesterday, ongoing maintenance of network today are --

COMMISSIONER BURG: Are those costs you don't have today to serve the customers?

THE WITNESS: No.

COMMISSIONER BURG: That's the additional I meant. The map that was put up a few minutes ago really triggered something in me. Now whose exhibits are these? I forgot. All of those are Western's exhibits?

MR. CREMER: Yes. All prepared by them.

COMMISSIONER BURG: All prepared by them.

MR. CREMER: Yes.

COMMISSIONER BURG: Again, these are confidential; correct? I would like that map put back up for a second.

(Confidential proceedings)

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those documents?
A I have no corrections to Exhibit 5. I do have one correction to Exhibit 6. It's something that appears in two places. On the table of contents page with the little letter "i" at the bottom I guess about three-fourths of the way down there's an entry that says, SDTA Factual Error No. 7.

I was trying to state these in terms of my understanding of the SDTA witness's testimony, and I flipped this one around and actually stated it in the way that was my position rather than my understandin of Mr. Brown's.

So where it says the flawed BCM model cannot be validated, it should read, can be validated.
Q So you'd strike the "not"?
A That's right. And that would be -- it would then say can be validated, which is my understanding of Mr. Brown's testimony. And then this indicates that discussion is on page 15, and I would propose to make the same change to the same heading on page 15 to change the "cannot" to a "can".
Q In line 12?
A Yes, sir. That's right. That would be the only correction I have.
Q Thank you, Mr. Wood.

MS. AILTS WIEST: Thank you, Mr. Blundell.

THE WITNESS: Thank you.

MS. AILTS WIEST: You may call your next witness.

MR. AYOTTE: Thank you. We'll call Don Wood on behalf of Western Wireless.

DON WOOD,

called as a witness, being first duly sworn in the above cause, testified under oath as follows:

DIRECT EXAMINATION

BY MR. AYOTTE:

Q Mr. Wood, would you please state your name.
A Yes. My name is Don J. Wood.
Q By whom are you employed?
A I'm a principal in the firm of Wood & Wood.
Q Have you been engaged by Western Wireless to provide testimony in this proceeding on the company's behalf?
A Yes, sir, I have.
Q You have before you what has already been accepted into evidence as Western Wireless Exhibit 5, which is a copy of your rebuttal testimony and Western Wireless Exhibit 6, which is a copy of the surrebuttal testimony prefiled in this proceeding.

Do you have any corrections to either of

MR. AYOTTE: The witness is available for cross-examination.

MS. AILTS WIEST: Mr. Dickens.

MR. DICKENS: Thank you.

CROSS-EXAMINATION

BY MR. DICKENS:

Q Good morning, Mr. Wood.
A Good morning, sir.
Q We haven't been introduced. I'm Ben Dickens, co-counsel with Ms. Rogers for some of the Interveners.
A Good morning.
Q I'd like to talk to you today about your rebuttal testimony that you filed. It carries the date of April 5?
A Yes, sir.
Q Turning to page 7 of your testimony which is a carryover from page 6 under a question about the focus of ETC designation proceedings before other state regulators.

At line 1 at the top of the page 7 you see a sentence that says, put directly, "The purpose of this proceeding is not as Mr. Brown and Ms. Vanicek suggests, to answer the question is the introduction of competition for basic telecommunications services in rural areas in the public interest."

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Do you see that statement in your testimony?
A Yes, sir.
Q As I read that sentence and think about it, I am prompted to ask you the question is that your characterization of their testimony?
A Well, it's my understanding of their testimony. Mr. Brown has an extended discussion of how he feels costs change in rural areas as a result of competitive entry, and that discussion really isn't specific to Western Wireless. It's specific to the idea that there shouldn't be additional entrance in those areas. So that's my understanding of their testimony.
Q Okay. In other words, there's not a sentence that says that.
A No, sir. I don't think I quoted anything there. I said, as Mr. Brown and Ms. Vanicek suggest, that this is somehow about is competition in the public interest versus is this particular petition in the public interest.
Q Okay. In fact, you've used that sentence almost verbatim in other state proceedings, have you not in prefiled testimony?
A Yes, sir, I have. Mr. Brown and I go way back, if you will, and I have responded to his testimony other places, and I believe I've probably used the same

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sentence because I have the same concern about his testimony.
Q Would you accept subject to check that in prefiled testimony in Idaho testifying for NPCR, d/b/a Nextel Partners your testimony reads, put directly, "The purpose of this proceeding is not, as many rural LECs argue, to answer the question 'is the deduction of competition for basic telecommunications services in rural areas in the public interest'"?
A No. I suspect that's right. In that particular case it was Citizens that was making that argument, Citizens Telephone Company or Frontier. But it's the same argument.
MR. DICKENS: Excuse me one moment.
(Pause)
Q Was Mr. Brown a witness in that case?
A He was not.
Q Thank you.
A I believe they had an in-house Frontier witness who was making a lot of the same arguments that Mr. Brown makes here.
Q On page 11 of the same rebuttal testimony that we were just discussing on line 12 you say, "WWC is proposing to offer a wide range of service offerings as an ETC." Do you see that reference?

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A Yes, I do.
Q Are you referring to new services not offered today in areas covered by the application?
A I'm referring to services on the list, I believe, that were provided. I believe Ms. Vanicek refers to them in an exhibit to her testimony. And it's not so much a new service. It's new to the area that would be served.
In other words, it's a service offering that would be available to customers in an area that isn't available today but would be if the network is built out with these funds.
Q So if there are gaps in coverage and you extended the network into that area with no coverage or poor coverage today, that would represent additional service? In that hypothetical is that what you mean?
A Well, it would be new to those people, and if they can't subscribe to it today or subscribe to it today as an added level of service quality but they will be able to as a result of this build-out, that's a new service opportunity for those customers to either purchase or not purchase.
Q I just wanted to make sure I understood what you meant there. Also on page 11 there is a heading, "Any Commitments Regarding Quality of Telephone Service

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Provided by Competing Providers." And that discussion runs on over to the next page on page 12. And Mr. Blundell talked about this a little bit yesterday on the record.
You state that it should also be noted that WWC has committed to comply with the CTI code for wireless service in order to ensure consumer protection as more fully discussed by Mr. Blundell.
This Commission -- and I think this point was made yesterday, but I just want to confirm it with you. This Commission doesn't regulate compliance with the CTIA consumer code for wireless service, does it?
A They don't regulate it directly. It's a voluntary industry commitment, but, you know, this Commission does make an annual recertification, and if they want to look into those issues, look at service quality issues specifically as they relate to CTIA, they would obviously have the authority to do that.
Q So it's your testimony they could do it in the annual certification process?
A Yes. And, in fact, that's where both the FCC and the Joint Board in its recommendation recommend that that be done. Because, as I'm sure you know, the Joint Board recommended against adopting the ILEC service quality requirements for other technologies but instead

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found that it's really the role in that annual certification for this Commission to make its examination as it sees fit.

Q On page 26 of your rebuttal testimony you are critical of Mr. Brown's testimony that referred to a Salomon Smith Barney report that characterized universal service support as almost all margin. Do you see that?

A I see that. And I don't know whether I recall it critical of Mr. Brown. I certainly disagree with him. I think this is, I guess, the technical accounting term would be a silly argument. It's a play on words on some accounting terms. But it in no way suggests that there's anything inappropriate being done with funds. It's a nonissue, and I think it's really silly to bring it up in a case like this.

Q Well, the purpose of my question is you were rather critical of Mr. Brown. In my judgment you say, "This is an incredibly irresponsible suggestion by Mr. Brown who either managed to receive an M.B.A. without gaining or understanding basic finance or is willing to knowingly make misleading statements to the Commission." So I want to ask you about that.

A Sure.

Q I gather that on page 26, lines 17 to 19, whichever

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lines that precede the sentence I just read, you are criticizing Mr. Brown's reference to the bottom line, and then you go on page 27, the top going to the bottom line of an income statement, "may and in this case does mean that the funds then proceed on to the balance sheet in an incremental investment."

Are you familiar with a recent NARUC speech in the District of Columbia by Commission Abernathy who said universal fund dollars should not be used to "pad the bottom line"?

A I think I'm familiar with the speech you're talking about, and I agree with her 100 percent they should not be used to pad the bottom line. What I disagree with here at 17 through 19, which is Mr. Brown's statement, which is not pad the bottom line.

Q I didn't ask you to make a speech. Let me finish my question.

MR. AYOTTE: I think the witness should be allowed to answer the question and explain his answer.

MR. DICKENS: I asked him if he was familiar with the speech.

MS. AILTS WIEST: He did answer the question. Go ahead, Mr. Dickens.

MR. DICKENS: Thank you.

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Q Mr. Wood, you would not accuse Commissioner Abernathy of not knowing very much about basic finance, would you?

A I would not. And, again, her statement and Mr. Brown's statement are fundamentally different. If Brown had said what Mr. Abernathy said, I wouldn't have taken issue with it.

Q Well, in fact, it's common parlance these days for people to say if it goes to the bottom line, it means it's a common walking around term for profit. Does that sound alien to you?

A Does that sound alien to me? I'm sure people use that as a common walking around term. This issue I think is much more serious than just a common walking around term. I think this whole process, the importance of this process, the people that are supposed to be represented here in terms of presenting these funds and that might receive these funds deserve something more specific in terms of an actual accounting review of what's happening with the funds, not a common walking around term view of what's happening with these funds. This is a more important issue than that.

Q Well, I agree with you that it's an important issue, but when the Chairman of your client refers to money as margin certainly that's something this Commission

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should be concerned about. You don't agree with that?

A In and of itself, no. That's exactly the answer I was going to explain to you before. Margin on the income statement very often means and in this case can be demonstrated that it does mean funds that are treated as internally generated capital that then flow on to the balance sheet as an incremental investment.

And when you look at the information that this company has filed with this Commission in terms of its annual recertification last year, you see that the amount -- not the expense treatment, which is an equally valid use of the term, but just the capital expenditures outweigh the funds received by over two to one. If they weren't doing that and making those investments, I wouldn't be here testifying for them.

This company is demonstrably not padding the bottom line with these funds. To treat them as margin in terms of the operation is not inappropriate. It's internally generated capital. It goes to the balance sheet as such and represents incremental investment. In fact, in this case that incremental investment from internally generated funds was more than matched one to one by additional externally generated funds in terms of the investment that was made in this state in 2003. That's important consideration.

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To simply say as Mr. Brown does that to treat it as margin means that they're not investing the money in a new facility, not true, factually not true, and really kind of a sloppy thing I think for him to say.

Q Well, I notice that you didn't cite any professional literature or text in the finance industry for your statement.

A No. There are some things that are -- I don't know how you'd cite to that other than the most basic accounting text.

Q Well, basic accounting text then?

A Sure. We're arguing about the equivalent of proving gravity. Internally generated capital is not a new idea to anybody, and when you have a report to this Commission that shows capital expenditures in this state that more than double the funds received, this kind of accusation is irresponsible.

Q Thank you, Mr. Wood. On page 34 of your rebuttal testimony you were discussing the topic of growth in the fund, and you at lines 5 through 9 refer to the ILEC recovery of imbedded costs as a "dead weight loss" and lines 8 and 9 refer to it as a "windfall."

Do you see that?

A Yes.

Q If imbedded cost recovery is a windfall, isn't Western

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Wireless likewise the recipient of an even greater windfall if it's revenue streams for Universal Service Funds are based on imbedded cost of ILECs?

A No. The way this system is set up currently the per line amount for the ILECs is the per line amount for the CETCs. The proper treatment of this, which the FCC said in -- what I was calling the 14th Report and Orders, what some people call the Mag Order put the ILECs on notice they were going to this economic cost standard.

Properly doing that would probably reduce per line for support both ILECs and CLECs. In order to give ILECs really more than perhaps they should have and the FCC said more than the market would actually allow the ILECs to recover, they've increased the per line support that goes to IETCs and CETCs but that can be remedied certainly and should be remedied.

Q Well, I think in your testimony you -- I believe you refer in your testimony, and I'll have to find a reference for you if you need one, that wireless carriers costs are perhaps lower than wireline costs?

A No. Actually I responded to Mr. Brown's assertion that that was the case and explained that if that's true and he talks about a windfall, then what he's saying is that the carrier that now everyone agrees is more

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efficient would be receiving funds on an accelerated basis to build out its network.

Q I remember that.

A And there's not a public policy reason to want the more efficient carrier not to build out. Because if in the long-term we're only going to fund one carrier, which is a possibility, we certainly ought to be funding the most efficient provider. Mr. Brown says that's wireless. If he's right, all we're doing is accelerating that deployment.

Q You've far exceeded my question. Let me get back to the original question. If wireless carriers' costs are lower than wireline costs and wireline costs -- wireline carriers are receiving the windfall because their embedded costs are higher than the forward-looking costs that you think are economically correct, then the wireless carriers would be receiving an even greater amount in excess of their costs, wouldn't they?

A That's inescapably true in the current mechanism. It ought to be fixed in the mechanism for both kinds of carriers, and the only clarification I need to make to your question is it's not that I think the economic cost is more important only, it's that the FCC said very poignantly here it thinks the economic cost

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recovery is more correct than the imbedded recovery.

Q Thank you. Also on the same page, lines -- page 38 lines 15 to 16.

A Yes.

Q You say that, "Under the current mechanism growth and the support the CETCs is a measure of growth and new investment in rural areas."

Do you see that?

A Yes, sir.

Q That's lines 15 and 16. Do you think that any of the current lines that Western Wireless reports to USAC for South Dakota which would relate to prior ETC designation received here, may be supported by investments that were made before Western Wireless received that ETC designation?

A If I understand your question correctly, I think it's really no different for a wireless or wireline network. Part of the overall service being provided --

Q Excuse me. I think you can answer that yes or no, and if you want to explain, that's fine.

A I guess I need to say I need to understand your question better.

Q Thank you. Your statement is, "Under the current mechanism growth in the support to CETCs is a measure of growth in new investment in rural areas."

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A That's correct.
Q Okay. My question is for any of the amounts -- for any of the lines that Western Wireless currently reports to USAC which relate to its ETC designation already received, would any of those lines be supported by investments that were made before Western Wireless received any of its initial ETC designation in South Dakota?
A I don't want to -- I'm having trouble with this lines supported by investment idea. It's not really how it works.
Q Let me rephrase it.
A Okay.
Q Western Wireless's ETC designation was received when, October of 2001 here?
A I believe there's a couple of different dates that Mr. Blundell pointed out, support for their areas or authority for different areas.
Q I believe that they applied in 1998 or '99 and the Order granting them ETC designation was granted October 18, dated October 18, 2001. Will you accept that subject to check?
A Sure.
Q Western Wireless's existing network in South Dakota predates October 18, 2001, does it not?

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A Parts do, parts don't.
Q Thank you. The next questions I'm going to ask you relate to your surrebuttal testimony dated -- I have April 16, but I think it's actually dated April 26, isn't it?
A My copy is the stamped date is April 27, the typed date is April 26.
Q All right. My mistake on the notes. On page 5, Mr. Wood, of your surrebuttal testimony, lines 6 through 8 you say, "As Mr. Blundell explains in his rebuttal testimony, WWC has limited its request for ETC designation to those ILEC wire centers within which it can serve a minimum of 85 percent of the customer locations with its existing network."
Do you see that reference?
A Yes.
Q 85 percent -- well, let me strike that. Isn't the correct legal standard set forth in Section 214 that the ETC shall offer the supported services throughout the service area?
A I think the proper legal standard that's been recited by the FCC and by the Joint Board is that they have to be able to respond to reasonable requests for service throughout the service area, and the FCC has clarified just about every time it's ever reviewed the issue that

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does not mean they have to be able to serve the entire area at the time of designation, just as the ILECs didn't serve the entire area when they started getting funds either.
Q Well, and I guess the horse race in this proceeding is at what point do you give the Commission the actual proof that you either have or are going to within some time certain provide the supported services throughout the study area in these cases?
A Well, and I guess part of the same response is that's not the standard. If it were the standard, the ILECs couldn't get support because the ILECs can't provide service throughout the study area.
Q Well, it's a standard throughout Section 214, wouldn't you agree with that?
A I do. That's how it's been applied in terms of administrative law has more precision to it than that. And that's what the Joint Board reiterated, reiterated what the FCC said about covering the area, and actually the Joint Board did not decline to recommend that there be something like a formal build-out plan imposed.
What they said was that states need to look and see if there's going to be the ability to do that. It took the ILECs decades to build out to that level. I don't think it's going to take these wireless

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companies nearly that long, but they're certainly not going to do it in the first year.
Q And Mr. Blundell testified I believe at least in some cases they would need additional towers to meet the 85 percent threshold that you talk about in your testimony. Isn't that true?
A That's right. It's my understanding from his testimony that his 85 percent threshold is based on projected 2004 investment.
Q On page 5 of your testimony you are rebutting a statement by Mr. Brown about the production of a detailed build-out plan. And on lines 19 through 21 you say, "In reality the FCC" -- talking about Virginia Cellular?
A Yes.
Q "In reality the FCC accepted a build-out plan by Virginia Cellular because Virginia Cellular did not have network facilities and a lot large of the area for which it sought designation," and you cite paragraphs 16 and 23?
A Yes, sir. That's right.
Q Do you have your copy of Virginia Cellular handy?
A Yes, sir.
Q Could you turn to those paragraphs you cite and read into the record any language where the FCC

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characterized the area that didn't have network facilities as a large area -- or as a large portion?

A I'm not sure I made that characterization. I have some personal experience and knowledge and involvement with both Virginia Cellular and Highland and Virginia Cellular --

Q Excuse me.

A I'm sorry.

Q The answer to my question is you can't really find any language that says -- that characterizes this as a large portion?

A No. I didn't suggest that the FCC put that in the Order. What I'm saying is factually that's what they were faced with.

Q Well, you put a footnote in here with two paragraph numbers.

A That's right. And those paragraphs are the discussion of the build-out plan that was required by the FCC for Virginia Cellular.

Q Thank you.

MR. DICKENS: Excuse me one second. I'm trying to eliminate some of these questions.

Q In fact, I think paragraph 16, Mr. Wood, recounts that Virginia Cellular estimated it would construct 11 cell sites over the first year and a half.

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Do you see that?

A That's correct.

Q How many cell sites is Western Wireless committing to construct within the next year and a half in areas covered by this proceeding, if you know?

A I can't commit for the company, but my understanding of Mr. Blundell's testimony is there were 17 on the plan pending receipt of the designation.

Q Now, Mr. Wood, as part of Virginia Cellular's proceeding we talked about the cell sites that the Order indicates would be constructed. As part of that proceeding Virginia Cellular filed some supplements to the record, did they not?

A They did.

MR. DICKENS: Mr. Chairman, I'd like to have this marked. It's a letter from counsel to Virginia Cellular.

(Intervener Exhibit 17 is marked for identification)

Q Do you have a copy of this document I handed out, Mr. Wood?

A Yes, sir.

Q Okay. Mr. Wood, if you would turn to -- turn to the first attachment that follows the transmittal letter that's signed by counsel for Virginia Cellular, Mr. LaFuria. Do you see that?

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A I do.

MR. AYOTTE: Mr. Dickens, can you lay some foundation here and maybe try to get it introduced before we ask questions about it?

MR. DICKENS: I'll be glad to tell the Commission what I intend to do with it. It's a document in an official FCC proceeding that's quoted in the Order cited by the witness, and I intend to ask the Commission to take official notice of it and --

MR. AYOTTE: And the relevancy would be what?

MR. DICKENS: The relevancy is that this document shows the type of build-out plan that Virginia Cellular filed with the FCC and I think goes to the heart of what we're talking about in Mr. Woods' testimony as well as Mr. Blundell's.

MR. AYOTTE: Thank you. I have no objection when he offers it.

Q In any event, Mr. Wood, would you read the title at the top of the page that shows the chart?

A If I'm looking at the right page, Virginia Cellular, LLC Proposed Sites Constructed With ETC Funds.

Q Yes, sir. Thank you. Staying on the topic of your surrebuttal testimony.

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A Yes, sir.

Q On pages 7 and 8 of your surrebuttal testimony you disagree with testimony filed by Mr. Groft and Mr. Houdek which discusses the existence of some gaps in your client's coverage, and you quote the Virginia Cellular case that talks about dead spots.

Do you see that?

A Yes.

Q Mr. Wood, what part of the FCC's rules talk about dead spots?

A You mean in terms of the ETC designation rules or just generally?

Q Well, the ETC designation rules don't talk about dead spots at all, do they?

A I don't believe they do. I think they talk about reasonable requests for service.

Q And so what part of the FCC's rules talk about dead spots?

A Subject to check, I believe part 22 has a reference to dead spots, but that's not related to ETC designation. That's related to licensing contours.

Q Part 22 of FCC cellular licensing rules?

A That's right. I believe the term appears in that section, but I'd have to look to see.

Q Do you have any familiarity with part 22?

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A Some, yes.
Q Can you tell me how part 22 defines dead spots?
A I have part of it with me. I can look.
Q Well, rather than waste the Commission's time, would you accept subject to check that dead spots are defined as small areas within a service area where the field strength is lower than the minimum level for reliable service?
A That sounds right.
Q Does that sound about right?
A Yeah. I don't have any quibble with that at all.
Q Do you know what distinguishes a large area from a small area?
A In terms of that particular FCC, I don't think it says.
Q Do you think it's subjective?
A The FCC's going to apply it. They didn't define the terms I guess. It's inherently subjective for the purposes of that rule.
Q It's used for licensing, isn't it?
A That's right, and just to be clear, I didn't cite to any of those rules in my testimony. I cited to the Virginia Cellular Order.
Q I saw that. Are you familiar with your client's position in this case that mobility is a benefit that should be recognized as part of the public interest?

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A I'm not sure what they've said on it. I certainly think that mobility is a benefit that needs to be recognized as part of the public interest.
Q Why wouldn't it be in the public interest to provide all of the highways in South Dakota with urban quality grade of service, whatever that is?
A I'm sorry. Why would it not?
Q Uh-huh. Why wouldn't it be in the public interest?
A Why would it not be in the public interest? I don't have a reason why it wouldn't be in the public interest. I think coverage in as many areas as possible at urban quality levels and pricing levels is in the public interest.
Q Who would make a reasonable request to have the highways covered? Would that be the Public Utilities Commission?
A The Commission can have input certainly as part of this annual review process. The way this is set up in terms of for universal service on customer location for both ILECs and CLECs, it's based on customer locations in terms of residences and business. But there is highway coverage today by wireless. Of course, there is no highway coverage by wireline.
Q If mobility is a benefit, though, and the Commission thought that it was in the public interest to have

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greater coverage along the highways, do you think it would be reasonable for the PUC to request your client to provide greater coverage for the highways?
A In terms of request, absolutely. I think what you're going to get are build-outs based on customer requests for service at their residence, their business, and their travel routes, because those are the areas where people have said having these mobile services is a benefit to them and they'll make those requests accordingly.
So I think we get a lot of public feedback. The company gets public feedback continuously.
Q Thank you. That answers my question. Thank you.
MR. DICKENS: Those are all the questions I have, Mr. Chairman.
MS. AILTS WIEST: It's 10 o'clock. I think we'll take a break.
(A short recess is taken)
MS. AILTS WIEST: I just had a question, Mr. Dickens. Exhibit 17, did you want to offer that?
MR. DICKENS: Yes.
MS. AILTS WIEST: And I believe there was no objection.
MR. AYOTTE: That's correct.

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MS. AILTS WIEST: So Exhibit 17 has been offered and admitted. Mr. Cremer, do you have any questions?
MR. CREMER: No questions. Thank you.
MS. AILTS WIEST: Mr. Coit?
MR. COIT: No questions.
MS. AILTS WIEST: Mr. Smith?
MR. SMITH: No questions.
MS. AILTS WIEST: Commissioners?
COMMISSIONER BURG: I guess I have one. There was a little discussion between you and Mr. Dickens about that you believe that the Universal Support Fund should be based on forward-looking costs; is that correct?
THE WITNESS: Yes, sir.
COMMISSIONER BURG: Do you feel the same way for the wireless? Should their payment be based on their forward-looking costs?
THE WITNESS: I think all of these should be based on forward-looking costs. I think the current mechanism with the wireline cost as the bench is the right one for the following reasons. I mean, they're there. If another carrier, wireless, wireline, you know, dreamed of

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technology, whatever they are, that's the benchmark that they see and they can come in based on what they know about their costs, how many customers they think they can attract, and if they think they can beat that cost or meet it, they'll enter.

If they don't think they can meet that benchmark cost based on the ILEC that they're higher costs, then they won't enter that market or geographic area. As it's set, it's probably sending the right signal to other carriers, should they enter or should they not. If they're more efficient or equally, they will. If they're not, they won't.

Now the downside is if they're more efficient, if they're lower cost, then you've got a per line payment based on a different technology cost. Here's the downside. What's going to happen is wireless, whoever it is, is going to receive funds faster than they would otherwise, which is going to encourage the build-out of that network faster than it would happen otherwise until we get to the point where we've got complete coverage, equal service quality, and now you've got the more efficient provider serving the area.

And when we talk about managing this high-cost

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fund long-term we ought to be funding the more efficient provider, not the less efficient provider.

So the negative is that it's going to get us the more efficient network faster, if you consider that a negative. But I think it sends the right signal. That's the benchmark. The ILEC cost is the benchmark that sends the right signal to other carriers.

COMMISSIONER BURG: But when should that be paid? You're saying by overpaying if they've got a lower cost and they receive the payment based on somebody's higher cost, they're actually getting overpaid per line based on their cost?

THE WITNESS: That's right.

COMMISSIONER BURG: At what point should that subsidy -- I mean, you're saying the good side is it allows them to pay out faster. I see that as sort of a challenge. We're the ones that have to stand here, make sure it's actually spent to build out faster rather than pocket the difference.

And I'm not comfortable with that because I don't know that we have the ability to do that

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adequate review. I would rather be looking at a proof of their actual costs and recover costs. Then I also think it creates a level playing field for the different technologies.

THE WITNESS: I'll try to respond to different pieces of that. Your concern has been raised. Obviously it's something the Joint Board looked at. It's something the FCC's going to be looking at as it receives comments on the recommendation over the next few months on how to grapple with it.

You know, this is an evolving mechanism. Everybody has been very clear that it's evolving, and at some point we may move to something like this primary line proposal. I don't think we're going to do it this time around. And then it's going to be a choice of which network we're going to fund. We're not necessarily going to fund more than one in an area. And if we're going to fund one for an extended period of time, it ought to be the most efficient.

Now once we get to that point you've got different options. The Joint Board and the FCC has looked at different options. You don't necessarily keep the same per line mechanism. You may want to

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put this out or the FCC may put it out on a bidding basis. Carriers can come in and say we'll serve it, you know, as an ETC and for X amount of support total, and whoever bids lowest serves the area with support and the others don't.

COMMISSIONER BURG: What percentage of your lines of Western Wireless's lines do you feel is the only service or do you think most of them kept their landline?

THE WITNESS: I have not looked at South Dakota specifically. I have looked at other rural areas, and right now there are not a lot of people that are making the substitution and cutting the cord as they say with the landline yet, and there are a couple of reasons for that.

One is, frankly, the coverage and service quality in some of these high-cost areas for wireless isn't there yet. I think it can be, but right now it's not for a lot of these people. And the second one is number portability. I'll tell you the reason I haven't done it is I've had my phone number for a long time. It wasn't until the last fall that we had the FCC coming in with wireline to wireless number portability. Since they've done that we've started seeing a lot more

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people substituting one for the other.
COMMISSIONER BURG: What about broadband?
THE WITNESS: In terms of the availability on wireless?
COMMISSIONER BURG: Yeah. When will wireless have equal quality broadband as wireline?
THE WITNESS: Well, they're going to catch it at some point, and they're going to vastly surpass it at some point. Right now the standard really is what I think Mr. Blundell referred to yesterday. It's the 1X. That's what I've got on my phone from Verizon. It's better than dial-up. It's not as good as DSL.
There are a couple of technologies, bandwidth compression technologies, you know, coming down the pike that are out of the lab that are going to be much, much better than that. What it will give you -- the same way with broadband is the same way with voice. It will give you actual coverage everywhere. You don't have to find a place to plug in. You'll have wireless broadband just as you have wireless service.
You know, so you don't have to find a place to plug in a phone or plug in a computer. You know,

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once the speeds catch up then wireless I think is much more beneficial because you've got some mobility with it. They're working on it. They're going to catch up. They're not there yet. 1X is not as good as DSL.
COMMISSIONER BURG: The other challenge I have with the way it's funded now is, yes, you can show costs that are vastly above, probably even above what the actual Universal Service Fund that you're getting, not per line but total costs that your expenditures. And I don't know. I mean, do we have enough information, do we have the ability to know what the amount that you're receiving -- I mean, if you're just not substituting that for an investment that you would make that is a profitable investment without that? That's the difficulties that I see that we have down the road.
THE WITNESS: And I understand that question. One thing I can say that might provide some reassurance is if the company believes that these areas are profitable to serve with support, then there's really no reason for them to hold back on the investment in terms of substituting investment funds.

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If they were going to spend X million and now they have an incremental 2 million, say, whatever it is, to spend, to substitute, it would mean that they really don't see the investment opportunity for that substituted 2 million. But if they see the opportunities here for expanding this market, they're going to add on to what they would have spent otherwise to get the expansion in place.
Otherwise, they really wouldn't be expanding any in the first place.
COMMISSIONER BURG: As you can probably tell from my questions of Mr. Blundell, one of my concerns is putting Universal Service Funds into areas that are profitable without them for this technology where they were not for another technology.
THE WITNESS: No. And I understand that. Part of it is we're -- you know, there is a federal approach, and there's a federal approach being re-looked at and will continue to be re-looked at over the next 12 months and we're stuck with some of the warts of that approach.
But in terms of serving that area, you know, we look at the ILEC study areas as small, discrete areas because that's how they're defined for the

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ILECs. But if you look at, you know, the wireless study area as a broader footprint around the state, you know, when the ILECs get this money they have within their study areas some areas that are higher cost and lower cost and their hands aren't tied about where in their study area they put that money in. They put it in where consumers are telling them they need it.
If you look at the wireless area across the state not as these discrete ILEC areas but as their footprint where they've got to respond to customer demand, I think there's less concern about where within that footprint they spend the money versus another place. You know, we looked at a particular ILEC area yesterday on the map, talked about one cell site being there and nonplanned, but if you look at it on the map, there's sites all around it.
You know, it gets misleading if you look at investments within an invisible line on a map and not a little broader in terms of investments that are actually used to provide service to the people within that invisible line.
You know, you don't want to fill up some ILEC service area with cell sites if there are adjacent sites that serve them. When you start looking at

this network you have to back up a little bit broader. But I understand your concern, and I certainly believe as part of your annual recertification those are the things that you can look at and would look at.

COMMISSIONER BURG: Thank you. That's all I have.

MS. AILTS WIEST: Any other questions from Commissioners?

CHAIRMAN SAHR: Good morning. I was wondering if you would, please, address the concept of the effect that this designation might have on the Universal Service Fund and kind of the -- and certainly I doubt it would be your term of art but the drain on the Universal Service Fund.

THE WITNESS: I don't mind talking about drains as long as we're looking at all the drains. You know, the FCC in Virginia Cellular made, you know, the comment in terms of how they're approaching this is in terms of the individual carriers. Virginia Cellular and Highland, the amount withdrawn from the fund by those companies was very, very small and not likely to impact the fund as a whole.

Now if you back up and say let's look at all

of these designations, how is that affecting the fund, the FCC's numbers were CETCs collectively, that's wireless and wireline, we're getting about 3.7 percent of high-cost in 2003 or as of fourth quarter 2003. When you analyze that it's a little less than 150 million.

We back up to the Mag Order two and a half years ago we remember that the FCC not only kept the ILECs on embedded cost, but they gave them a new -- modified embedded cost mechanism that they asked for that the FCC projected turns out a little bit low was going to add about 1.26 billion to the fund over five years. That's over 250 million a year.

If you want to put the "drain" caused by CETCs on the fund in perspective, look at how it compares in total. It's 850 million, to the annual amount not received by the ILECs but the extra amount that they asked for and got in the Mag Order, which is over 250 million a year and it turns out the 1.26 billion was low. It's going to be more than 250 million a year.

So I have some problems -- I'm coming at this, and I confess, from a consumer standpoint. I'm not trying to favor one carrier over the other because

I worked for wireline and wireless carriers, but when one group comes in and, you know, having just requested and gotten an extra 250 million a year to come in and say you can't allow anymore carriers to come in because they might get 150 million, that's a little bit disingenuous.

The FCC and the Joint Board commented about the amount of funds going to CETCs. The FCC also commented explicitly in Virginia Cellular that the amount in terms of percentage and an absolute amount going to the ILECs was also growing significantly. And that's part of this issue at the same time.

Is it important? Absolutely it's important. I mean, carriers, state regulators, federal regulators, we've all got a role. Everybody's got a role in this, and everybody's got to look at how we're going to deal with this.

Joint Board's looking at it. Last year Senators Burns and Dorgan had a series of round table discussions. They weren't formal hearings, but they got all of us in the room -- I was there for both of those -- and they closed the door and said, How are we going to work on this.

And, of course, one of the things they focused

on was the funding side because the old definition is very, very narrow of telecommunications services. There's a lot of services that don't have the assessment applied so there's a funding solution to this. There's also a disbursement solution. All of that's being looked at. It's going to have to be looked at it, but it needs to be looked at in a perspective where the drain is because there are multiple drains on this fund. Otherwise, it doesn't change in size.

But in terms of an individual ETC designation in this context, I think you do what the FCC did, which is to acknowledge that this individual designation is not the problem. Acknowledge that CETCs alone are not the problem and to the extent there is a problem it's being addressed in the proper forum, which is this one, which is the Joint Board and the FCC. That's where it needs to be done.

You know, to do this piecemeal one ETC application at a time it's not going to fix the fund. You're not going to address the real drain on the fund by denying a CETC application because the real money's going to this side of the room, not this side of the room.

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CHAIRMAN SAHR: Thank you. Now I've certainly heard the argument made that in a state like South Dakota where we have -- whether you're a wireline or a wireless company where there are some tremendous costs involved with infrastructure and the need to deliver state-of-the-art services, especially our rural areas, whether it be a phone line, broadband connection, wireless and realizing that USF can sometimes take care of these things and sometimes can't.

THE WITNESS: That's right.

CHAIRMAN SAHR: I have heard people make the argument that especially from the perspective of the South Dakota consumers that as much money as we can get into the state to help our consumers is a "good thing" which while it tends to be a bit of a pork barrel type mentality, it is something that certainly is discussed at commissions, at industry functions, and so on and so forth.

Do you have any thoughts on the impact, especially from the perspective of state whether, again, it's wireline or wireless has some tremendous costs involved in provisioning services due to our geography and relatively low population

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counts?

THE WITNESS: Yes, sir. And I'm sure there's a pork element to it. I can tell you in the Senate round table discussions last year Senator Rockafeller from West Virginia came in and was not apologetic about saying exactly that, look, this mechanism provides X dollars to West Virginia today. I don't want to see a mechanism that's going to make that reduced because, frankly, that's important to my state, it's important to people, it's important to rural economic development, and he doesn't make any apology for saying that and I don't necessarily think he needed to.

You absolutely need to make sure these funds are being used appropriately. USAC also does that. The FCC also does that. But you're the first line in making sure that's done.

But if they are -- you know, I do a fair amount of rural economic development work, and I'm looking at these funds as funds that would be invested in one of these areas that wouldn't be invested otherwise because I'm convinced these are incremental investments. I've talked to these carriers. I see what they're spending. I think this is money that's going into these areas that

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needs to go into these areas that wouldn't be available.

Is the mechanism going to change in the future? It might. It might make more or less money. But I would not dismiss that argument that we're talking about money flowing into the state, into the rural areas of the state, and in order to provide expanded telecommunications coverage.

I'd have a hard time sitting here figuring out an argument about why that's a bad thing right now.

CHAIRMAN SAHR: And we continue to hit upon the certification process. And I'd like to ask you a question or two about that, and if I get beyond the scope of your expertise, please let me know.

THE WITNESS: Yes, sir.

CHAIRMAN SAHR: And it may be something where this Commission needs to review and look at our rules and our processes as they apply to all carriers. And through that review or through what we can do under current law, and I know you don't know what the legal standards are here -- maybe you do.

But, in any event, what type of certification process would ensure that the money is adequately

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being spent?

How do we ensure that it is being spent within our state borders when we look at the numbers that -- and, you know, we can argue about the numbers, but ultimately we'll be able to get the numbers from either you or USAC and look at what sort of dollars are coming into the state.

Do you know anything about how that sort of tracking process or how that certification process can work most effectively for the consumers of the state?

THE WITNESS: I've seen different states applying different ideas. And this is all fairly early on in the process because CETC designations are fairly new. The Alaska Commission adopted an approach in the last year where they look at this sort of thing -- I mean, clearly you look first at the amount of money coming in for a given carrier. You should receive from them, and it's my understanding at least with regard to Western Wireless you are receiving, you know, a reporting of operating expenses and capital expenditures within the state and it should be state-specific so that you can compare that to these funds and see how that compares.

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You know, I expect the relationship to vary from year to year and partly because, you know, some of these investments are kind of lumpy. And as an example, I was looking at a state where a carrier was putting in a new switch so they had a very high investment in that state for that year, and the next year the investment went down simply because they weren't putting that big of investment in place. But if you look at the baseline and the towers and that kind of service expansion, they were continuing to expend more money.

I think -- well, I can't commit my client but I'll tell you what I think you ought to do and if I'm in trouble with them later, I guess I'll find out. You should come in each year -- and this is true not just for CETCs and wireless carriers. This should be true for all ETCs, incumbent LECs included.

You should get an accounting to your satisfaction of the money that's been spent, expenses, capital expenditures for the state, find out where they spend -- you know, where did you spend the money? What did you spend it on? Did you expand coverage into these particular areas? Do you have any plans to expand coverage in these

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particular areas? I mean, you should be able to get that information to your satisfaction that the money is being spent appropriately, you know, and if there's a time that you've got customer input that the company doesn't have, that's probably a good time to say, well, we're hearing from customers in area X, what are you hearing from them?

This company is pretty good in that regard, and Mr. Blundell described it yesterday, they've got a pretty direct channel between sales and engineering some companies don't have. So when sales offices are getting requests that they can't implement for an area, that's getting back to technical people pretty quickly to get that feedback in place.

But, you know, frankly they owe you to your satisfaction that annual certification that that's what's being done, and that's true for all of these carriers in the room.

CHAIRMAN SAHR: So that answers the tracking part of the fund question. And I appreciate your candor on that. When we get into the question of reasonable requests for service and realizing that this is a somewhat fluid standard

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and that certainly in an area where you're just granted designation likely there is going to be a -- I don't know if I want to use the word lower, but there's going to be the acknowledgment that putting up towers takes some time possibly and those type of things.

THE WITNESS: Yes.

CHAIRMAN SAHR: At the certification process is that when we should be looking at those requests, or is that something that you look at on an ongoing basis, or how do we handle that from the consumer standpoint? Because that's when -- I think what's going to happen is we will -- and we want these contacts.

We want to hear from consumers. We want to hear from communities. We will continue to receive these contacts, and, you know, the question I have in my mind is, is this something that we deal -- and obviously we forward that information and do what we can to help resolve the problems and work with the companies on trying to do that. But when it gets into more the question about whether or not reasonable requests are being met, is that something that is going to be the key component of the certification process, or is that something

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that's going to be handled on an on-going basis or both or --

And if you're not comfortable answering that part of the question, at the very least would you talk about how a reasonable request for service issue may or may not fit into the certification process?

THE WITNESS: Okay. I think I can respond to both. And I guess I'd back up and say I'm doing some work for a chamber of commerce in a rural area in Georgia right now, and it is absolutely frustrating that all of these networks can't be built out today. And I'm going to the Georgia Commission, giving them my feedback saying why can't this be built out now because, frankly, in that area we need it built out right now.

But, you know, the reality is that, you know, these are large construction plans, and they take time. You know, there's a point of perspective that I think gets lost in these cases a little bit and that, you know, the ILECs to expand coverage to where they've expanded it, you know, which in total coverage terms is not a lot of area but in terms of wireline coverage is most of the area, they didn't do that in one year or two years. They did that

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over decades.

And even though the support was implicit rather than explicit prior to '96, I mean, quite frankly they built out while receiving support over an extended period of time. Hopefully it won't take new carriers as long, but there needs to be a realistic expectation on that.

What the FCC has said pretty direct in all its orders and most recently Virginia and Highland, you know, it's not reasonable to expect that the point of designation that there be complete coverage, that it's going to take time, it's going to take financial ability to make the investments.

It is something that I think you've absolutely got to track and should track over time because it is a dynamic measure. It's not a static measure. In fact, if it is static and you find that a carrier is coming back in year after year and they still can't serve with the same number of customers, I think you've got a question about their designation.

The FCC has been real clear this is not a certification issue, a designation issue. It's an annual recertification issue.

You know, I think I heard Mr. Blundell agree

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yesterday that, you know, reporting number of unserved customers or customer requests not met that were received is something that they could do. That's something that other commissions have looked at. I think you want to look at it over time and I guess less of an absolute number metric and more of a where are the requests coming from metric. Because, you know, the location of those requests is going to change over time and, you know, one thing you should be monitoring and, frankly, the companies should be monitoring and they probably are is how those customers' demands and requests are changing geographically over time so that they can factor that into their plans.

But that's something you ought to also be able to get feedback on and get reporting on an annual basis. You know, I agree with the FCC, it doesn't have a whole lot of meaning up front, but it certainly has meaning and it's certainly important as part of the annual review.

CHAIRMAN SAHR: So we've been talking about I guess I'll call it the tracking issue, making sure the dollars are being used appropriately. We've talked about the reasonable request for service standard which really becomes

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kind of the check to see if the consumers are receiving service that they would like to have.

THE WITNESS: Yes, sir.

CHAIRMAN SAHR: Kind of a check on -- and I know you probably hate the term but on how the build-out is going and realizing that this is a relatively new area and we don't have a ton of guidance from the FCC or from courts on what exactly is a reasonable request or perhaps more importantly what is the magic number for, you know, how quickly this should happen and so on and so forth, and that probably will hopefully evolve over time so we can get a little more guidance on how to interpret that. So we've hit on those two factors.

In the certification process what do you think -- are there any other -- obviously there's probably a lot of smaller issues that could be hit upon.

THE WITNESS: Sure.

CHAIRMAN SAHR: What else are kind of the main factors of the certification process?

THE WITNESS: You're talking about the annual process or the up-front process?

CHAIRMAN SAHR: Certification as opposed to designation.

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THE WITNESS: Okay. I wanted to make sure we're using the terms. I would say one thing in terms of looking for guidance from the FCC and Joint Board on the specifics, they are not likely to be much help in the short run. The best the Joint Board did was say that they recommend that the FCC adopt a guideline -- an unspecified guideline -- they didn't say what it would be -- a nonbinding guideline to encourage State Commissions to consider the applicant's ability to serve.

But they didn't give any details at all. So I don't think there's a lot of guidance forthcoming at least from the federal level on that particular issue. I think that's something that you're in the best position -- I think the Joint Board has some language here that you're in the best position to do that.

CHAIRMAN SAHR: Along with the tracking issue and checking to see how the requests/build-out, which we won't really call build-out; right?

THE WITNESS: I don't have a problem with build-out as long as we're clear are we talking about a build-out plan rather than something that you're trying to carve into stone?

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Even in Virginia Cellular when you look at the way they use that plan there's a very clear caveat that, you know, this is the company's current plan based on current customer needs and it may change in terms of location, number of towers, all of those things.

Because you don't want to be in a position of locking in the company so they can't respond to where customers are telling them they want service as that changes over the time.

CHAIRMAN SAHR: Sure. And maybe I'll just say we've hit on those two main points. What other would you see as the key factors to look at during the certification process, or do you think those are pretty much the main factors that we should be looking at as a Commission?

And I'm asking this because especially when I listen to James Valley I think we're really getting kind of the perspective, although it's coming from the company, perhaps the consumer's perspective of here's where we're at, where are we going to be and I'm just trying to understand how the -- I think it's --

The designation process involves a little bit of consideration of figuring out which issues are

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designation issues and which issues are certification issues.

THE WITNESS: Yes.

CHAIRMAN SAHR: That's why I'm walking through this and if you, you know, don't have anything else to add, that's fine too, but that's kind of why I'm working through this process to make sure the Commission understands it. And, frankly, these are challenging issues. To have, you know, a room full of experts, which we have here, I think I would be remiss in not trying to take advantage of that as well.

So if you can add anything else, that's great. And if not and if those are the two main issues you see for certification, I mean, that's fine too.

THE WITNESS: Those are the main issues. I would say you're not the only one struggling with this. State regulators all around the country are struggling with this in the same way, particularly in figuring out what's designation, what's certification. You know, clearly the primary designation points are the ones laid out in the statute, the providing the nine supported service elements, the commitment to advertise.

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In terms of the certification, the primary points are the ones we've talked about, you know, where is the money going, how are you using it, what is your customer feedback, what are the requests for service you've gotten, where based on, you know, what you hear from the public are you going to -- do you plan to go next?

And then obviously from the Commission, you know, we're hearing from the public in this additional area. You might want to look at that and factor that into your planning and if you're not going to factor it in, then when you come back next year tell us why you didn't and why these people -- you know, you didn't get to them.

But those are the primary questions that most states have settled on that they're dealing with. The states that have tried to look at service -- I have one extra issue, and that is service quality. The Joint Board is real clear you don't want to adopt ILEC service quality for wireless carriers for what they call parity, for parity sake, that it should be simply what's required to ensure proper build-out of use of service and reasonable requests.

There are some states that are looking at

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developing in a generic type proceeding, not in a designation proceeding, a way to address those issues to the extent that they've got that concern on their radar screen. But beyond that, that's really the list of what I'm seeing states address around the country.

CHAIRMAN SAHR: Thank you.

MS. AILTS WIEST: Commissioner Hanson.

VICE CHAIR HANSON: Thank you. Good afternoon, Mr. Wood.

THE WITNESS: Good afternoon, sir.

VICE CHAIR HANSON: In his opening statements Mr. Ayotte spoke of public service criteria and we should be examining, balancing the benefits versus the harm, and you heard me ask the question yesterday what harm do you see, what challenges do you see.

THE WITNESS: Well, first of all, I'm going to let Mr. Ayotte stand on his own on his opening statement and we've talked a lot about the benefits and I won't repeat them for the sake of repeating them.

VICE CHAIR HANSON: The question was pertaining to harm.

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THE WITNESS: I think the primary harm question you've heard raised is the impact on the fund, and I think the FCC has addressed it in exactly this same context in a pretty reasonable way and that's by saying two things. One is this designation is not going to drain the fund.

Now in a larger sense do we need to address the level of the fund? And that's why I responded to Commissioner Sahr, I mean, yes, absolutely we do and, in fact, we are. You know, the Joint Board is looking at it, the FCC is looking at it, and Congress is looking at it to the extent there's a legislative solution needed.

So I get some assurance from the fact that it's being fully addressed at those three levels that there's nothing we are going to do here today or you're going to do in this room that's going to bankrupt the fund. That's the only negative I've heard. You know, I gave the caveat before and I'm pretty sincere about it, you know, I can't really apologize, I'm coming from this from a rural economic development position because that's where I do a lot of my work. I see a lot of positives from this money flowing into these areas. I don't see a lot of negatives.

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But there is that one that's been raised in the case and the FCC has considered it also and, I think, treated it in a reasonable way.

VICE CHAIR HANSON: You also spoke of billions of dollars, and, of course, we're not talking about billions here in South Dakota. I wish we were speaking of billions.

THE WITNESS: We are talking about, though, hundreds of millions above and beyond what the ILECs would have gotten that they're now going to get, and that still overshadows what CETCs are going to get. So the suggestion that CETC designations or eliminating those is a way to fix this problem is -- I won't say it's disingenuous from their point, but mathematically it's not the way it's going to work.

VICE CHAIR HANSON: You speak of bankrupting the fund and emptying the fund. My concern is with the dilution of the fund. And in some of your testimony on page 16 of your surrebuttal you stated that, "By limiting entry by carriers as an ETC, the size of the fund may be kept small over the short run, but it will be larger than necessary over the long run."

Isn't that a good thing?

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THE WITNESS: To make it --

VICE CHAIR HANSON: Larger than necessary.

THE WITNESS: Larger than necessary over the long run? If concerns about the size of the fund are the issue.

VICE CHAIR HANSON: Isn't it a good thing for the ILECs to have a fund that is bigger than necessary?

THE WITNESS: I have to say no for a couple of reasons. And part of what I'm addressing here is the testimony from the ILEC witnesses that the problem to be addressed here is the fund is too large and being made too large by CETC designations. That's clearly not the cause of the increase.

And if the concern as they've expressed it is how do we manage the fund size over the long-term and keep it no larger than necessary, then I think we've got to take a long-term view, and that's what I'm describing here.

Now in terms of what the Senate's looking at in terms of possible legislative solution and in terms of looking at the funding side of this, they may have a public policy goal in mind that includes

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a larger fund than we have today to the extent they've got the funding mechanism worked out to expand the scope of how it's going to be collected.

But that's their decision that they'll make over time. They're not going to make it in this Congress. But within the framework that we've got what I'm suggesting here is you don't manage a business quarter by quarter. You manage it long-term. And you don't maximize the results of this quarter at the risk of what your results are going to be over time.

So we can, you know, be penny wise and pound foolish, if you will, by denying CETC designations, but that's not going to solve the problem with the size of the fund.

VICE CHAIR HANSON: Well, I understand your argument that the more folks that are paying into the fund the more money there will be. But at the same time, if each ETC is building a similar product, then the consumers are not necessarily getting more coverage, are they?

THE WITNESS: Well, that's actually a very good question, and let's back up to the example of a wireline and one wireless carrier. If you have a wireless overbuild, I think consumers

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are getting something different. They're getting -- over time once this is fully built out -- it won't happen in a year. It will happen in fewer than the decades it took for wireline. You're getting an opportunity in a rural area for complete telephone coverage, not just where there's a phone jack to plug in but complete coverage.

And then you get into the health and safety issues. And I grew up in one of these areas. I grew up on a farm. I'm perhaps overly sensitive to some of these issues. I've also got a wife and three daughters. They break down on the side of the road I want them to have coverage. They're not going to have a wireline phone there, but if a wireless service is available, they can call. Wireline is not going to help you with a farming accident. Wireless coverage will. There's an opportunity here for something far beyond the current capability to be fully built out, and I think that's a good thing.

Now you've got the question that's been raised by the ILECs of, well, we're going to get more and more carriers in here and, you know, 10 is not any incremental benefit and we're going to have this endless number and the fund's going to go up, no

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incremental benefit.

I think you'd only have that if you had carriers trying to commit financial suicide. And my experience is that's not what's going on. These are pretty reasonable financially astute folks. They look at going into an area they've got to look at customer base, what the market will bear in terms of prices, what people see as a fair price for the value they get, the revenues available.

But they've also got to look at the cost side because they've got some big fixed costs, wireless or wireline. And you've got to look at the market. You've got to see what share you think you can get, how many people that represents, and how that translates then into your per customer cost, and see whether you can do this or not, whether it makes sense.

The first carrier in is going to see a much bigger market potential, more customers for giving market share lower unit cost. It may make sense. The second carrier in is going to see something very different. They're going to see their opportunity for smaller number of customers on higher unit cost might make sense, might not make sense for them. The next carrier in is probably

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going to see it's probably not going to make sense for them.

So the way this thing is set up now it's a self-governing or self-limiting mechanism that you're not going to have inefficient carrier entry because universal service support is not going to make up for the fact they can't get their cost low enough to do business in the area. You're going to get entry to the extent it's rational and competitors can make a business case to do it.

So I think what you end up with is in terms of the wireless overbuild something that is an incremental new capability that's more than -- in terms of the number of carriers coming in that's going to regulate itself, and when we look around the country, you know, you hear claims of carriers -- multiple carriers coming in, but when you look they're not really coming into the same area, the same footprint. There may be a little overlap.

This mechanism does reasonably limit the number of carriers that are being funded in the area. So in that sense it works out pretty well the way it's being designed.

VICE CHAIR HANSON: Thank you. You

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have a very good argument when you talk about your daughters along the side of the road and breakdown of the car, whether, you know, 30 below weather is what we picture and a huge challenge to take care of that.

But that begs another question, another challenge that's associated with that. I think we all want to have that capability, however, when we're talking about overbuilding and we're talking about that area that the cell coverage is not going to cover, and we look at wireline phones and the challenge that they will then have if carriers are -- if folks are dropping their wireline and the overbuild does not include 15 percent of the population, there's going to be extremely difficult, if not impossible, challenge for those wireline carriers to be able to service those people who are in remote areas because they have lost substantial revenues from the other areas.

Now if the fund is not providing, in that case it's a loss and a gain, there are people who are no longer paying the USF from the wireline that they've dropped and, yes, they are paying more from the wire side so it's a balance. You know, it's being taken from one side and going into the pocket

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of the other. But at the same time the USF funds are not necessarily growing in that particular instance. So there is a law of diminishing return.

And how do we then provide service to those areas when the business is losing revenue and yet its costs are going to be to an extent increased in relationship to the administration that's necessary for O&M for a business?

THE WITNESS: Right. Your question is one that I've actually been grappling with for the last few months and tried to grapple with some in my comments to the Joint Board in terms of their investigation.

Because really the question as I see it is if we're moving -- if we're transitioning, how do we deal with the transition period because we've got a period of time where a new network does not have full coverage? Is there a risk that the old network can't continue?

Because ultimately what we want is an equal footing so that we decide which is the best network for the area, what's the most efficient way to provide the service.

VICE CHAIR HANSON: Excuse me for interrupting. I'll let you finish your answer.

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Not only that but it is the challenge of whether or not the new provider is willing to ultimately provide service to the -- 100 percent service and if that commitment is not there, then by our actions we are guaranteeing that there is going to be a certain number of people who are not going to be served.

THE WITNESS: I understand your concern exactly. And to a degree I share it. But I don't think it's something that can't be dealt with. Because, you know, first of all, quite frankly, there are a number of customers that are not served today by either technology, and for wireline purposes it can't be done or it's vastly too expensive. Same thing for wireless.

You know, wireless company with an ETC designation and those obligations is going to have to extend -- you know, continue to extend coverage, meet all the reasonable requests, same standard that the ILEC is on in terms of building out over time.

I am somewhat less concerned, and I guess I'm going to have -- I'm looking at this more practically and less theoretically perhaps than the ILEC witnesses are, but I'm less concerned about

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this inability of the ILEC to compete and recover its costs during the transition for a couple of reasons. One is under the current mechanism if you have customers that leave wireline and go to wireless, the ILEC continues to receive the same amount of universal service support.

The support doesn't go -- it's not truly portable. It doesn't go with the line. Now there is a proposal --

VICE CHAIR HANSON: However, you understand that revenues decrease.

THE WITNESS: Their revenues do decrease, and so do their costs. You will hear the representation -- and that's part of why I spent a lot of my rebuttal responding to Mr. Brown on this idea that somehow ILEC costs are fixed at the level of the entire network and if you lose a customer, now you've just got the same total pot of costs and one fewer customer to allocate it over and --

VICE CHAIR HANSON: To an extent -- I've run a number of businesses. I've owned a number of businesses. I understand there is a certain overhead you have to have to serve that one customer.

THE WITNESS: That's correct.

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VICE CHAIR HANSON: And if that one customer is 50 miles over here and that other customer is 50 miles over the other direction and you've got another one 70 miles in the other direction, you have significant costs.

THE WITNESS: That's right. That's not the business you want to be in. I agree. Having spent the last 12 years having the misfortune early on as being pegged as the cost guy, I've spent the last 12 years looking at ILEC cost studies over and over, literally hundreds of them at this point, good ones, bad ones, all over the map. There are certainly some costs that are fixed at that total level, those type of administrative costs.

When you look at the total costs of these companies, though, and the kind of costs they're reporting to receive their funding, that sort of thing in terms of network investment, it's the network costs that represent by far and away the largest amount.

There's been the suggestion that the network costs vary at the whole level of the entire network. And in my experience I can tell you it just does not work that way. There are specific

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discrete facilities that used to provide service, and some of those are fixed at some level.

You've got a wire that's going from point A to point B. You're multiplexing a certain number of amount of traffic on it, and you have less traffic, you can't have less than one cable to do that. A lot of the current systems are modular where you have plug-in cards by channel and your cards are portable throughout the network so you truly can move capacity around from one place to the other.

So network costs are not as fixed as the ILECs would like you to believe. And they are more portable in terms of the capability than they'd like you to believe, which puts the ILECs in a much better position of managing this transition than simply sitting on X total dollars and fewer and fewer customers and revenues to spread it over. Because they can scale their networks technically for different customer sizes.

Now, of course, they've got equal opportunity to compete and not lose these customers. You know, it puts -- in a lot of sense their destiny becomes in their hand. You know, we've got a primary line proposal that would make the support truly portable. The possibility of that being adopted is

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zero. The ILECs -- very, very good political contacts in Washington. They've already been to Capitol Hill saying you cannot possibly do this, don't do it, it's not going to be adopted.

I actually think it's a bad idea for a different reason than they think, but we are in agreement primary line isn't sensible here. It's a bad idea. I don't think anybody supports it. It's not going to happen. Even if it did, their fate is in their hands. If they don't lose the customer, they don't lose the funding.

VICE CHAIR HANSON: Isn't that sort of like saying the word "never," never say never?

THE WITNESS: Well, never say never in this industry because --

VICE CHAIR HANSON: There is such a thing as 110 percent.

THE WITNESS: That's right. As a political reality, this particular proposal has no support anywhere and, you know, I have learned one thing about Washington and that is if it doesn't have political support, it may be a brilliant idea but it ain't going anywhere. And I think that's where we are practically on this.

Now, you know, the ILECs may have less

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confidence in their lobbying ability, and they may come tell you it may happen.

VICE CHAIR HANSON: You and I could get into a nice conversation about the dynamics of this world and how it continues to change, but I choose to believe not to bet the farm on what the federal government is going to ever do.

THE WITNESS: I don't disagree with that. But I actually think your statement is actually well-focused. I mean, the challenge here is managing change. Because we're going from an era of only one technology, only one provider of service. We're moving into an area of multiple technologies, multiple providers.

You know, Congress in the '96 Act said this is our goal. We want to have all of these services -- comparable services in these rural areas. We want to have comparable prices. They didn't say it was going to be pain-free to get there. And it's not, but I think we can.

VICE CHAIR HANSON: Do you believe it's important to minimize the fund in the long run for political reasons? You made some interesting statements, the one I just read to you, "By limiting entry by carriers as an ETC, the size of

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the fund may be kept small over the short run, but it will be larger than necessary over the long run."

And then in your rebuttal testimony of April 5 on page 37 you said that, "Prudent management of the high-cost fund" -- this is on line 19, "including an effort to minimize the size of the fund over the long run is not inconsistent with a mechanism that results in a short-term increase."

And then you go on to talk about making it sound as if that's prudent that it's good business -- well, you said prudent management. Why would you want to minimize the size of the fund over the long run?

THE WITNESS: I was responding fully to the ILECs in the way I said that, but I probably should have added the other element, and that is if you can meet the same objectives with the fund, then obviously spending less money is better than spending more money, assuming you can do that. In other words, we don't want to waste anything.

The argument as I understand it from the ILECs in this case is that there's some imminent peril to the federal fund. I don't believe there is. And that somehow this designation in this state for

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this carrier is where we should somehow draw the line or make the statement that's somehow going to save that fund and that's not what's going to happen and that's not what the FCC has done in its orders.

If the objective is to meet, you know, all the objectives of the '96 Act in terms of bringing comparable services at comparable prices into rural areas for the least amount of money possible, then that's what I'm addressing here in terms of managing the fund. There are certainly scenarios where if the funding is available, there could be public interest mechanisms that would favor a larger fund. And that's why I said before I'm going to lead that to the Senate to craft their legislation to the extent they are on what they want to accomplish.

Given what Congress has said it wanted to accomplish in '96, can we do that with as little money as possible I guess is the objective, and what I'm saying here is that, you know, it's a penny wise pound foolish thing, don't try to save a dollar this quarter and end up doing something that's going to cause us to support carriers for a larger amount of funding and make the fund larger

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over the long-term to achieve this very same objective that we could have achieved with less amount of money.

So it's smaller if you're trying to achieve the same objective for less money than more money. If Congress decides the objective is larger than what they set forth in '96, then I would agree that it's not necessarily better to have a smaller fund because it may take more money to do that objective. But we don't have that directive from Congress at this point to do that.

VICE CHAIR HANSON: Sometimes I don't expect to receive a complete answer. Sometimes I don't expect to understand the answer. On your testimony of your surrebuttal testimony on April 26, page 8, line 18 you stated that, "Wireline networks are capable of serving only a tiny fraction of the ILECs' actual service area, typically less than 5 percent."

THE WITNESS: Yes, sir.

VICE CHAIR HANSON: You said it so I'm going to assume you meant it.

THE WITNESS: Yes.

VICE CHAIR HANSON: That's hard for me to believe. How do you support that statement?

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THE WITNESS: Well, it all comes down to what you mean by serving and what standard you're going to put them on versus the standard they're trying to now put Western Wireless on in their testimony. If by serve you mean the ability to connect a telephone to the network and make a telephone call or receive a telephone call, their service coverage is only, A, where they have a wire and, B, where they have terminated that wire into a jack where you can plug in a phone.

VICE CHAIR HANSON: But it has to be more than semantics when you're talking about what you can --

THE WITNESS: That's correct. It is more than semantics. It is the ability to make a call is very limited geographically on wireline, great quality very limited in scope. Now when the ILECs then talk about Western Wireless's coverage today now they're not talking about discrete locations because wireless isn't a discrete location type service.

Now they're describing it in terms of the total area that's being served. And that's something that's fundamentally different, and it's being presented in this case as a play on semantics

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or kind of hiding the ball type issue. And what I'm saying is we've got to back up and be a little more explicit than that. If service means ability to make a call, the ILEC networks are very limited.

Western Wireless says it's currently limited for a lot of potential area, but it has the potential to build out -- to provide total service coverage. A wireline network doesn't have that potential at any point in the future.

VICE CHAIR HANSON: However, when -- let's see. I'm trying to remember what you said at the very beginning. When you're looking at it from that particular frame of reference, the ILECs don't have really any other measure to go by, and they certainly aren't going to attempt to put a dot in every household and say can you serve this household, can you not serve this household. So they don't have any other barometer really to use.

THE WITNESS: Well, they can use that barometer, and I welcome it, but we need to keep some perspective when they say we serve our entire area, these people don't, they must be somehow not capable -- you know, you should decide that they're not currently capable and willing to respond to reasonable requests for service, we've

got to pack up and look at what they mean by that.
I mean, it's not a play on words to say --
VICE CHAIR HANSON: In that frame of reference, exactly what you're saying there, isn't that incumbent upon us as Commissioners to try to ascertain what you are willing to do to serve that customer?
Doesn't that come right back to the crucial question that we have been told that we have to answer, and that is public service criteria? If you are not willing to state, yes, we will serve all citizens, all locations as the ILECs are willing to serve, then aren't we doing a disservice to those citizens?
THE WITNESS: The answer is yes if you mean as the ILECs are willing to serve. Because, I mean, I'm very genuine about that.
VICE CHAIR HANSON: Anyone in the borders of the State of South Dakota if they request to have an opportunity to have a wireline, they can have telephone service?
THE WITNESS: That's correct. And their obligation is the same to respond to reasonable requests for service from anybody in any of those areas. That same obligation is the one

that if you grant this designation request would be placed on Western Wireless they've got to make the same response. Now what the FCC has said is we've got to have a little perspective here. We've funded one of these networks for decades. We haven't started funding the other one yet. There has to be a transition period.
And that's just the reality. Like I was saying before, it's frustrating from the customer standpoint because I'm in that role part of the time that we can't have it expanded much quicker. And that is part of your annual process to see what's being done and to relay what you're finding from consumers.
VICE CHAIR HANSON: We all find ourselves in that role, and that's a challenge. As Commissioners we also want to provide the best quality service we can for our citizens. We don't want some to go without it.
THE WITNESS: That's right.
VICE CHAIR HANSON: And we all have families who may be along the side of the road some day.
THE WITNESS: That's right. That's right. And you've got a transition period, and

it's a tough one to balance. But, you know, I think if there's a possibility to move out to complete wireless coverage so that you have that side of the road coverage, those health and safety benefits, the quality coverage for people, to use it instead of wireline service, if you can get there and you don't see a very large cost impediment in your way, I think it's in the public interest to try to do it because I think people benefit in the long run from doing it.
VICE CHAIR HANSON: You use the word efficiency, talked about efficiency. How would you define efficiency as it relates to Western Wireless?
THE WITNESS: Two measures. One would be efficiency associated with given technology, and one would be associated with the firm's operations. It may be -- and Commissioner Abernathy, her name's been brought up in vein in this proceeding already. She and I have actually had this conversation a couple of times.
If you were looking at some of these rural areas today and we had no network in place, wireline, wireless, nothing, and you were going to build one, it's not a forgone conclusion that you

conclude the wireline would be the most efficient way to cover that area. A lot of these places you may decide the most efficient way starting from scratch would be a wireless solution.
So we've got -- there's a technology efficiency question. If we're going to fund the network long-term, what's the most efficient technology to fund? Now the separate question of are there additional benefits such as mobility and complete coverage to that technology is part of the equation, but that's separate from this.
The next question is operational efficiency for each one of these companies, and what the FCC has said and I agree with is that having competitive entry into these areas increases the incentives for both the ILEC and the new entrant to increase their operational efficiency, lower their costs to the extent possible and respond to that competitive response to each other.
So I think, you know, the way we get operational efficiency is to get these firms competing with each other because as much as I like regulation, it's ultimately no substitute for those forces.
Technology, efficiency, that goes back to this

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baseline, you know, setting the support equal to this per line amount for the wireline carrier. If a wireless carrier can't be more efficient in serving the area, that amount of per line support's not going to do it for them, and they won't enter.

So we've got a mechanism to ensure technology efficiency. Getting the carriers in there will ensure operational efficiency. Both are worthy goals.

VICE CHAIR HANSON: Would carrier of last resort 100 percent coverage affect customer cost as we've discussed here, and how would that affect efficiency as you describe it?

THE WITNESS: If I understand your question right, because the Joint Board contemplated a situation where you could have a new entrant fully built out and the incumbent relinquishing its carrier of last resort and ETC designation which would then mean the new entrant would have to take on carrier of last resort --

VICE CHAIR HANSON: I'll allow you to answer your answer, but are you saying we should rely upon the Joint Board on their recommendations?

THE WITNESS: No. In fact, they've made almost no concrete recommendations.

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VICE CHAIR HANSON: It's interesting that you refer to them as something that we should apparently look to for information.

THE WITNESS: No. They have made some observations that are astute ones. They have made some conclusions. They collected a lot of information. They got comments from a lot of different carriers, a lot of different organizations, and they compiled it into one place.

My concern about treat this as if it's the current law is they didn't make any concrete recommendations. You know, they made recommendations like the FCC should adopt a nonbinding guideline regarding service coverage. Well, there's nothing to apply. There's nothing there. But that doesn't say that they didn't take the information they got and reach some good conclusions.

One of them they discussed was a situation where you have a substitution of one carrier as carrier of last resort for the other. And that's the case where once you have a complete build-out, I agree with the Joint Board observation, you need to make sure that new built-out carrier can take on carrier of last resort if the incumbent decides to

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relinquish it.

If that happens, what you've done is you've created a more efficient carrier in place as carrier of last resort and lowered costs for consumers and potentially greater capability in terms of coverage and mobility that's not necessarily a bad outcome either for consumers.

I don't think it's a short-term reality, but I think it's something that could happen at some point down the road. Never say never.

VICE CHAIR HANSON: Thank you, Mr. Wood.

THE WITNESS: Thank you.

CHAIRMAN SAHR: I think Commissioner Hanson and also Commissioner Burg have raised some interesting questions, and one of the things I grapple with in this case is when we talk about, frankly, the challenges of providing service in rural areas and a lot of it relating to a wireline company and dealing with Universal Service Funds issues, dealing with some of the challenges they face and perhaps from Commissioner Burg's questions some policy decisions that have been made on the federal level that maybe no one even in this room agrees with, but more so kind of the business type

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aspects.

And I know I'd have to check but maybe one of my first meetings I had when I came on as Commissioner was with Mr. Coit and Mr. Dean and they talked about some of the challenges and certainly I met with the general managers in this room and people all around the state about really how challenging it can be to provide the services. And, frankly, a lot of those services, though, are just absolutely essential, especially when you think about things like broadband, you know, and then even in a reliable line that people know is going to work in their home and even potentially services that are more a consumer convenience as opposed to necessary when you get into things like cable television and those type of things.

So I definitely am aware of that, and I think it's an important issue. The challenge, though, I face is in a proceeding like this -- and I realize I'm asking you as an advocate for your client, but what weight do we give that? How do we evaluate that? And is that although certainly a relevant policy factor, does that come into play in this proceeding?

Because I think they're all in the back of our

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mind, but that's one of the things I grapple with as I look to the factors and try to understand what test that we are mandated to apply. And I know there's some wiggle room within those, but what about those kind of the business type arguments and at least --

And I would invite the Interveners to have their witnesses testify to this as well. I mean, how does that fit into our scheme especially if we get beyond just a Universal Service Fund potential impact on those type of things? Is it something that you think we should be considering, or is it something that we are limited in considering?

THE WITNESS: Well, you didn't get a lot of direction on this public interest thing so, you know, I won't sit here and tell you you can't consider certain things.

You know, I have a similar interest in terms of at least over this intermediate transition period wireline availability, you know, I -- look at the Virginia Cellular case where the FCC looked at that and look at all of those independent little telephone companies in the Shenandoah Valley. I actually have close ties with several of them.

I can say here definitely that I don't think

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Virginia Cellular entry ought to put New Hope Telephone Cooperative out of business, all 400 lines. I hope it doesn't. That's important to those people.

I don't believe in the period of time that we're talking about that that threat exists. And I guess to put a very fine point on it, what you've got to ask yourself is you've got the record in this case, you've had a discussion of the benefits, you've got an argument from the ILECs that maybe what might happen with the change in the federal standard with the Joint Board and what might happen over time then in terms of dilution of support and what might happen then eventually in terms of the impact on the fund and whether it's sustainable might ultimately have an impact on their ability to provide service.

And, again, this is a fairly fine point, but you have to decide whether there's an immediate threat here to that chain of events happening. I think at every step of the way there's good reason to believe that that chain of events does not happen, that it is being fully addressed, there are mechanisms in place to keep it from happening.

And even if we go with primary line, there are

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specific provisions in this recommendation that would preserve the ILECs. You know, in terms of what's the downside to this, if you truly believe that end of the world scenario over the short-term, then you would have something to consider in this case. I genuinely don't think you do.

Long-term could there be a substitution of technology and we end up with one network instead of two? It's possible but that's a long-term consideration and that's not with current wireless coverage and service quality. That's with something fundamentally different in the future.

I mean, that's as a practical matter what you're facing. You've got, I think, a new entrant with very specific plans, specific current benefits. What's in opposition to that at this point is long-term speculative harm that is honestly being addressed on numerous fronts to make sure it doesn't happen. That's the question in front of you at this point.

CHAIRMAN SAHR: Thank you.

MS. AILTS WIEST: Do you have any redirect, Mr. Ayotte?

MR. AYOTTE: Yes.

(Discussion off the record)

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REDIRECT EXAMINATION

BY MR. AYOTTE:

Q Mr. Wood, just a few questions on redirect. In your discussions with Mr. Dickens he asked you a question regarding Western Wireless's prior designation as an ETC in South Dakota in October of 2001 and asked whether Western Wireless would be receiving support related to that prior designation, with respect to some network investment that it made prior to the date of their Decision. Do you recall that question?

A Yes, sir, I do.

Q Do you see any problem with Western Wireless receiving support for its prior network investments?

A No. It's kind of an odd notion because when you look at the ILEC networks that were built over time and how they've made investments over time and how the support has come into place, I mean, if you look at when this fund was created in '96, the ILECs immediately began to get all of their funding for network investments already made.

So, you know, there's not a distinction there that makes any sense. And, of course, then this is also for operation and maintenance as well as provisioning new facilities. Certainly the funding to the ILECs is not limited to incremental new investment,

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but, in fact, is predominantly operation and maintenance recovery and then depreciation capital recovery of existing facilities and equipment.

I'm not suggesting there's anything wrong with that for them. I don't think there's anything wrong with that for Western Wireless either. That's just the reality of how this works.

Q You also had some questions from Mr. Dickens relating to the build-out plans with reference to the Virginia Cellular Decision and his introduction of Intervener Exhibit No. 17.

A Yes, sir.

Q Were you personally involved in the Virginia Cellular proceeding at the FCC?

A Yes, sir.

Q Are you familiar with the Virginia Cellular application as supplemented and specifically as it relates to the build-out plans that were discussed?

A Yes, sir.

Q Could you explain to us your understanding of the Virginia Cellular build-out plans?

A Sure. I think we can look at -- the pages are not numbered, but I guess what I would call page 4. It's the backside of the second sheet of paper. There's a section on construction plans. Oh, they are numbered.

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It is numbered page 4. It's up in the upper left.

Q You're referring to Intervener Exhibit 17?

A That is correct. And then there is a chart that's attached following the letter. The situation there was a little different because Virginia Cellular had not built out capability in most of the area that is the subject of its application.

Their current coverage was not the 85 percent type objective that Western Wireless self-imposed. I think on a comparable basis it was well less than 50 percent. What the company agreed to do is give the FCC its current plans for how it would build out and serve that area. And it created a list of 11 or 12 -- I guess it's 12 cell site locations and some budgeted amounts to say, you know -- and basically they said, look, based on what customer response we're getting today, this is the way we plan to move forward.

Now I guess it's also probably necessary to talk about what they didn't do or what this isn't. It is a plan. It is not a specific commitment for exactly these locations in exactly this order. Because if you look on page 4, what they say is they're pleased to provide the information with the understanding that in the essence of a specific request for service, general consumer demand often shifts, which can cause a planned

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cell site to be relocated and as part of its annual certification Virginia Cellular will also provide the Commission with information on how high-cost support funds are used so that any changes in construction plans can be explained.

It's a very reasonable approach. The FCC said what are your current plans. Virginia Cellular gave them those. But there's a clear understanding among Virginia Cellular and the FCC that customer demand in terms of geographic location and, frankly, in terms of intensity that might change the Order.

Construction does change over time, and this is presented as exactly that. You know, it's a forward-looking plan based on current expectations, and then, of course, as part of the annual recertification there would be information on why, you know, shifts in customer expectations may have caused this plan, actual construction deviation from the plan.

I would also note that, you know, when you look at the attachment they do list the sites and they do list a budget number but it's purely a projected even 250,000 per site and clearly all of these sites will have different costs associated with them. You know, the FCC did not request that Virginia Cellular go out and do a, you know, formal site design and, you

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know, specific budget for each individual site to capture site-specific costs or anything of that nature. It is simply, you know, this is a good-faith estimate of where the plans and construction plans are currently going.

I don't know that there's a whole lot of difference between what this is and what Western has produced in terms of its 17 proposed site locations. You know, it's a plan that's subject to revision based on customer requests.

Q With respect to the FCC's Decision in Highland Cellular, did the FCC treat build-out plans any differently in the areas where Highland Cellular was designated?

A A little bit, yes. When you look at the facts associated with Highland, their current coverage was not as high as the 85 percent that Western has used internally here but much more than Virginia Cellular had. They had more coverage existing in place. And I think the Highland Order refers to a build-out plan and some language that looks like it got copied over from one Order to the other but there wasn't that kind of proposal from Highland that was requested or required by the FCC.

You know, the FCC was very clear that each

year as part of the annual certification they want to know how the funds have been used and how they've been used to expand coverage but they weren't looking for kind of the up-front proposal that they did from Virginia Cellular because Highland's coverage was fundamentally different.

Q Finally, in response to a question from Chair Sahr he was asking you about the reasonable request for service and when is that best looked at, either at the time of annual certification or as part of an ongoing process, ongoing obligation.

And I understood your answer to be that that should be looked at at the time of the annual certification.

A That's correct. I'm not sure and I think the FCC said it didn't really have much meaning upfront before support is received for an area. It's part of an ongoing monitoring process.

Q And that's what I wanted to make sure I understand is the obligation of a designated ETC to respond to and provide service to those submitting a reasonable request for service within their designated area, do you understand that to be an obligation of a designated ETC?

A It is an obligation. It's a forward-looking

obligation. It's things that happen prospectively, and it's an ongoing obligation.

Q And is it fair to say then that this -- when should the Commission look at a designated ETC's fulfillment or responding to reasonable requests for service? Is it fair to say that that is not only an ongoing process, 365 days out of the year, but also something that should be looked at annually at the time of the certification?

A Yes, sir, it should.

MR. AYOTTE: Thank you. I have nothing further.

MS. AILTS WIEST: Any recross, Mr. Dickens?

MR. DICKENS: Give me just a moment.

(Pause)

MR. DICKENS: No further questions.

MS. AILTS WIEST: Thank you. Mr. Smith? Commissioners? Thank you, Mr. Wood.

THE WITNESS: Thank you.

(A lunch recess is taken)

MS. AILTS WIEST: I believe we'll begin with Interveners' first witness.

MR. DICKENS: We have called

Mr. Brown to the witness stand.

GLENN BROWN,

called as a witness, being first duly sworn in the above cause, testified under oath as follows:

DIRECT EXAMINATION

BY MR. DICKENS:

Q Mr. Brown, would you state your name and address for the record, please, sir.

A My name is Glenn Brown. My address is 9011 East Cedar Wax Wing Drive, Chandler, Arizona.

Q On whose behalf are you appearing today?

A I am appearing on behalf of the South Dakota Telephone Association and specifically on behalf of Golden West Telecommunications Cooperative, Inc, James Valley Cooperative Telephone Company, Venture Communications Cooperative, Inc., Tri-County Telecom, Inc., Vivian Telephone Company, and those are the companies that I'm testifying on behalf of.

MR. DICKENS: For the record, Mr. Chairman, Mr. Brown's direct prefiled testimony dated March 15 has been admitted as Interveners' Exhibit 1 with associated exhibits. His surrebuttal testimony dated April 16 with associated exhibits has been numbered Interveners' Exhibit 2 and admitted.

Q Mr. Brown, do you have any additions or corrections to either of the sets of testimony?

A I have just one correction. It's in the surrebuttal testimony which is Exhibit 2, and it's on page 9 of that testimony, line 5 where it says, "Wireless carriers must serve throughout the service area and" -- that word "and" should be "or," "that the carrier must provide a build-out plan."

And if I can have the official copy, I'll correct it on that.

Q Mr. Brown, could you provide a brief summary of your direct and surrebuttal testimony?

MR. AYOTTE: I'm going to object. I wasn't aware that the Commission procedure called for witnesses's summaries prior to their testimony.

MS. AILTS WIEST: Actually it's up to the individual parties whether they want to have their witness provide a summary or not at the beginning of their testimony.

MR. AYOTTE: Okay. Thank you.

A Okay. I'll keep my summary brief, and I'd like to make four points. The first is that the 1996 Act has a standard that a prospective ETC must serve throughout the service territory of the area they seek to serve.

And I have two concerns with the standard

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that Western Wireless has articulated in this case. First is they are measuring themselves by covering 85 percent of the population. I think as the discussion this morning indicated, that that leaves a question about what about the other 15 percent, which may indeed be the most rural and high-cost.

The second is the standard of service provided. And the propagation analysis that Mr. Blundell presented showed a negative 104 dB propagation profile as the perimeter of the service area. When you get out to that level, as I state in my testimony, you need to have roof top mounted antennas. You need to have high power equipment.

And for the most part that's not what rural consumers want. They want to be able to use a handheld cellular unit just like an urban customer and indeed the purpose of universal service is that consumers in all parts of the country can have service comparable to urban areas. So that's the first issue is just generally the standard.

The second issue is the fact that this is not the first time that Western Wireless has applied for ETC status. In 2001 they were granted ETC status for a large number of rural companies in South Dakota. And since that time they've received in excess of

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10 million dollars of high-cost support that is intended to bring urban quality services to rural areas of South Dakota.

And I presented an exhibit that shows that since that time they have added few, if any, new towers in rural parts of South Dakota. And if you look at that 10 million dollars and you look at the 200,000 to 300,000 estimates that have been used in this hearing as to the cost of a tower, that could be 33 to 50 towers, and they weren't put there. When asked directly where the 10 million dollars went I did not hear Mr. Blundell give a direct answer to that.

Third, the Joint Board in their Recommended Decision and the FCC and the Virginia Cellular and Highland Cellular cases I think have given the Commission a tool kit to be able to create a vision of what they want to create in their state with high-cost support and to have carriers submit build-out plans as part of their application so that your goals for the rural consumers in South Dakota can be achieved.

Finally, the subject of harms has been discussed. And I happen to see two harms that I have not heard much discussion of so far. One is that this money comes from consumers. Consumers pay into the fund that goes to support high-cost areas. And to the

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extent that 10 million or 20 million or whatever -- and 20 million, by the way, if this case is granted, will be the run rate that Western Wireless will be at. That comes from somewhere. They ought to get benefits commensurate with that. And the build-out plan ought to achieve benefits commensurate with that 20 million dollars per year.

The secondary of potential harm is that the Joint Board and the FCC have clearly signaled that the Universal Service Fund is not going to grow indefinitely. In fact, in all likelihood there will be some constraint on how large it can grow. This Commission could well have a budget, if you will, of high-cost funding that they would have to choose how do they best spend that to meet the needs of rural South Dakota consumers.

And I think something to keep in mind is that -- and I put some quotations in my testimony from consumers representatives and from the NASUCA that are concerned that above a certain support level it may be that only -- you cannot economically support two carriers to compete in those areas.

And what we need to avoid is if, indeed, there is some constraint on the amount of support, that at least one carrier has the opportunity to continue to

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function as a carrier of last resort.

And I think that says if an alternative carrier is granted ETC status, they better be able to -- they better have a build-out plan that some day if they had to, they could take over. But I think the Commission must take great care particularly in the higher cost study areas in granting additional ETCs and make sure that rural South Dakota consumers get reasonable value for their money that's being spent to support universal service in high-cost areas. That would be my summary.

Q Thank you. Mr. Brown, I want to just bring up one matter that was related to a late filed exhibit I guess as a procedural question as much as anything.

Yesterday Commissioner Burg asked Mr. Blundell for a map showing where 111 towers were mentioned, a map of the 111 towers that were mentioned in Mr. Blundell's testimony. If you were to undertake to produce such a map, how would you do it?

A What we -- in response to discovery Western Wireless provided us with the location and certain parameters of those towers. And I think in my testimony I've mentioned that I use that information -- I geocoded those locations, used it to validate the ULS data that I used on several of my exhibits, and last night I was

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able to recreate one of those exhibits, actually using the actual data as provided by Western Wireless.

MR. DICKENS: Mr. Chairman, I don't want to --

MR. AYOTTE: You're going to.

MR. DICKENS: I don't want to offer to introduce an exhibit and then argue about it. I'd just rather raise it now, as I said, as a procedural matter. We're not going to have an opportunity to cross-examine Western Wireless's late-filed exhibit.

Last night Mr. Brown did, as he indicated, produce a map of his own based on latitude and longitude coordinates that we got from Western Wireless. I'd like to include this in the record either as our own late-filed exhibit per the request of the Commission, or I can just offer it. But that would be my intent.

CHAIRMAN SAHR: And it may be a bit of semantics. Technically Ms. Wiest is acting as the Hearing Officer and the three Commissioners can overrule her or change her rulings. So that --

MR. DICKENS: My apologies to Ms. Wiest.

CHAIRMAN SAHR: Again, I don't want

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to get into semantics, but you should probably be directing your comments on legal issues and those type of things to Ms. Wiest, and the Commission can always have the right to discuss or overrule her decisions.

MS. AILTS WIEST: Do you have an objection, Mr. Ayotte?

MR. AYOTTE: Absolutely. The information that Mr. Brown relies upon was provided long ago in discovery, prior to his filing of at least his surrebuttal testimony. He does address his analysis that he sponsored in his prefiled testimony.

We have no way at this point of conducting any further discovery, analysis, or even reviewing and understanding the apparent map that he proposes to offer. To that extent I think we're prejudiced, and it's untimely.

I think he had an opportunity to provide this as part of his testimony and he didn't and he ought not to be able to do it at this late date.

MR. DICKENS: I'll provide a brief response and live with your ruling. They have criticized Mr. Brown's map data earlier in the case. This is only meant to show that the

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information we got yesterday or the information that he plugged in last night from the discovery is consistent.

And the other reason we offer it is we're not going to have a -- Mr. Ayotte says they're prejudiced by an inability to cross-examine. We suffer the same infirmity with regard to the late-filed exhibit.

CHAIRMAN SAHR: Thank you. I would move that we go into executive session to discuss the matter with the Hearing Officer and our chief analyst.

VICE CHAIR HANSON: Do we need to pass a motion on that?

CHAIRMAN SAHR: Do we need a motion and a second?

MS. AILTS WIEST: No. That's fine.

(A short recess is taken at which time the Commission meets in executive session)

MS. AILTS WIEST: First I would just like to ask -- I was looking at some of the exhibits that were already filed, GHB 3, GHB 6. Aren't the tower locations already on those maps?

THE WITNESS: If I may answer, your Honor.

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MS. AILTS WIEST: Uh-huh.

THE WITNESS: The tower locations that are on that map that you're looking at in GHB 3 were taken from the ULS database that's maintained by the FCC. In my testimony I state that I compared that with the actual coordinates provided by Western Wireless, and they were almost exactly the same.

Mr. Blundell made a comment yesterday that the ULS database was inaccurate, and Commissioner Burg asked if Western Wireless could provide the actual coordinates. So having both sets of data I took the liberty of creating that same exhibit, the company boundaries and everything, except substituting the actual coordinates that Commissioner Burg had asked for for the ULS coordinates and, as I testified previously, they are virtually identical.

MS. AILTS WIEST: Given the fact that the Commission has requested the actual sites from Western Wireless, I believe we will allow this one in also since there would not be an opportunity for cross-examination on that other late-filed exhibit.

And I believe this one needs to be marked as

confidential. We'll mark that as Confidential Exhibit 18, and that will be admitted.

CHAIRMAN SAHR: When we get to the substance of the discussion we may have to ask our guest to leave.

(Discussion off the record)

(Intervener Exhibit 18 is marked for identification)

MR. DICKENS: During the break for executive session we did discover one minor housekeeping item in the additions and corrections that we should have picked up earlier.

MS. AILTS WIEST: Go ahead.

Q If you want to make that correction.

A Yes. I in response to Mr. Dickens' question indicated the companies that I was testifying on behalf of. My prefiled direct testimony of March 15 had two additional companies listed who since are no longer participating.

That would be Split Rock and West River. So on lines 16 and 17 I would like to strike the names of Split Rock and West River from the official copy.

MR. DICKENS: With that we'd tender the witness for cross-examination.

MS. AILTS WIEST: Mr. Ayotte.

MR. CREMER: I do have some examination.

MR. DICKENS: Pardon me. I messed up the order.

MS. AILTS WIEST: Isn't he your witness?

MR. CREMER: He is appearing for all of us, including James Valley.

MR. AYOTTE: You can't cross-examine.

MR. CREMER: I'm not going to cross-examine. I'm going to ask him questions on direct.

MR. AYOTTE: It has been admitted and received.

MR. CREMER: On behalf of the companies Mr. Dickens represents.

MR. AYOTTE: The witness testified he's testifying on behalf of SDTA and five specific companies, which included James Valley.

MR. CREMER: That is correct, but I still have an opportunity to examine my own expert because I'm appearing separately.

MR. AYOTTE: Well, Ms. Wiest, I would object to this type of procedure, allowing a

party to conduct oral examination of his own witness.

MS. AILTS WIEST: I would say that, no, we don't allow that. The purpose of the prefiled is to put the testimony in. We do allow the witnesses to give summaries, but then it's testimony that's already been put into the record but not then to examine them directly.

Mr. Ayotte.

MR. AYOTTE: Thank you.

CROSS-EXAMINATION

BY MR. AYOTTE:

Q Good afternoon, Mr. Brown.

A Good afternoon, Mr. Ayotte.

Q Looking at your background, you're not a lawyer; correct?

A No, sir.

Q I take it you don't intend to express any legal opinions in your testimony?

A I will try not to.

Q Now I understand the purpose of your testimony is to present an analysis of Western Wireless's request to be designated as a federal ETC in this proceeding; correct?

A Yes.

Q And particularly your prefiled testimony focuses in on the public interest factor and a response to Mr. Blundell and Mr. Woods' testimony; right?

A The primary focus is the public interest test, yes, sir.

Q I take it you're familiar with the requirements under Section 214(e) in the FCC's rules and the South Dakota code for designation as a federal ETC by a State Commission.

A Yes. And if you'd like, I could give you my recollection of those requirements.

Q No. We'll get to that. I take it then you would agree to be designated as an ETC a telecommunications carrier has to be a common carrier?

A That's correct.

Q And they have to offer the supported services that are set forth in FCC Rule 54.101(A)?

A Throughout the service territory, which is where I do take a bit of exception.

Q I understand. Don't get ahead of me.

A Okay.

Q The third requirement is they have to advertise the availability of the supported services using media of general distribution; correct?

A Correct.

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Q And they have to make the services available throughout the designated service areas.
A That is correct. That's the requirement.
Q Correct. Now the rural LECs on whose behalf you're testifying, they've already been designated by the Commission as an ETC in all of the exchanges for which they're certificated to provide service in South Dakota; correct?
A That's my understanding, yes, sir.
Q And each has been designated an ETC for the purposes of receiving federal universal service support?
A Yes.
Q You agree with me that each of the rural LEC clients -- I don't want to name them all but each of the companies that you're testifying for, each is the only designated ETC throughout their respective areas today.
A I believe that's the case. However, I think that the Pine Ridge Indian Reservation is technically within the Golden West territory. So Western Wireless has been through I believe the FCC's Order designated there.
Q Fair clarification. But Western is not seeking designation in this proceeding in that portion of the Pine Ridge Reservation served by Golden West. They've already been designated there?
A I just tried to answer your question accurately.

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Q I appreciate that. Did you review any of the Commission's -- the State Commission's prior orders or the FCC Order designating Western Wireless on the Pine Ridge Reservation? Did you review any of those orders as part of your analysis in this proceeding?
A As part of my analysis in this proceeding I reviewed very carefully the Commission's Order of October of 2001. I did not specifically within the past few months look at the Pine Ridge Order, although I was familiar with it as it was being litigated and when it was released.
Q Let's now review the basic ETC requirements. Do you agree Western Wireless is a common carrier for the purposes of being designated an ETC; correct?
A Yes.
Q And there's nothing in your testimony to suggest otherwise?
A No, sir.
Q With respect to the supported services I take it you're generally familiar with the FCC's orders on federal universal service and USF matters?
A Yes, sir.
Q And you're familiar with the FCC's First Report and Order released May 8, 1997 in the USF proceeding?
A Yes, I am.

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Q Do you agree with me that the FCC discussed at length the core services to be supported by the federal universal service funds?
A In the First Report and Order, yes, sir.
Q And they discussed the different types of carriers that would be eligible to receive universal service support if designated an ETC.
A I'm sure they did. I don't recall the specific sections.
Q And I'm not trying to drill you down to the paragraph cites.
A It's just been awhile since I've read that part of the Order.
Q Would you agree with me the FCC has determined wireless providers such as Western Wireless may be designated an ETC?
A They may be providing the requirements including the public interesting finding in the rural telephone company area, of course.
Q Correct. But the FCC has said that any telecommunications carrier using any technology including wireless technology is eligible to receive universal service support if it meets the criteria under Section 214(e); correct?
A Under 214(e), yes, including, of course, the public

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interest.
Q We're going to get to the public interest, I assure you.
A Good.
Q In fact, are you aware the FCC has actually promulgated a rule that essentially states a State Commission shall designate a common carrier that meets the eligibility requirements irrespective of the technology used by such carrier?
A It's been awhile since I looked at that rule, but I know that technological neutrality is part of the Act so that would make sense.
Q In fact, you understand Western Wireless has already been designated an ETC not only in South Dakota but 13 other states?
A I'm aware of that, yes, sir.
Q And I take it you're also aware given your background and familiarity with universal service matters that numerous other wireless carriers have been designated as competitive ETCs either by the State Commission or by the FCC in other states?
A Yes. And some have been denied.
Q But you're not suggesting that a wireless carrier should be precluded from being designated an ETC, are you?

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A Oh, no. Not at all.
Q Now with respect to the supported services you're familiar with the FCC's regulation, 54.101(a), 1 through 9 that sets forth the supported services and functionalities to be supported by federal universal service support mechanisms?
A Yes, sir.
Q You agree with me that Western Wireless meets the requirements of providing each of those supported services as specified by the FCC rules?
A Does your question include throughout the service area or just throughout the functionality they provide the functionality?
Q We're just talking the services and the functionality.
A I understand that.
Q Those are set forth in Western Wireless's application and Mr. Blundell's testimony; right?
A Yes, sir.
Q And you reviewed that?
A I reviewed that.
Q And you don't dispute Western Wireless's ability and commitment to provide those supported services as required by the FCC rule?
A No, sir.
Q And, in fact, there's no specific service or issue on

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supported services raised in your testimony, is there?
A There is not.
Q Now the third requirement dealing with the advertising the availability of the services and charges using media of general distribution, the SDTA and the Intervener companies, they don't challenge Western Wireless's plans to meet that advertising requirement, do you?
A I personally have no knowledge that they have not met it, although I can't specifically say they have. That was not something I looked at.
Q It's explained in the testimony of Mr. Blundell; right?
A Mr. Blundell's testimony stands on its own, yes, sir.
Q And its satisfaction of this advertising requirement, that's not addressed anywhere in your testimony?
A No, sir. As I mentioned, I did not look into it.
Q Was it fair to say that the SDTA and the Intervener companies they don't challenge Western Wireless's plan to meet the requirement to advertise the availability of services and charges using media of general distribution?
A Not that I'm aware of, sir.
Q We're now up to the throughout the service area.
A Oh, good.
Q Now you agree that Western Wireless must be designated

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throughout the study area of the rural LECs as the appropriate service area.
A That is what Section 214(e) says. You know, absent something else, that's the service area is the same as the study area.
Q And the study area represents a rural LEC's certificated areas within the state?
A Yes. Generally, that's the case.
Q And you understand and agree that Western Wireless is seeking designation as a competitive ETC throughout the South Dakota study areas of these seven rural LECs as identified by Mr. Blundell?
A That was what the application requested, yes, sir.
Q And you understand that Western Wireless has committed to respond to reasonable requests for service within a reasonable time throughout each of those study areas; right?
A I know that that's what their testimony says. Yes, sir.
Q Now you don't challenge Western Wireless's current ability to provide any of the supported services throughout its requested designated service areas, do you?
A Well, this is where I start to differ with you. Because you say throughout, and I think the 85 percent

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is, in my opinion, less than throughout. The fact that universal service is to have rural consumers have comparable services to urban areas says that in my opinion unless it is comparable to an urban area, it is not throughout.
Q In your surrebuttal testimony, Interveners' Exhibit 2 on page 4 you agree that Western Wireless meets the technical requirements of providing the nine supported services; correct?
A No. I said that what they're trying to do -- and I could look at the specific language.
Q On page 4.
A But what they're trying to do is meet the technical requirements by using high-powered CPE, roof mounted antennas, and the like as opposed to, as I just described, providing the services throughout.
Q Are you suggesting to this Commission that an applicant for ETC designation has to demonstrate it is providing the services ubiquitously throughout an entire study area as a prerequisite to designation?
A No. However, what the Joint Board has clarified and what the FCC has clarified is that if they don't at the time of the application, that they ought to have to submit a build-out plan to show the Commission how they propose to do that and then accept measurement under

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that plan of their progress towards completing it.
Q So is it fair to say that an applicant for ETC designation must make the commitment and demonstrate its ability to provide the supported services at the time of application?
A It must make a commitment to meet the statutory obligation to provide the services throughout.
Q And that the actual obligation to provide the services throughout the service area, in this case the study area, is an obligation flowing from the designation, not a prerequisite to designation?
A I disagree with that, sir.
Q Okay. In your direct testimony, Interveners' 1, page 12 you reference Western Wireless's -- pages 11 and 12.
A Okay.
Q You reference Western Wireless's response to the SDTA's Interrogatory No. 15.
A Yes, sir.
Q And you agree with me that in that response Western Wireless has committed to meeting reasonable requests for service and providing the service to all customers in the requested designated areas; right?
A I see that it says to at least 85 percent of the population in each wire center within the study area.

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Q You understand that based on their discovery response that Western Wireless currently provides the services to a minimum of 85 percent of the population of each wire center?
A As I go on in my testimony to show I do not believe they meet the 85 percent in many of the wire centers.
Q I understand that, but do you understand that to be the company's testimony, that they currently provide service to a minimum of 85 percent of the population of each wire center for each of the study areas?
A I believe that that is what Western Wireless has testified to. I have presented facts and data that I believe indicate that is not totally the case.
Q And whether or not you believe that is totally the case, you also don't think that's sufficient for the purposes of designation; correct?
A No, sir. I think the 85 percent is 100 percent. That's how I interpret "throughout."
Q I'm sorry. You lost me on the math. I usually don't do math in public, but I heard you say you believe the 85 percent is 100 percent?
A That to serve throughout, you must serve 100 percent, not 85 percent as Western Wireless -- I'm sorry.
Q No. Then it's clear. And my question was you don't think that the 85 percent is sufficient to meet the

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standard. You would agree with that?
A Yes.
Q Now you devote several pages of your direct testimony, Interveners' Exhibit 1, to a discussion of Western Wireless's signal coverage in the areas in which it's seeking designation; right?
A Yes, sir.
Q And, again, in your direct testimony you submitted Exhibit GHB 4. So this would be Exhibit GHB 4 to Intervener Exhibit 1?
A Yes.
Q And on that Exhibit GHB 4 you purport to show the results of your analysis of the percentage of households and land area that is within 5, 10, and 25-mile radius of certain Western Wireless towers; right?
A Yes, sir.
Q At the time of your direct testimony you had not performed any independent analysis of Western Wireless's signal coverage in the South Dakota rural telephone company study areas; right?
A That's correct.
Q And so you prepared a -- I think you called it a rule of thumb proximity study based on your experience in examining propagation studies for other networks?

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A Yes, I did.
Q And you agree that your rule of thumb study doesn't exactly predict actual coverage levels for Western Wireless's network; right?
A And I caveated it in the testimony to really look at it you would have to do a propagation analysis that had many other variables in it.
Q And I think you described it in your direct as just a rough approximation; right?
A Well, the proximity analysis is correct in that it does indicate what percentage of the land area and housing units are within given distances of the towers. And I might add that I did when I did this analysis add in -- there were, oh, I think about 10 or 11 towers that showed up in the 111 that weren't in the ULS database that I started with. And I did include them in the proximity analysis. I could not include them on any pictures because of the confidential nature.

But those facts are what they are. That's where the people are located.
Q Sure. It's a proximity analysis, it's not an RF signal propagation analysis?
A I did not represent it as such.
Q And I didn't ask you to agree otherwise. What I asked you to agree was this rule of thumb proximity analysis

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does not exactly predict actual coverage levels, signal coverage levels for the Western Wireless network. You agree with that?
A I would agree it does not exactly predict signal coverage.
Q Rather it's just a rough approximation?
A It's useful information, but it doesn't tell the whole story.
Q And you yourself describe it as a rough approximation that needs further validation.
A Yes, sir.
Q And I think we'd be in agreement to properly analyze signal coverage, a propagation analysis should be undertaken.
A I agree, and, in fact, I did exactly that.
Q In your surrebuttal testimony, Interveners Exhibit 2; right?
A GHB 8 or Exhibit 2.
Q You submitted the new map, GHB 8, and you believe that Exhibit GHB 8 provides a more realistic picture of Western Wireless's signal coverage in South Dakota over Western Wireless's propagation analysis that Mr. Blundell sponsored, Exhibit GHB 1?
A JHB.
Q JHB, GHB.

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A There's a big difference, Mr. Ayotte.
Q There are too many acronyms in this business. I apologize. I'd be happy to rephrase the question.
A I knew what you meant. Yes, I do.
Q Do I understand you want the Commission to rely on your new map, GHB 8, rather than the Western Wireless propagation analysis in JHB 1 to assess Western Wireless's signal coverage?
A Yes. I think it comes closer to what it is consumers really want, which is the ability to use a wireless phone much the same way their more urban neighbors do.
Q Is it fair to say you would want the Commission to accept your new map, GHB 8, rather than the rule of thumb proximity analysis discussed in your direct testimony?
A I think they're both useful for different things, but I think GHB 8 does provide from the consumer's perspective a better representation of how they would view Western Wireless's network.
Q Better than the rule of thumb proximity analysis that will just tell you how many towers are within what population?
A Well, like I say, both pieces of data are useful. When I'm driving and look around and I see a tower I'll open my phone. Proximity has an effect. It's one of the

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variables in a propagation analysis.
Q But for the purposes of assessing Western Wireless's signal coverage in South Dakota you're sponsoring them both. Are you asking the Commission to rely on Exhibit GHB 8 for the purposes of assessing Western Wireless's signal coverage rather than the rule of thumb proximity analysis --
A I think it's a more accurate reflection and, of course, we can and probably will talk about the different signal strengths used in here.
Q Well, let's talk about your propagation analysis in Exhibit GHB 8. In your preparation of Exhibit GHB 8 I understand that you relied on tower information from the FCC's ULS database to construct the map.
A Yes, sir.
Q And that tower information included the latitude and longitude of the tower.
A Yes.
Q The height of the tower.
A Yes.
Q And the effective radiated power, the ERP?
A Correct.
Q And you also used topographic data from a U.S. Geological Survey in preparing this map; correct?
A Yes. They provide topographical data that let's you

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see where the hills and valleys are and the model uses that as part of its calculations.
Q What version of topographical data was used from the USGS?
A Give me a second. NED, National Elevation Data Center I believe it's called.
Q What year was that prepared?
A I obtained it earlier this year.
Q Not when did you obtain it. What version, what year, what release was the data sampled?
A It was the most current that the USGS has available.
Q But you don't know what the year is that it was released?
A I know I got it this year, and I could certainly if it's meaningful when I get back to my office submit what release it is but it's the one that if you were to order it today they'd send you.
Q Then with the tower information from the FCC's ULS database and the topographic data you prepared Exhibit GHB 8; correct?
A Yes.
Q And in preparing Exhibit GHB 8 I understand that you only compared the publicly available data from the FCC's ULS database with some of the actual data that was provided to you by Western Wireless; isn't that

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true?
A Well, the word "some" probably was ill chosen in that sentence. I compared it with a data -- a lot of data was provided. Some of it had to do with towers. A lot of it had to do with other things. So I specifically looked at the data that was provided related to towers, and I compared that.
Q Okay. And the data that was provided to you at the time you prepared GHB 8 was the Western Wireless tower data for the 111 towers and extenders that we provided in discovery?
A Yes. There were two rounds of discovery. The first round only had latitude, longitude, and heights. The second round had more information, but there were things in the power that didn't look quite right that didn't -- that caused me to as a fallback -- and also, photographically so that this could be a public exhibit because it's built from public data to use the power data that is contained in the ULS database.
Q You mentioned that my use of the word "some" in my sentence may have been ill chosen?
A It was ill chosen by me.
Q Because that's your testimony from exhibit Interveners Exhibit 2 on page 15 that you had the opportunity to compare the ULS information and you compared that with

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"some of the actual data provided by Western Wireless."
A Yes. I compared it to the data that related to the towers, not that related to their services or their affordability. The discovery --
Q The affordability of the towers?
A I did not -- what I said was, you know, the data requests were a quite of pile of paper. I took out of that the data relating to the towers. That would be some of the data that was provided. That was what I meant. If it came across poorly, I apologize. But I did compare it --
Particularly I compared the latitude and longitude. I wanted to see that I had a representative base of towers and I concluded as I testified in my surrebuttal testimony that it is reasonable and I also testified that what I put in my direct testimony was reasonable.
Q But you only utilized the publicly available tower information from the ULS database in preparing your exhibit.
A That's correct.
Q Isn't it true that the FCC's ULS database is only a partial representation of Western Wireless's actual facilities?
A Well, what I find particularly in the rural areas is it

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lines up almost one for one. There was some testimony yesterday that when you fill in an area you don't have to file that in the base and what I found were the towers that were missing for the most part were in Rapid City and Pierre and Sioux Falls.
Q But do you understand that a wireless carrier is only required to file cell site data with the FCC that defines the exterior boundaries of its CGSA?
A Right. But empirically I was able through my examination and comparison of the data to satisfy myself, and I testified as such that this picks up the towers in the areas we're talking about.
Q But if a cell site doesn't impact the outer boundary of the CGSA, it isn't filed with the FCC; right?
A Well, all I know is what my analysis told me, showed me, which is when I take your 111 towers and geocode those and I take the ULS towers and put one over the other they line up exactly in the rural areas. There are no major gaps there.
Q You didn't prepare Exhibit GHB 8 from the actual tower information that Western Wireless provided to you, did you?
A No. I prepared the -- the data that I put into the propagation model was, as I testified --
Q Right.

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A -- from the ULS.
Q And the ULS database is only -- includes tower information that defines the exterior boundaries of a CGSA; correct?
A I disagree with that.
Q Well, you agreed with me a few minutes ago on that.
A No. No, I didn't. I said that I compared the two, and even within the --
Q Mr. Brown, I'm not asking you yet about your comparison of the two.
A Okay.
Q We're talking about the FCC's ULS database. If a cell site doesn't impact the outer boundary of a CGSA, it isn't filed with the FCC and, therefore, not part of the ULS database, is it?
A Well, I disagree, sir, because I found towers that are within the CGSA outer perimeter that were in the ULS base. So, therefore, the answer is no.
Q Isn't it true that the ULS database is limited to analog or amps technology?
A Well, I believe it is. And in that respect I've given Western Wireless the benefit of the doubt on GHB 8. It is a larger profile than if I had tried to construct a CDMA number.
Q But information relating to antenna height and ERP

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would not include Western Wireless's CDMA or digital capability, would it?
A I don't believe that's in the ULS, and again I think this gives the benefit of the doubt to Western Wireless.
Q Would you agree with me that there's more cell site sectorization and antenna gain in a CDMA network?
A As well as lower handset power. There are lots of differences.
Q So that was a yes to my question, that it's fair to say that there's more cell site sectorization and antenna gain in a CDMA network?
A Looking at the ERP numbers that you gave me in the second data request, I'm not sure if I would agree.
MR. AYOTTE: I'd move to strike as nonresponsive to my question.
MR. DICKENS: I'd like to hear the question again.
Q For the first time, Mr. Brown, is it fair to say there is more cell site sectorization and antenna gain in a CDMA network?
A Yes to cell site sectorization. I'm not sure I agree with you on antenna gain.
Q With the additional cell site sectorization, that would result in greater ERP and result in signal coverage,

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wouldn't it?
A Well --
Q If you know.
A I don't know.
Q I take it in your analysis of the FCC's ULS database information you only looked at the cell sites that were physically located in South Dakota?
A For this particular analysis, yes.
Q This particular analysis being GHB 8?
A Yeah. And the reason I say that, sir, is I believe the GHB 3 and 6 have towers that are in the other states but the only ones I actually used in this as in the data requests -- the material that was given to me were those that were physically within South Dakota.
Q Do you understand that Western Wireless also owns and operates cell sites in Nebraska and North Dakota that overlap signal coverage into South Dakota?
A Yes, sir. And those are not in here, and so they would probably at the periphery of the state have some impact.
Q Now in your analysis and preparation of Exhibit GHB 8 I take it you also did not include the 17 additional cell sites to be constructed by Western Wireless as identified by Mr. Blundell.
A No. I did not know their exact location or any of the

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other parameters.
Q I take it that you did not drive test the results of your map on Exhibit GHB 8?
A Actually, I did.
Q Throughout the entire State of South Dakota?
A No. But from Rapid City to Pierre I drove and was a little frustrated at the inability to check back with my office and my home, and it didn't work for much of the trip.
Q Other than driving from Rapid City to Pierre -- was that on your flight in here?
A Yes, sir.
Q I take it you didn't field test your results.
A I took a subset on that drive, but, no, I did not drive around the state.
Q And it's true that the actual service that a particular customer might experience may be affected by environmental factors?
A Yes.
Q Natural obstacles?
A Yes.
Q Person-made obstacles. I'm not sure if man-made is politically correct anymore. Buildings and other --
A Absolutely. They all affect propagation.
Q You'd agree with me that an RF propagation analysis

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should be validated by a field test that takes these real world factors into consideration.
A If I were designing a network, I certainly would want to do that.
Q But you didn't do that for the purposes of --
A I did not have the opportunity and I ran the propagation study and I at least validated one radial on that.
Q I just got a bad look from our court reporter. I'll try to allow you to answer your question if you allow me to finish asking my question so we don't talk on one another.
A Deal.
Q Public interest, that's the focus of your testimony, isn't it?
A Yes, sir.
Q And you conclude that you do not believe Western Wireless's designation as an additional ETC in the rural LEC areas is in the public interest?
A Not based upon what I've seen so far. No, I don't.
Q But you'd agree that if the Commission applies a public interest standard in this proceeding, that the framework for such an analysis should balance the benefits of designation against any demonstrated harms resulting from the designation.

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A Yes. I think in my testimony rather than harms I used costs, but I think we mean the same thing.
Q Would you agree that in the context of an ETC designation that the proper focus then would be on the benefits or harms/costs to the consumer?
A Yes.
Q You agree with me that it's in the public interest to encourage competition and consumer benefits through the designation of multiple ETCs in areas served by rural telephone companies?
A I think there already is significant competition in the areas served by rural telephone companies. Western Wireless serves 22,000 customers in --
MR. AYOTTE: Could we have that subscriber number despite its possible lack of accuracy noted as confidential?
MS. AILTS WIEST: Yes.
A It's a number, Mr. Ayotte from GHB 1.
CHAIRMAN SAHR: We do have somebody in the room that hasn't signed the confidentiality agreement.
MR. AYOTTE: That's fine.
CHAIRMAN SAHR: If we're going to spend a lot of time talking about this and throwing numbers back and forth, do you want to them --

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Q I'm not intending to get into anything confidential, Mr. Brown, but if you believe any of my questions require you to disclose confidential information, please note it.
A I'll do that, and if I could explain, GHB 1 --
Q There's not a question pending.
A I thought there was a question of confidentiality.
MR. COIT: Excuse me. I think there's a question as to the confidentiality of that number, and I think he deserves an opportunity to explain it is not confidential because it comes from an exhibit based on FCC data.
MS. AILTS WIEST: For the record, would you agree, Mr. Ayotte, that that number was not confidential because I believe I did say it was and she needs to know what to redact from this.
MR. AYOTTE: I would agree that the number listed on Exhibit GHB 1 is publicly available information, but it does not necessarily represent the number of subscribers that Western Wireless has. It's a publicly -- we talked about it yesterday. It comes from the USAC reports. It's a listing of eligible lines. I viewed that as something different than a subscriber number and the witness's response related to subscribers. So

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sensitive about subscriber information, you want to rely on publicly available USAC information, I don't regard that as confidential.
MS. AILTS WIEST: Okay.
Q Mr. Brown, would you agree with me that the competitiveness of the local exchange market would be significantly improved by including multiple carriers in the market?
A I think there already are multiple carriers in the market, and I have not seen anything in Western Wireless's build-out plans that would indicate there would be anymore competition.
Q Do you agree with me that alternatives need to exist to the incumbent local exchange carrier for competition to work for South Dakota consumers?
A Yes. And I believe there are multiple media used to compete for communications services in South Dakota.
Q Can you point me to any part of your testimony that demonstrates or explains why any of the areas served by the rural LECs where Western Wireless is seeking designation, why any of those areas cannot support another competitive provider?
A I could point to several places in my testimony. I quote from Billy Jack Gregg, who is a member of the Federal State Joint Board or Universal Service and the

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West Virginia consumer advocate.
Q Did Mr. Gregg speak to the competitiveness of the areas served by any of the seven rural LECs here in South Dakota, which is the focus of this proceeding and my question?
A He spoke to the criteria that State Commissions like the South Dakota Commission should use in determining when multiple supported carriers should be in a rural area. Now there's a difference between competition, which goes on and which competitors do and don't get support to serve areas that wouldn't have service but for that support.
Q Okay. My question focuses in on South Dakota, and it focuses in on the area served by the seven rural telephone companies where Western is seeking designation, okay?
A Yes.
Q Is there anything in your testimony that demonstrates or explains why any of those specific areas where Western is seeking designation cannot support another provider?
A Yes. I have a series of charts and numerical analysis that show as the density of a particular area decreases, the cost of serving that area increases geometrically.

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Q But you haven't provided any specific population densities with respect to these seven rural LECs?
A I have, sir. It's on Exhibit GHB 7. I have -- would you like me to describe GHB 7?
Q No. Thank you. But if Western Wireless is designated in these areas, the rural LECs are going to continue to receive the same amount of universal service support; correct?
A Not necessarily. We don't know that. That was certainly the presumption when the Commission made its 2001 Decision. I think we have signals from the Joint Board recommendation that that's not a good expectation going forward.
Q But the Joint Board's recommendations have not yet been adopted by the FCC, have they?
A Commissioner Abernathy said at NARUC that these are guidelines that there's nothing that stops the Commission from using now.
Q Okay. You were making -- I understood you to be making an indirect reference to the Joint Board's recommendation regarding primary connection support?
A That's one area, but throughout that recommendation there's a realization that business as usual wasn't working and there must be change.
Q Well, let me try to be a little more specific on my

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question.
A Okay.
Q There are existing rules that the FCC has established regarding the distribution of universal service support; correct?
A Yes.
Q Okay. The Joint Board's recommendations don't affect any change in those existing rules regarding the distribution of universal service support, do they?
A They suggest change, but they do not make change.
Q And unless or until those rules are changed, under the current support rules or distribution of support rules the rural LECs will continue to receive the same amounts of universal service support even if Western Wireless is designated in this proceeding, won't they?
A Well, I think we need to take a longer term horizon in thinking about the important decision the Commission's going to make here, and I don't think that's realistic for the reasonable planning horizon we ought to be talking about.
Q So the answer to my question is that's correct, Mr. Ayotte, isn't it?
A The answer is today yes, tomorrow probably not.
Q Or tomorrow is it more accurate to say you don't know?
A I think it's more accurate to say probably not.

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Q You're certain on that?
A Yes, sir.
Q Would you bet the farm on it like Commissioner Hanson said?
A I said probably.
Q But you don't know for sure?
A Nobody knows.
Q With respect to benefits to consumers, would you agree with me that providing customers with a choice of service providers is a benefit?
A Sure.
Q Would you agree that the effects of establishing a more competitive market will result in benefits to consumers?
A More competitive than what?
Q More competitive than it is today.
A I might agree, but I don't think that this ETC designation is going to make it anymore competitive than it is today. That's what I testified to.
Q But in a more competitive market consumers would be expected to realize lower rates?
A I'm not aware of any proposed rate decreases with the USF that Western Wireless will get.
Q In a competitive market might consumers expect to realize new services?

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A Certainly. And they are today.
Q And in a more competitive market customers might be benefited by improved customer service by the service providers, wouldn't they?
A Sure.
Q Would you agree with me that a broader local calling scope to be offered by Western Wireless is advantageous to consumers?
A Well, it comes at a price, and I think the fact that regulated carriers have been constrained to a smaller calling scope, perhaps they would like a bigger scope too.
Q Kind of like what West River Telecommunications did?
A I'm not familiar with what they did, but consumers always want to get more for their money.
Q In terms of local calling because then they could avoid long distance charges.
A I think in general consumers want to get more for their money.
Q Would you agree with me that the ability to use a telecommunications service from other than a fixed location is a benefit to consumers?
A You're speaking of mobility? Absolutely.
Q And mobility for 911 calling in rural areas, beneficial to consumers?

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A If you can get a signal.
Q Would you agree with me that the deployment of new telecommunications services or new state-of-the-art technologies is a benefit to consumers?
A Certainly.
Q Would you agree that better service for South Dakota rural consumers is a good thing?
A Of course.
Q And having more people hooked up to the public switch telephone network and use telecommunications services to communicate with one another, that's a good thing?
A Good thing.
Q Giving consumers in rural South Dakota telecommunications services comparable to those enjoyed by consumers in urban areas, that's a benefit.
A That's a benefit, sure. South Dakota rural consumers want that.
Q And that these benefits we're just discussing, Mr. Brown, that doesn't matter if you're a customer of Western Wireless or some other incumbent LEC, these are good things for the consumers, aren't they?
A Yes.
Q Mr. Brown, you haven't introduced any evidence in your prefiled testimony regarding any inability by any of the rural telephone companies to compete with Western

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Wireless, have you?
A No.
Q Is it fair to say that you've -- you have no empirical evidence that Western Wireless's designation would harm consumers in any one of these areas?
A Well, now there we're going to start to disagree.
Q We were on a roll there.
A I know. That had to end.
Q You allege harm to consumers based on costs imposed upon consumers.
A That's one.
Q And but isn't it true that wireless customers, they contribute into the Federal Universal Service Funds, don't they?
A They do.
Q And without any ETC designation to a wireless carrier, then that support would only go to the wireline or landline networks; right?
A Yes.
Q Would you agree with me that the annual percentage rate of assessment -- I think it's quarterly but you'll correct me but the percentage rate of assessment that's set by the FCC, it's been going down over the last several years, hasn't it?
A Well, it's been going down for a couple of reasons,

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many of them accounting in nature and moving of money out of the schools and libraries funds, currently at 8.7 percent.
Q But you're not suggesting that that assessment rate paid by consumers is going to increase at all as a result of Western Wireless's designation, are you?
A Quite possibly it could.
Q Do you know what the current assessment rate is?
A It's 8.7 percent of interstate end user revenues or -- and Mr. Blundell talked about this yesterday that there's a safe harbor for carriers that can't measure. And sometimes, you know, with bundled buckets of minutes it's hard to measure at 28.5 percent. So it would be 8.7 percent of 28.5.
Q I don't do math in public.
A I'm sorry.
Q Have you calculated what this possible change in the assessment rate might be for consumers if Western Wireless is designated?
A I've calculated that if all CMRS providers nationwide --
Q I'm just asking about Western Wireless here in South Dakota.
A Well, I don't think you can look at it in a vacuum, Mr. Ayotte.

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Q Well, I'm going to ask you to look at it with respect to Western Wireless in South Dakota because this assessment rate is established nationally, isn't it?
A Right. But what happens here affects what happens in other places. If everyone were to designate every cellular carrier, that would add over $2 billion to the fund. It would go up by 70 percent.
Q But, Mr. Brown, we're not asking this Commission to designate every wireless carrier everywhere, are we?
A We're asking them to make one of the first decisions after the Joint Board recommendation that has set a new framework, specifically to address the growth in the fund, and if that decision is just the same business as usual without a very fact-specific inquiry, then I think that could affect other parts of the country.
Q So let's do the fact-specific inquiry.
A Okay.
Q I'm going to ask the question again. With respect to Western Wireless and its request to be designated in the seven rural LEC study areas here in South Dakota, you're not suggesting that this national assessment rate paid by consumers is going to increase at all as a result of that, are you?
A I said that it could for the reasons that I gave you.
Q Okay. And my question is you haven't undertaken to

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calculate any projected change in that assessment rate.
A I gave you one scenario.
Q Again, with respect to Western Wireless here in South Dakota, you haven't undertaken to calculate any change in that assessment rate that you suggest could possibly result from Western Wireless's designation, have you?
A It could be one straw that breaks the camel's back or that kicks it up one-tenth of a percent, which is what it goes up in. I do not know.
Q Thank you.
A I know it's the cumulative effect throughout the country that will affect the rate.
Q Now is it your position the only permissible use of federal universal service support is the build-out of new facilities, the construction of more towers?
A I think given the Virginia Cellular and the Joint Board recommendation if a carrier does not currently serve throughout the area, that that ought to be the first applications of funds until such time as they do.
Q But that's what you think. That's not what the requirements are today.
A That's what I read the intent of the Joint Board and the FCC as being.
Q And so 254(e), that requires universal service support

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to be received for the provision, maintenance, and upgrading of facilities and services for which it's intended, we can just sort of skip over all of that stuff and just deal with facilities?
A No. I think the purposes for which it's intended is to get urban grade service out to areas that wouldn't be but for the farm.
Q Is it your position that is the only permissible use of federal universal service support?
A I think to do otherwise would be to shortchange the public interest.
Q So the answer to my question is, yes, Mr. Ayotte that's my position?
A That's my opinion. I believe that's what you asked.
Q Thank you. And you would require a build-out to provide service throughout the entire study area?
A I think the Commission has, you know, a one-shot opportunity to define what it wants service to be. And I would think they would want to do that to get to the kind of consumers in South Dakota, get them -- they've been asking for it. That's what I'm hearing.
Q And if there are no consumers in an area of a study area or any portion of a study area, you'd still require a build-out in that area, wouldn't you?
A Well, if there's a highway and if we care about our

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families when they travel, yeah, maybe.
Q And if there's no request for service from a customer in a portion of a study area, you'd still want to see build-out to that area, wouldn't you?
A If there was a highway and people wanted highways to be covered with mobile service, I don't know who makes that request, but --
Q How about excluding the highway scenario? If there's a portion of a study area which is not along the highway where there are no people, you'd still want to see a plan of build-out to that area?
A If there's a public interest reason for it to be built, then it should. If there's not, then it shouldn't.
Q And would you agree with me that the public interest reason to do so would be to respond to reasonable requests for service in that area?
A I'm not sure in all cases, highways being an example, that someone raises their hand and says, please, sir, I want you to put it there.
Q But if somebody calls the service provider and registers a complaint about the signal quality coverage along the highway, then the company can be responsive to that, couldn't they?
A They could be.
Q Or if a customer filed a complaint with the

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South Dakota Public Utilities Commission with respect to any perceived inadequacies of service along the highway, the Commission could get involved in that, couldn't they?
A Or they could do it up front at the time of designation, say this is our expectation of how rural consumers in South Dakota should be served.
Q Now in your direct testimony you claim that Western Wireless will receive $6.9 million per year of federal high-cost support if it's designated an ETC as a result of this proceeding; right?
A Yes, sir. GHB 1, that's the product of multiplying the lines shown on the USAC reports by the monthly support on the USAC reports.
Q Mr. Brown, would you just take a look at Exhibit GHB 1.
A Yes, sir.
Q I think there's an error here that I'd like to give you an opportunity to correct.
A Okay.
Q Your first column you list the companies, the second column you list lines, and your source is USAC HCL1.
A Yes, sir.
Q HC01 doesn't report the number of lines reported by Western Wireless, does it?
A Actually now it's HC05, but when the USAC reports come

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out I merge HC05 and HC01.
Q That information is actually on HC18, isn't it? I'm just wondering if your second column shouldn't have the footnote to your source of footnote 1. Otherwise, you have --
A Oh, HC18. I stand corrected. That was an error. I apologize.
Q That just confused me. Okay. Now as long as we're on Exhibit GHB 1, that estimates the support amount for the seven rural LECs; right? That's in your third column?
A Yes, sir.
Q And the source of this information where USAC projections for second quarter 2004?
A That is correct.
Q Isn't it fair to say that that's simply an approximation of the amount of support?
A It's as good as the input date that that went in and I presume Western Wireless periodically updates its estimates to USAC and this is the most current publicly available.
Q But in order for you to accurately estimate the amount of Western Wireless's support, you'd need to know Western Wireless's actual line counts, wouldn't you?
A I'm assuming that that's what Western Wireless gives

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USAC. I can't see why they would do other than that.
Q Well, but those line counts that you're reflecting here that USAC has -- you don't know when those lines were reported, do you?
A I know when USAC published them. That's all I know. That's the best I can get publicly.
Q And you'd understand those lines would have been reported by -- those lines for the seven rural LECs would have been reported by Western Wireless as currently ineligible for support?
A And they appear that way in the reports with a big N in the eligible column.
Q And in your projection amounts here for the rural LECs you've not included any disaggregated support amounts in the Sully Buttes area, have you?
A No. I have done it based upon the study area average.
Q And I take it you'd agree with me that these projected support amounts, the 6.8, 6.9 million that you're forecasting here, that would change pretty dramatically if the FCC were to adopt the Joint Board's proposed primary line restriction, wouldn't it?
A It would.
Q So is it fair to say at this point we really can't be sure the amount of support that Western Wireless would receive if it were designated in this proceeding?

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A I think that's accurate. As I quantify or say here it's estimating.
Q Now in your surrebuttal testimony, Interveners' Exhibit 2, you claim that Western Wireless has received over $16 million in federal high-cost support since October 1 of 2001 through the second quarter of 2004.
A I could go in and look at the exact language, and perhaps you have it for me.
Q On page 3.
A That is what I pulled off of some USAC --
Q Projections.
A Yes. Can you direct me to the line? I see it.
Q On page 3 of Intervener Exhibit 2, line 1 through 4.
A Through the second quarter of 2004 USAC reports indicate Western Wireless will have received over 16 million in federal high-cost support, yes.
Q From October 1, 2001 through second quarter 2004; correct?
A Correct. Per the USAC reports.
Q And that was your source information; correct?
A Yes, sir.
Q It's not intended to reflect the actual amounts received by Western Wireless; right?
A It is what it says it is.
Q Which is?

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A From the USAC reports.
Q USAC projections from the various quarters from the first quarter 2002 to the second quarter of 2004. It's GHB 5. I'm not going to trick you.
A Yeah. GHB 5?
Q Yes. Excuse me. Let me correct that. USAC projections for each quarter from third quarter 2002 through the second quarter of 2004.
A Yes. Third quarter 2002 was the first time Western Wireless South Dakota showed up on the USAC or the --
Q Again those are the USAC projection numbers you're identifying to get to the 16 million, not a listing of the actual amounts received by Western Wireless.
A That's correct. That I did not know.
Q And you've reviewed Mr. Blundell's confidential exhibit, JHB 6 to his surrebuttal testimony, Western Wireless Exhibit 4?
A In quite a bit of detail, yes, sir.
Q And, again, I'm not looking for you to disclose any specific dollar amounts, but if you feel compelled to shout them out, please let us know.
But in your projections of the $16 million you didn't separate any amounts for the two separate study area codes that Western Wireless has in South Dakota, one for Pine Ridge and the other for the

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other areas in the state, did you?
A I believe I did, yes, sir.
Q You did separate them out?
A Yes.
Q So these projections reflect which?
A They would not reflect the Pine Ridge.
Q Okay. No Pine Ridge?
A No Pine Ridge.
Q But in your projection here you didn't consider that Western Wireless's designation in the rural LEC areas --
A Sir, could I correct myself?
Q Please.
A I think I misspoke --
Q You agree it is in the public interest? No.
A No. I apologize. The line counts did not include Pine Ridge and the Golden West. These support numbers do include Pine Ridge because starting third quarter 2002 it could only be Pine Ridge. So I apologize for that. We were shifting between -- we both have confessed to some numerical issues.
Q That's why you don't do math in public. And I thought they included Pine Ridge, and that's why I was surprised by your answer.
A Yeah. And I was wrong, and I apologize.

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Q Okay. But in your projection of the 16 million you did not consider that Western Wireless's designation in the rural LEC areas from Western Wireless one, the first Western Wireless proceeding, that was not effective until January 6 of 2003.
A Well, and I think that's what you see on the GHB 5. It ramps up from about 22,000 per month to almost 500,000 a month. And some of that is the initial designation coming online. The other is the going from only reporting the fixed wireless to reporting all of the wireless, including the fixed wireless and handhelds that I testified to.
Q Okay. So maybe the difference here, Mr. Brown, is the fact that your Exhibit GHB 5 uses USAC's projected amount, and Mr. Blundell's Exhibit JHB 6 uses actual amounts received.
A Right. And I've done some work to try to correlate the two.
Q Because there's a time lag between the reporting of lines and the actual receipt.
A Precisely, and I think there's about a one quarter time lag is the best I can find.
Q And in looking at Mr. Blundell's Exhibit JHB 6, in reality you would agree that Western Wireless actually received no support amounts in the third quarter of

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2002, fourth quarter 2002, or first quarter 2003 contrary to the USAC projections on your exhibit?
A I know that's what his exhibit says. I cannot independently corroborate that they did not perhaps a quarter later. I'm seeing in here about a one quarter time lag, and I think there's maybe one quarter in between and the amount of support is fairly low.
Q You can't corroborate. You can't dispute it, though?
A I got the best publicly available data. Obviously Mr. Blundell has access to numerical research that I don't.
Q But, for example, in the second quarter of 2003, again without disclosing actual receipts and assuming the accuracy of Mr. Blundell's exhibit, you'd agree with me it's nowhere near the 2.3 million that's projected on your report?
A No. But in the third quarter of 2003 he's projecting 3.8 million, which is significantly more than I projected. I think there was some ramping up there, and USAC sometimes does shifting between quarters. So each is accurate for what it represents.
Q Fair enough.
A That's the best I can say.
Q Fair enough.
A One is as USAC reports it. The other is as it's paid.

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There are timing differences and I, as I said, devoted quite a bit of time to try to understand the differences and I think we're similar with maybe a one quarter time lag.
Q But you would agree that your claim of over $16 million of projected universal service support since October 1 of 2001 is a significant overstatement of the actual amounts received by Western Wireless.
A Well, not exactly. Because it is accurate for what I said. The USAC reports show through the second quarter. If you look at the year 2003 and you adjust for the timing differences, he's actually showing more supported. And that's why I used in my summary over 10 million -- as of today Western Wireless has received over 10 million from the fund.
Q Again, in each report looks at something different. Yours looks at projected amounts based on USAC reports?
A Yes.
Q And Mr. Blundell's Exhibit JHB 6 shows actual amounts received.
A Absolutely.
Q Okay. And all I'm saying is looking at those two different reports, because they're looking at two different things, your projected amount of $16 million is a significant overstatement as compared to the

figures on Mr. Blundell's report in total.
(Confidential proceedings)

Q Now in your direct testimony, Mr. Brown, you discuss certain standards for ETC designation based on the Joint Board's Recommended Decision; right?
A Yes.
Q And you identified six factors as "minimum qualifications" for ETC status, don't you?
A Yes, sir.
Q Those would be adequate financial resources? Page 8.
A Thank you. Yes, sir.
Q You identify adequate financial resources?
A Yes.
Q Commitment to provide the supported services?
A Yes.
Q Build-out plans for areas not yet built?
A Yes.
Q The ability to remain functional in the event of emergencies?
A Yes.
Q Consumer protection requirements?
A Yes.
Q And an amount of local usage.
A Yes.
Q Now following your direct testimony the SDTA sent supplemental Interrogatories to Western Wireless askir them questions on each of those six factors, didn't

they?
A Yes, we did.
Q And Western Wireless provided responses to that supplemental discovery on March 31 of 2002, which is Western Wireless Confidential Exhibit No. 8.
A I don't have Exhibit 8 in front of me.
Q I left it right out in front of you there.
A Oh, that was kind of you. Thank you.
Q Anything to help.
MR. COIT: For the record, that's the document that doesn't include the attachmen correct?
MR. AYOTTE: That's correct.
Q And, Mr. Brown, had you reviewed Western Wireless's responses to the supplemental Interrogatories before you prepared your surrebuttal testimony on April 16 2004?
A I had read through them, and if they came in before -- you said they came in March --
Q 31 of 2002.
A 2002?
Q Excuse me.
A I'll watch the numbers.
Q March 31 of 2004.
A Yes. I would have seen them.

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Q You would have seen them before you prepared your surrebuttal testimony?
A I would have, yes.
Q And I take it you don't have any basis to dispute the accuracy of Western Wireless's responses in confidential exhibit Western Wireless Exhibit 8 because you don't discuss it in your surrebuttal testimony.
A Well, it's not my burden to make, Mr. Ayotte.
Q I understand.
A Of proof. And it's been awhile since I've read this. If you like, I could read through it, but, no, I didn't discuss it in my testimony.
Q Your surrebuttal testimony?
A My surrebuttal testimony.
Q And as you sit here today you don't have any basis to dispute the accuracy of Western Wireless's responses in Western Wireless Exhibit 8, do you?
A I'd have to read through them to answer that question, sir.

MS. AILTS WIEST: Mr. Ayotte, I think our court reporter needs a break.

MR. AYOTTE: Okay.

(A short recess is taken)

MS. AILTS WIEST: Go ahead, Mr. Ayotte.

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MR. AYOTTE: Thank you.

Q Mr. Brown, I appreciate your patience and cooperation and responsiveness. I'll try to wrap things up. Before the break I had asked you about your direct testimony where you identified six factors that were set forth in the Joint Board's Recommended Decision as minimum qualifications for ETC status.

Do you recall that?

A Yes.
Q Now isn't it true that Mr. Blundell also addressed each of those Joint Board recommended factors in his rebuttal testimony, Western Wireless Exhibit 3 in response to your direct testimony?
A I do believe he has testimony giving his opinion of each of those, yes, sir.
Q And I didn't see anything in your surrebuttal testimony, Intervener Exhibit 2, that contained any further discussion of the Joint Board's six factors that were identified in your direct testimony.

Did I miss anything, or is it just not in your surrebuttal?

A Well, I'd have to look quickly, but I picked up on several areas that I thought needed to be surrebutted and --
Q But I didn't see anything in your surrebuttal that was

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responding to Mr. Blundell's rebuttal testimony on the six Joint Board factors, recommended factors.
A Well, I do think I noted that there's no formal build-out plan. And I have commented on my belief that I don't think they serve throughout the service area.
Q But that wasn't in response to Mr. Blundell in his rebuttal testimony on those six factors, that was just a reiteration of what you said in direct.
A Well, in that case my direct testimony stands as my opinion.
Q Thank you. Mr. Brown, let me draw your attention to Intervener Exhibit 18, this new map.
A Yes, sir.
Q And if you could compare that -- or at least have available to you your Exhibit GHB 3 that was part of your direct testimony?
A Yes, sir.
Q Now just so that I understand it, Exhibit GHB 3 was the rule of thumb proximity analysis based upon towers --
A 3 or 4, sir?
Q The map.
A The map. Okay.
Q The towers that you're showing on Exhibit GHB 3 were towers that you identified from the FCC's ULS database for Western Wireless?

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A The towers on the 3 are from ULS, that is correct.
Q And with respect to confidential Exhibit No. 18, that purports to show the 111 actual Western Wireless towers that you geocoded and ginned up last night; correct? That's a technical term, ginned.

MR. CREMER: I was reaching for my button.

A I assure you there was no gin last night.
Q There will be tonight.
A Perhaps.
Q Too casual. Intervener Exhibit 18 purports to show a map with the 111 actual Western Wireless towers.
A Yes. And I did not produce the data in here last night. I produced this data when I satisfied myself that the ULS towers were a reasonable representation. I also -- any towers that are on 18 that were not on GHB 3 I included in the proximity analysis that was in my direct testimony.
Q Right. But my question -- and, of course, because you just presented this today, I've only had a few moments to look at it. As I look at Exhibit GHB 3, there are towers noted on Exhibit GHB 3 which are not noted on exhibit Intervener Exhibit 18.
A There are several particularly up in the northwest corner of the state.

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Q Up in the northwest corner and along the eastern border.
A The reason the eastern border wouldn't be there is the towers that were provided in response to the data requests were only those that are physically located in South Dakota.
Q Which is what you are purporting to show on Exhibit GHB 3 based on the ULS database?
A Well, the ULS database I have one file that's Western Wireless for the whole US of A and I zoom down to South Dakota and you will pick up some of the peripheral ones in that. The 18 that we just did, I took your data.
Q Right.
A You only gave me your geocodes for those that were in the State of South Dakota.
Q But why wouldn't towers that show up in the FCC's ULS database not show up on Intervener Exhibit 18?
A Because that was built off of data that you gave to me.
Q I see.
A They are not on there because you did not give me those tower geocode locations.
Q I see. And so Intervener Exhibit 18 is really not reflective of all of Western Wireless's towers in South Dakota, only reflective of the 111 that we gave

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to you?
A Right. Had you given me the others, I certainly would have put them in, but you didn't so I couldn't.
Q But you knew based on your prior review of the ULS database there were other towers?
A Oh, yes.
Q But you did not include those on Exhibit 18?

MR. CREMER: Excuse me. I have an objection. I believe you're misstating the record. You have testified and Mr. Blundell testified there's only 111 sites, and he did, in fact, geocode 111 sites in 18.

MR. AYOTTE: He made that clear. Thank you.

MR. CREMER: If he didn't, I tried to.

MR. AYOTTE: Well, it's crystal.

Q But my question, Mr. Brown, is that with respect to Intervener Exhibit 18 you are aware of other Western Wireless towers based on your review of the ULS database which are not reflected on Intervener Exhibit 18; right?
A Let me try one more time.
Q Right. That's the question.
A Of course, I'm aware of the towers.

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Q Thank you.
A You did not give them to me, and they were not in Mr. Blundell's 111.
Q Understood. Thank you.
A Okay.
Q Now, Mr. Brown, the SDTA, it's not opposed for the designation of additional ETCs, is it generally?
A I can only speak for myself, and I'm not opposed if the designation serves the public interest.
Q But you're testifying here today on behalf of the SDTA and the member companies.
A And my analysis is that this designation with the record that we have before us now does not support the finding that it's in the public interest. You have not met your proof burden.
Q Does SDTA support the principles of competition underlying the Telecommunications Act of 1996?
A I can speak for SDTA in my responsibility for this job they've hired me for. I cannot speak for them as a policy matter.
Q You don't know?
A I just -- they've hired me to help them with this, and, you know, that's what I'm here to talk about, but I cannot as a policy beyond this proceeding tell you what SDTA's position would be. It's beyond my scope.

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Q For the purposes of this proceeding does the SDTA agree that competition is in the public interest?
A Well, there already is competition. We had that discussion before. We just don't think that money ought to go to someone -- that scarce universal support dollars ought to go to someone who does not demonstrate the capability, commitment, and build-out plan to serve throughout the area.
Q Does the SDTA agree that competition is in the public interest?
A Again, beyond this particular proceeding, it is not my job to speak for SDTA.
Q Well, the whole purpose of your testimony here was to provide testimony to the Commission on the public interest factor on behalf of SDTA.
A This particular ETC designation and this designation based upon my analysis of the facts and data in this case.
Q For the purposes of addressing the public interest determination that the Commission needs to make?
A Now I've testified before there's competition throughout rural South Dakota today. And to the best of my knowledge SDTA has never, you know, opposed that. And many of the SDTA members do have, you know, competitive ventures and it's a wonderful industry to

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be in. So I don't see how they could be against competition.

MR. AYOTTE: Thank you. Nothing further.

MS. AILTS WIEST: Mr. Smith, do you have any questions?

MR. SMITH: I do.

CROSS-EXAMINATION

BY MR. SMITH:

Q Mr. Brown, do you have before you Western Wireless's Confidential Exhibit 7, I think it is, which is the packet of three maps?

A I may.

MR. COIT: I'll get them here.

A I have them, Mr. Smith.

Q And then I'd like you to pull up your exhibit -- I guess it's GHB 2, which is your map, one of the maps or GHB 3 maybe. Either one.

A Okay.

Q Would each of the sites that are shown on your GHB 2 be expected to result in either green or blue on Western Wireless Confidential 7?

A I will answer in general, yes, although since the Exhibit 18 was actually built from Western Wireless's data, it would probably be more accurate to say that

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those two would be the best correlation.

MS. AILTS WIEST: Mr. Smith, does this need to be considered confidential by our court reporter?

MR. SMITH: I'm not showing anyone -- I'm not going to put it up there unless the Commission wants me to go up on the easel.

MS. AILTS WIEST: I was just checking.

MR. SMITH: Otherwise, no, I don't think anything I'm going to ask will deal with the confidential information.

Q I think the question I really want to ask you then is is it possible that the way in which Mr. Ayotte asked you the question was did you leave off sites that you know to be Western Wireless sites when you prepared Exhibit Confidential 18.

And I guess I might rephrase that. Isn't it a fact that Western Wireless's own exhibit, Confidential Western Wireless 7, also appears at least to contain no propagation information which would indicate the existence of towers at those locations based upon your comparison of those two in the northwest corner of the state?

A I don't know if I have enough information, Mr. Smith,

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to answer that question.

Q Well, let me show you the big white spot where you see the intersection of the red line in the northwest corner of the state, the red line, north-south line.

A Yes.

Q With the North Dakota border.

A Yes.

Q And on your TC3 in what appears to be just to the west of that line, that line appears to correspond roughly with the line that's on your map. There are two cell tower locations. And is that area not quite on exhibit Confidential WW7, Western Wireless 7?

A It is not on Western Wireless 7, and it also is not on Confidential 18, which presumably -- my explanation for that would be that perhaps at one point these towers were planned and somehow got into the FCC database but never got built.

Q So rather than your Confidential 18 excluding towers that Western Wireless has from that, would you conclude that, in fact, GHB 2 and 3 perhaps included some towers that don't, in fact, exist?

A That would be possible for the reason I just gave.

Q Thank you. Do you recall Mr. Ayotte asking you about Mr. Blundell's testimony that Western Wireless is presently serving at least 85 percent of the customer

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locations in the service areas? Do you remember him asking you about that?

A I remember him asking me about that, yes, sir.

Q And if I recall right, you testified that that's what Mr. Blundell testified?

A Actually I've heard a couple of things. And I'm not sure whether the 85 percent is the current towers or if it's the current plus the 2004 plus the -- that was unclear, but his representation is that they currently -- he selected the exchanges. I recall that part of his testimony, he selected them based upon the 85 percent standard.

Q Okay. And that was based upon your recollection of what he testified to both yesterday and in his written testimony?

A Yes.

Q Okay. And if the record were to show that that's not what Mr. Blundell testified to yesterday, would your recollection of what he testified to be adjusted accordingly? In other words, would your testimony concerning his 85 percent testimony reflect what he actually said if that's what the record so shows? You're not testifying that 85 percent of the population areas are currently covered.

A Oh, and quite to the contrary. In my testimony and in

my exhibits I provide data that I think shows that 85 percent is not current. It was his testimony I think has to speak for itself.

Q And what he testified to is what he testified to?

A Yes, sir.

Q Okay. Thank you. When we look at GHB 8 and Confidential 18, I think we had considerable discussion about that.

When you prepared this exhibit you used a -- was that using a computer program?

A Yes, sir.

Q And does that computer program produce absolutely precisely accurate results, or does it produce estimations of what reality might be?

A It's estimations. And as I have learned the art of propagation, creation, that people that have coached me along the way have said it is an art. Mr. Ayotte and I had a discussion that you run it and then you go out and drive test it and then you tweak it and you adjust it.

It is only that. It's an approximation. There are, you know, many variables that go into it and some of it, you know, is just -- people have tried to capture in mathematical equations how radio waves are going to behave but they're imperfect in how they do

that so it's an approximation.

Q And it's based on the assumptions you've used here about 75 dBm and 100 dBm being appropriate standards to use for two types of equipment at a five bar level; is that right?

A Yes. My 75 is an approximation of what I think would be reasonable urban service. I did testify, you know, there's no set standard for that, but I thought that was a reasonable approximation.

Q And when we look at GHB 8 and Confidential 18, although I think you testified that there may be some disparities in the tower locations there because of perhaps a different data set being used to locate those tower locations, are those locations correct or similar in all material respects?

A The tower locations in GHB 8 with the towers in GHB 18?

Q Correct.

A They are similar in almost all respects. Are they identical? No.

Q Given the fact that GHB 8 is, at any rate, a computer generated approximation, in your opinion does GHB 8 reflect a materially accurate presentation, given your assumptions of 75 and 1 dBm?

A Yes.

Q Thank you.

MR. SMITH: Thank you. That's all I have.

MS. AILTS WIEST: Commissioners.

COMMISSIONER BURG: I have just two quick ones. Your testimony is for public interest; is that correct?

THE WITNESS: Is for?

COMMISSIONER BURG: Basically for determining public interest.

THE WITNESS: Primarily, yes.

COMMISSIONER BURG: And when I think of what public is -- I don't think the people that I'm aware of in South Dakota care as much about having competition, but they do want wireless. They want wireless service, period, whether it's the second one or first one or third or tenth one.

How would you assure wireless service in the rural areas of South Dakota without ETC approval to a competitive carrier? That's the one I continually struggle with.

THE WITNESS: Okay. And I think you're right. And I think I had this in my direct testimony that to many consumers they're complimentary services, they're not substantive. Each of them are valuable for different reasons.

And, you know, I can understand the desire of rural South Dakota consumers to have wireless service.

I think, first of all, the Commission has to decide -- particularly if you're dealing, as I believe you are now going forward, with a fixed amount of support, how do you assure that everybody at least has basic communications? Okay. I think that's job number one.

Then to the extent that there are areas where it might make sense in your estimation to use public money to drive that infrastructure into areas it wouldn't go absent the support, then I think you use the tools that the Joint Board and the Virginia Cellular Decision have given you of making upfront commitments in return for this, we're expecting that you are going to deliver this amount of service in these areas.

I think that's the best way to assure that you get what I think you're asking for. I think to grant an ETC designation without some commitment as to what you're going to get for your consumer's money, I think there, you know, you don't know what you're going to get. So I think part of the message the Joint Board and the FCC are sending is, you know, make sure up front it's understood how

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people are going to use the money and then track them to that.

COMMISSIONER BURG: How big a part of our decision should be based on creating competition?

THE WITNESS: I think competition already exists, Commissioner Burg, throughout South Dakota. The fact that Western Wireless has the customers they do indicate that. And there are people who live in areas and I've lived for times -- or at homes where I couldn't use my cell phone, but it was valuable to me because when I was on the road or traveling on business it's valuable.

It's one of those things that to drive it, you know, all the way so everybody's got -- that's expensive. And that's a judgment, I think, a call you guys have to make.

COMMISSIONER BURG: Could you ever imagine if we went to a ETC high-cost support for only one provider that the FCC or Joint Board would recommend that that had to make wireless service -- include wireless service?

THE WITNESS: I'm not sure I understand your question. One competitive ETC or only one ETC?

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COMMISSIONER BURG: If you were only going to get high-cost support for one service, could you ever imagine that would have to include wireless? Do you think that people see that as essential to get equal service to urban enough that that would be a requirement as part of the --

THE WITNESS: That they would be the one and only ETC?

COMMISSIONER BURG: Well, I mean, if they're only going to give high-cost support to one which I think you testified was a possibility at least if not a likelihood.

THE WITNESS: You mean on a customer by customer basis, right. I'm sorry.

COMMISSIONER BURG: If you said we get to a point that only one high-cost support so going per customer.

THE WITNESS: I'm with you now.

COMMISSIONER BURG: Could you see the time in order to get high-cost support you had to offer wireless as well as fixed, or whatever the customer requests?

THE WITNESS: Well, obviously when you go to a primary line customer concept it's the customer that chooses which carrier it's --

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COMMISSIONER BURG: I'm saying could you see a time when they would require both?

THE WITNESS: Well, that choice under a primary line concept, the customer chooses who's going to get their high-cost dollars. The problem is the Joint Board has indicated that in a very high-cost area if each of the -- and particularly if the Joint Board recommended you freeze support at the level the incumbent's currently getting, you've got a fund that's perfectly sized for one wireline company.

Now if you say -- and that's 30, 40, 25, $30 per line, per month, and now you say we're going to have two and a primary line is implemented. And I don't know whether they're going to implement it.

COMMISSIONER BURG: Well, I'm not sure you're still seeing it quite perfectly. Because we're also in an argument right now when you -- whether a current ETC should only get service for one or service for more than one line, the broadband issue.

So what my question is, I'm not saying two providers. I'm saying that in order to get costs as a single provider, high-cost fund, could you see a time when it was required as part of that

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provider's responsibility to get mobile service along with fixed service?

THE WITNESS: Are you saying that a current provider of wireline service would get a license to spectrum to be able to also offer a mobile?

COMMISSIONER BURG: If that's what it took. Because I'm coming from my original premise. I'm not aware of that many people that in the high-cost rural areas that are determined that we have competitive service. They're determined that we have good fixed line service and they have been up until now and they're determined to get the same kind of wireless service that urban people get. Whether there's competition or not I think is totally secondary.

THE WITNESS: Okay.

COMMISSIONER BURG: So I'm trying to see how do we get to that for our consumers in South Dakota, how do we get the service that's equal to urban areas, both fixed and mobile?

THE WITNESS: You spend your universal service dollars wisely. In some parts of the state or in some study areas where the costs are particularly high you might not be able to

achieve both for all customers. You just might not. If money was not an issue, if there was an unlimited amount of funding, then that could be done.

I think what we're seeing, though, is because of push-back for some of the people that actually had to pay into the fund we've got to find the balance. And I don't envy your job of finding the balance. It's a difficult process.

COMMISSIONER BURG: The other question I have again refers to GHB 8, and you just had quite a fairly detailed discussion with Mr. Smith about how you arrived, whether it was approximations or whatever. Even if you drove it completely and determined exactly where they're at, it would still be an estimate because it's mobile. Is that an accurate statement?

THE WITNESS: Yes. And there are many variables that affect how an electrical signal travels.

COMMISSIONER BURG: Because the thing I'm also confused about is it appears to me high-cost funds support is based on a fixed location of where that bill goes as to whether you get it or not. And yet that's secondary to how I

may want to use it.

THE WITNESS: Correct.

COMMISSIONER BURG: Because I heard Mr. Ayotte talk about if there's nobody out here, should we still have to offer service? Well, if I owned a 10,000 acre ranch and I'm cowboying my cattle, I wouldn't mind having a signal -- if you go to the ultimate extreme, I wouldn't mind having a signal when I'm out there in that remote ranch tending my cattle.

And so, you know, it gets really fuzzy as to what the total service means, there's no doubt about it. And we see advertisements showing the guy riding his horse and whips out his cell phone and gets immediate signal. Now I don't know a lot of places that couldn't happen in South Dakota, but that's part of the advertisements of the offering of the service. That's all I have.

MS. AILTS WIEST: Any other questions, Commissioners?

CHAIRMAN SAHR: Mr. Brown, I want to thank you for appearing today and the prefiled testimony, all of the work you put into this matter. And I do have a question, and it really doesn't matter which map we're looking at.

This may be proprietary, I don't think it is -- maybe we could ask our guest to step out, please.

CHAIRMAN SAHR: This is such a quick question. The density map is up in the northwest corner. There are some towers or at least one tower that I know of in that area.

Are you covering up any towers up there? I think that might have been asked earlier.

THE WITNESS: You're talking about the legend that gives the density coding? The reason I put that up there was because none of the companies that are the subject of this hearing happen to operate up there.

CHAIRMAN SAHR: Okay.

THE WITNESS: There could be something under there.

CHAIRMAN SAHR: I think in Harding County there is a tower up there, and I believe it's what they refer to as a super site or one of their larger towers so you're not saying by -- you're not saying there isn't a tower up there because we can't see it. Is it covered up by the --

THE WITNESS: Perhaps, Commissioner,

this is the tower here on 8 which does not have that same legend because I didn't overlay it on the density coding.

CHAIRMAN SAHR: Thank you. You can go ahead and open up the door.

MR. AYOTTE: We have no objection to that portion of the transcript being made public. Particularly if it's a super tower, I'm guessing it's obvious.

CHAIRMAN SAHR: I think the discussion certainly from a personal informational standpoint about the towers and the competing maps and so on and so forth to me has been very interesting, and it's something that I've had a keen interest in trying to learn about more how these systems work and where towers are and evaluate how we are doing at serving consumers.

And certainly Mr. Wegman in our office has gone to some publicly available sites and pulled tower locations and done some mapping as well. So I definitely have a lot of interest in this.

But I am wondering especially after hearing this for a couple of days, and I'm not particularly pointing to your testimony at all, but here's a question I had, and I suppose I could have asked it

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to Mr. Blundell or the other witness for Western Wireless, but if we are looking at ETC designation, to a certain extent wouldn't the provider be better off coming in saying, well, we don't have that good of network out here, we don't have that many hours but if you give us ETC designation, we'll go out there and put it up and we need the help here and to a certain extent especially since the guidance that we get from the federal level appears to make it pretty clear you have to be careful about prospectively saying you can't have designation because you don't currently have towers up, I mean, we've talked a lot about competing maps.

But I guess my question is at what point -- you know, what weight should we give to it? It's interesting from -- maybe they feel like they're showing commitment, maybe you feel like they're showing lack of commitment, but at the same time when we're looking at this from the legal federal standard that someone who gets ETC designation gets a chance to go out there and prove it by putting up towers or by serving customers, I mean, what weight do you think we should give the coverage maps whether they're yours or theirs?

THE WITNESS: I think you should do

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a couple of things. One, use the coverage maps to identify where service is needed. And you probably get calls and visits from consumers saying we need it here, here, here. Then I would look at the coverage the carrier currently provides and the signal quality of that coverage, and I'd say, okay, where are my gaps. And then before the ETC designation, and it's critical it be before, you have them commit to a plan that meets your satisfaction of what best serves the public interest of rural South Dakota consumers, and you strike a bargain.

And as long as they keep their part of the bargain, you know, they get their funding. If they don't keep their part of the bargain, then the funding goes away. That's the clearest way, I think, for you to be sure you get what you want for South Dakota consumers.

CHAIRMAN SAHR: And I completely agree with every single one of those statements with maybe some very minor caveats, but I think that that is all true but when it comes to the issue of designation, and I'm just talking about designation because you're getting at what I think I was getting at earlier today and yesterday and

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looking at certification and seeing how well they're actually doing if they get designation, but when it comes down to the particular question of designation, and forget certification, forget the other consumer things that obviously all three Commissioners keep in mind, forget, you know, having that barometer in place, then is it I shouldn't say relevant but again, what weight, taking out these certification type factors and setting aside the consumer stuff, which does come into public interest, I realize, but what weight whether or not they have a tower in a particular area or not should we give that? Because you're not supposed to base a designation on whether or not they currently have towers.

THE WITNESS: Right. The weight I would give, Chairman Sahr, is what commitment have they made to you in the form of a build-out plan. Because if it's not set up up front what the deal is, how do you know what to measure each year at the certification? You have to have some yardstick.

And I think the tool that the Joint Board and the FCC have given you is that it's okay to designate somebody who doesn't serve the whole

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area. But what they've got to do as a quid pro quo for that designation is to say here's how we are and serve it in a reasonable period of time.

And it doesn't define that period of time. I think it gives you some latitude there. But unless you up front agree what it is and how you're going to measure it, how do you know as you reach each anniversary whether they're doing what you expected them to do? I think it's -- you need to know what the expectations are so you can know what to do. And without that -- if you don't have that clear up front, then when you wind up a year or two down the road you might not be where you thought you'd be.

But getting that squared up up front, I think, is essential to create I think what you're trying to do.

CHAIRMAN SAHR: And I appreciate your input, and I think I can see where you're coming from on that. Do you have a copy of the Joint Board Decision that we're referring to? It's the February 27, 2004 Decision.

THE WITNESS: That is the one I don't have with me. I have the two FCC Decisions, and I was hunting before I came up for my -- I've got it and it's well worn, but if someone could

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lend me one.
CHAIRMAN SAHR: You might be able to answer this off the top of your head if you're familiar with the paragraphs or what they said. On page 9, paragraph 20 it states after the introductory clause to the first sentence, "The Commission has determined that this does not require a competitive carrier to actually provide the supported services throughout the designated service area before designation as an ETC."
And certainly the next sentence is instructive and the last sentence of that paragraph and pretty much everything in between. Is that what we're talking about right now, the question of prospective and prerequisite versus what may happen in the future?
THE WITNESS: Well, here's how I see what changed. The South Dakota declaratory ruling said you couldn't say you had to serve everybody before you to get ETC status. They concluded that would not be a barrier to entry, but they probably went too far in the other direction and said you have to show capability and commitment. Okay. That was the standard.
I think what the Joint Board and FCC did was

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toughen up that standard. Okay, you have to have capability, you have to have commitment, and you have to have a plan. You have to have a measurable plan. And it's like running any business. When you give someone a job to do you set expectations to do and I'm going to measure you to these expectations.
And we're talking about a lot of money here. We're talking in this case 20 million a year or higher. And, you know, that could do a lot of good for South Dakota consumers if you set in place, boom, boom, boom, boom. But if there's not a clear commitment up front, who knows what's going to happen. You know, my testimony there's already been $10 million spent somewhere, but it's not showing up in rural South Dakota.
CHAIRMAN SAHR: Well, and -- I'm sure someone might disagree with that. But I will -- and we did certify that it was being spent in South Dakota so I hope we were correct when we said that.
THE WITNESS: Well, I said rural South Dakota. In other words, I didn't see any new towers come in in areas where I know that customers were asking for, you know, good cellular coverage.

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CHAIRMAN SAHR: Well, I think that's always a very good question, but I think if you look at the discussion of what the money has to be spent upon, it is not just new towers. And certainly I don't want to argue those semantics. You know the law.
THE WITNESS: I understand that, sir.
CHAIRMAN SAHR: I was just thinking of a question. Give me just a second here. This might be a bit of a softball Mr. Blundell wishes he would have gotten yesterday, but I'm interested in getting your input on this. You know, you talk about the plan and focus primarily on commitment to build-outs.
We are in a particular time frame where we have Decisions that are very recent, and we're not in a situation where there is a lot of guidance on what may be expected out of the FCC Decision or out of the Joint Board's recommendations. And is there anything other than saying we should have a plan in place that you would look to as far as beyond this build-out plan and those type of commitments, is there anything else you would look to as something this Commission, meaning this Commission, should

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use its guidance to figure out where this -- how this gray area's going to shake out?
THE WITNESS: I think there's one other thing you've got to keep in focus, and that is every consumer everywhere in South Dakota ought to have, you know, at least one connection to the network.
The risk that I see, and it's what makes your job so difficult, is if indeed you are dealing with a constraint problem, there's not enough money to support everybody so you have to make the best decision you can, the best judgment for South Dakota consumers. If an area is so high-cost that it can't support two -- and here's what I mean by that.
If you take the amount of money you've got going into an area and it gets split between two carriers -- and there was some discussion earlier about, you know, there's a lot of fixed costs on a network. If you dilute the support so nobody can serve the whole area anymore, then I think that creates a serious public interest problem, probably for the most rural of the consumers, the ones that live way at the end of the road.
You know what I mean. That's what universal

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service is about. And those are also the customers who probably also are clamoring for the wireless as well. And so you've got a judgment to make. In what areas does it make sense to have both a wireline or a -- or one or two or however you want to look at it.

And where it does and where you're going to take some of that budget of support you've got and put it there, make sure you get the best bang for the buck.

CHAIRMAN SAHR: Just to cut it off at zero wireless carriers being designated ETC versus 8? I mean, I can see if we're here with Sprint, Nextel, Verizon coming on down the line. Doesn't at that point your dilution argument perhaps get stronger if you can show as a pattern that is what is, in fact, going on across the country?

THE WITNESS: Yeah. And what you just mentioned brings up another thing. If economically you can only support one wireline and one wireless, who should be the wireless, who should be the wireline?

But looking on the wireless side in this case is a good example. You've already got another

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carrier, RCC, that has applied for ETC status. What are they willing to commit to? What's their proposition in return for funding? Verizon?

Clearly we know, and this is the signal that came out, that the fund will not grow indefinitely so it becomes how do you find that balance point. And it's not an easy process. I don't envy the job you have.

CHAIRMAN SAHR: If our consumers want this technology, which I think clearly they do, if we follow your -- and I'll paraphrase and it's probably very unfair to do this but if we draw the line in the sand here, aren't we just hurting our people?

I mean, we've heard testimony 17 new towers could be at jeopardy and don't we have to consider the direct effect on South Dakota consumers and balance that against while certainly ominous and perhaps even looming effect that the fund may have if things do, in fact, get out of hand, but also realizing that may or may not happen, don't we have to balance those two considerations?

THE WITNESS: Well, if I were looking at spending $20 million and 17 towers was all I was going to get for it, I'm not sure I would

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call that a good value proposition.

The other thing you have to keep in mind, and it's getting a lot of play lately, is broadband service. And Commissioner Adelstein had a comment in one of his recent speeches where he said, you know, regulators may be forced to make a choice that Congress never envisioned and that's do we drive wireless service out farther or do we drive broadband service out farther.

COMMISSIONER BURG: Or we can do both in the same system.

THE WITNESS: Maybe you can do both, but there might be some areas in the most rural and highest cost parts of South Dakota where you've got a tough call to make.

CHAIRMAN SAHR: Who should choose the technology, the Commission or the federal Commission or the State Commission, or should the consumers choose the technology that they want?

THE WITNESS: I think ultimately consumers choose the technology they want. That's what a competitive market's about. And we do have multiple technologies working in South Dakota. You've got landline telephone. You've got I presume some cable companies that are getting in.

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VOIP if it's not here is probably just over the horizon. Wireless as we know it, WIFY, WIMAX. I mean, this is a very exciting time, and it's a scary time too.

CHAIRMAN SAHR: Would it surprise you if I would echo -- I should rephrase that. Strike that.

I'll echo Commissioner Burg's comment about -- and my apologies if I misstate your comment, but the individual consumer, I think would like to have -- and I think in most parts of the state they already have this -- topnotch wireline service plus topnotch wireless service.

THE WITNESS: Right.

CHAIRMAN SAHR: If we can do that and if ETC designation can help us do that, why should we not pursue that type of public policy?

THE WITNESS: You know, you can do it in the areas where the people are clustered together. That's where the cost is low for both technologies. The farther out you go -- and the same, you know, geometric growth in cost occurs in growth technologies.

At some point if you are indeed constrained in terms of the amount of money you have to support,

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you're going to have to make a choice. You might not be able to have everything to everybody.

I think the thing you need to keep in mind, though, is everybody has to have at least one provider that can get to everybody, or else I think if people start falling off the network, then that's going to be a real problem.

CHAIRMAN SAHR: And then looking at the Virginia Cellular case, do you have a copy of that?

THE WITNESS: I do.

CHAIRMAN SAHR: Again, you may not even need to reference it. I'm going to ask you about a phrase from that case that you're probably intimately familiar with.

Paragraph 4, paragraph 28 and probably in other spots of the opinion they talk about the ETC's ability to provide the supported services throughout the designated service area within a reasonable time frame.

THE WITNESS: Right.

CHAIRMAN SAHR: And I was trying to follow kind of the semantics when you were discussing this with Western Wireless's counsel, but you were kind of making the -- we were getting

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into some semantics about prospective designation or what's going to happen prospectively.

How do you think a Commission should interpret that within a reasonable time frame? Because clearly if the law of the land is going to be -- whether we agree or disagree, is going to be you can't say, no, you can't have service simply because you don't serve it now, then it certainly pushes or certainly ups the anti on, well, when is a reasonable expectation for a provider to be out there and offering a product that meets the expectations of universal service.

And I'll give the opportunity for you to comment on that phrase and how you think it should work and to not -- if you can fit it into the designation part of this, great. If not, I'm certainly interested in terms of the certification process.

THE WITNESS: Well, I think the reasonable time frame is something that ought to be decided at the designation point because, as I said before, how do you know what to measure annually at the certification? How long -- I think that's going to depend on a lot of factors, how much area is not served, what is it going to cost, what

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amount of support is available.

I think one of the problems we have as, you know, an industry and the public policy community is we're currently stuck that somebody either gets exactly what the wireline gets or they don't get anything. And, you know, maybe we'll get to a point where as somebody builds out, they get support for what they have built.

That was how the wireline industry built its network. It didn't get the support up front. As it invested -- in other words, as it demonstrated commitment by building the plan, after it was built then the support came. And part of our dilemma here is the rules we're dealing with, and these are federal rules that you probably can have some input as the FCC thinks its way through them.

But, you know, the fact that somebody who might only be serving the downtown area and says, you know, I really want to serve out in this area on day one they get support if that's what they do. And if they don't do anything more, then they've got more than they need. So I would say it's a budgeting problem, probably not unlike a lot of budgeting problems that the South Dakota government faces.

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We've got a lot of things that people want us to do. We've got a finite amount of money to do it with. And you find the best balance. If doing it in a year would be too much, maybe two or three and then maybe if you get to four and five, well, that's too long and it's a question of priorities and not unlike I think a lot of just tough decisions that government officials have to make.

CHAIRMAN SAHR: Then I asked Mr. Wood this question, and I'll ask it of you. What factors do you think we should consider in the certification process?

THE WITNESS: Whether they've met the commitment that they made at the get-go.

CHAIRMAN SAHR: But isn't it based on whether or not they're meeting --

THE WITNESS: Okay.

CHAIRMAN SAHR: Give me some slack if I don't state the right term of art, but isn't it based on reasonable request for service? I mean, if they're getting all the requests from a certain town and it's not within the build-out area they're promised, shouldn't they just blindly go down the road and say we're going to stick to our plan because the Commission has said we have to, or

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should they be able to shift and adjust to those sort of demands?

Some days you're in Ipswich, South Dakota and your cell phone works, and some days it doesn't. And especially in a dynamic industry where enhancements are made, adjustments are made. We worked on one of these sites you'll see they're proposing to put up a tower in Arlington, South Dakota. There's three sites right around there, and our office worked for many weeks trying to work with Western Wireless and Verizon to see if they could change the tower dynamics and pick up that area.

So I guess the question is we're putting in these plans, and do we not need a little bit of flexibility and do we not need to analyze the real question, are you serving the customers in a way that's appropriate and spending the money wisely to do that versus just saying you're going to stick to this plan like some sort of Soviet system or whatever, we're going to stick to putting up these towers here and no matter what happens we're going to do that even if the technology will improve?

THE WITNESS: Here's how I think you might want to look at it. You know what's served.

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You know what's not. And you ought to be able to figure out what it's going to take to achieve service throughout the territory. And maybe you need 20 towers and you negotiate that it's going to be four years. So that's five towers a year. And you set your initial plan, and as time goes on you say rather than here, we have more demand over here.

Okay, but that counts towards maybe the five in that year so that you still are on the pace. There's a certain amount of money that comes with a designation and an expectation that that will be spent for the purposes it was intended, which is to get the facilities out there. If you begin -- this is --

CHAIRMAN SAHR: Sorry to interrupt, but are you saying we should designate specific sites, or we should designate numbers? What would your targets be? Would they be site-specific or number-specific?

THE WITNESS: I think initially number-specific. I was thinking of, you know, Steven Covey's principle, you begin with the end in mind, you know where you want to get to, and you set a reasonable path to get there and probably the

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first year or so -- because I think your consumers are going to wonder when am I going to get service.

And maybe a year planning horizon, beyond that it's less -- but, obviously, if there's a good reason to change the plan, well, then somebody could come to you and say, here, we changed it and here's why and you look at that and go that makes sense.

CHAIRMAN SAHR: Do you know, have you analyzed and based on your maps, your understanding of their system, have you analyzed how many towers it would take to build out a system that would be, in your mind, serving the consumers of South Dakota in a way that would be anticipated by the Universal Service Fund requirements for ETC designated areas?

THE WITNESS: I have not.

MR. AYOTTE: Commissioner Sahr, I was just wondering if you could clarify if your question related specifically to Western Wireless in the requested areas or whether you were speaking --

CHAIRMAN SAHR: It would be related to Western Wireless and that sort of analysis.

THE WITNESS: I think the way you

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ought to do it -- I certainly am not the one you would want to hire to do that, but what you need to set is here are our expectations, here's the level of service we expect people to receive. And you come to us with your plan to do this, and it would be probably a negotiating type process. But that would have to occur before the designation. Otherwise, as I have said before, you don't know what you're measuring.

CHAIRMAN SAHR: Well, I think you still could review it at the certification process. I think what you have is a harder time measuring -- you'd have a harder time looking at benchmarks other than probably the most important benchmark, which is are the consumers happy with the results.

THE WITNESS: Absolutely.

CHAIRMAN SAHR: And if they're happy with the results without necessarily having, you know, every single site mapped out and planned out for the next five years, I think that's really from a policy standpoint and not too far from a legal requirement standpoint what we're supposed to be looking at.

Let me just check and see if I have any other questions.

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(Pause)
CHAIRMAN SAHR: That's all I have. Thank you very much. I appreciate the input.
THE WITNESS: Thank you, Mr. Chairman.
(Discussion off the record)
MS. AILTS WIEST: Commissioner Hanson.
VICE CHAIR HANSON: Thank you. Mr. Brown, you made some interesting statements in answering questions that were asked of you. There was some discussion pertaining to examples of how areas could be built out, so to speak, in order to provide better service to citizens who were having -- consumers who were having challenges.

One of the examples was an antenna on a house, and you had stated that's not what citizens want. Citizens want mobility, the opportunity to -- I believe you said to have a handheld device that they can move around with.

There were also some other statements you mad about people are clamoring for wireless today and that was in discussion of rural South Dakota. Do you mean to argue that we need to expand wireless in South Dakota?

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THE WITNESS: I think -- well, we have, you know -- before I came up here I spent a Saturday morning going through Google. I went through all the South Dakota newspapers because I wanted to get a feel for, you know, what's going on here, what consumers are saying.

And I'm getting the sense that consumers in some of the more remote areas want wireless service. I think there are resources that in the way of high-cost support that could be channeled to satisfy some of those needs, subject to the type of balancing that I talked about.

I think your first and foremost goal ought to be to make sure everybody stays connected to the network, that in every part of South Dakota someone is there to connect the customer to the network. That's going to take a certain amount of funding.

Then to the extent that you have additional resources that you can use to begin to satisfy some of the pen-up demand that might exist. In more rural areas where just the normal functioning of the marketplace is not a viable venture, but if we put some universal service money, we could get it out to there.

And there's no fixed answer. I think it's a

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balancing process, you know, beginning with everybody's got to be connected, and once we got that, if we've got additional resources, how can we use those to get the best value, the best services to South Dakota consumers would be how I would visualize it.

VICE CHAIR HANSON: Let me ask you this then. In your statements you said that you believe there were multiple providers in South Dakota and you said, yes. And you also said that there's competition throughout South Dakota today. And yet we do have underserved areas. We do have areas where from the standpoint of saying it's underserved people do not have the ability to have wireless in some parts of the state.

THE WITNESS: Right.

VICE CHAIR HANSON: So how do we expand to that area?

THE WITNESS: By deploying the resources that you have in the most prudent way to get the best service to the most people. And I understand that's a 50,000 foot answer. And, you know, wherever there's big clusters of people and the costs are low you've got lots of -- lots of people want the low hanging fruit. It's the one I

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described earlier. That's way out at the end of the road that's always going to be the toughest.

VICE CHAIR HANSON: Your direct testimony I think you called it cream skimming, something of that nature.

THE WITNESS: Well, it's cream skimming if you only serve the low hanging fruit but get money as if you were serving the guy out at the end of the rope. I call that cream skimming, if you never venture out there. You just stay at the low cost footprint but you get money as if you were serving the high-cost.

VICE CHAIR HANSON: You heard me ask the previous witness a question because of Mr. Ayotte's opening statement pertaining to balancing the benefits versus the harm. And I'm going to ask you the question I asked them. As much as you'd like to tell me the harm, I'll ask you to tell me what are the benefits of providing Universal Service Funds to Western Wireless?

THE WITNESS: If you can keep your objective of everybody connected and you've got additional resources that can be deployed so that you achieve some defined public good of an area that isn't being served, if you can find that

balance, then that might be in the public interest. But that would take some commitment to a plan, as I was discussing with Chairman Sahr. And I haven't heard that this week.

VICE CHAIR HANSON: Do you believe that Universal Service Funds should be -- the requirements for the expenditure of USF should be consistent between wireless and wireline?

THE WITNESS: The requirements?

VICE CHAIR HANSON: Yes.

THE WITNESS: That they be --

VICE CHAIR HANSON: Believe it or not, you and Mr. Wood differed on some positions during your testimony.

THE WITNESS: Really?

VICE CHAIR HANSON: And it seemed that the two of you disagreed on that particular point, on the consistency of how it should be spent, that he believed that you were imposing certain requirements on wireless that were not imposed on wireline.

THE WITNESS: I certainly --

VICE CHAIR HANSON: Such as new capital assets.

THE WITNESS: Okay. Okay. In terms

of taking the money and having to put it into expanding? Here's how I look at that, Commissioner. If you don't have a car, you've first got to buy the car. Once you bought the car, you've got to make the payments on the car.

So if you are in a low cost footprint and you want ETC status for a large area, the first thing you've got to do is the first place you put that money is in building your facilities out into that area.

Once you have built them out into that area, then the funds get used to keeping up the payments, if you will, on that. The reason that any area gets the support it does today is because the incumbent carrier made the investment well before it got any support but with the understanding that if you make that investment you will get support to keep the rate at an affordable level, okay?

So the incumbent has essentially built out and the amount of support is set because of what it costs them to maintain that footprint which serves the whole area.

If somebody wants to -- and under the current rules -- and I think this is one of the problems, that it's the equal support per line. And I hope

the FCC fixes that. And in the dissent that several of the Joint Board members filed they said this is the key, we've got to get off of that concept because what you're doing is you're paying somebody as though they were serving this whole area when they might start out serving this.

And if they're going to justify getting that much support, they better take the money so they do build out to serve that area. Does that make sense?

VICE CHAIR HANSON: That wasn't exactly what I asked, but that's fine. Answers seldom are exactly what you request around here anyway.

I asked a question of Mr. Wood, and I'll give you an opportunity to -- it appears as a softball so we'll see if you can hit it out of the park, but I have a follow-up question to it.

He stated in his testimony wireline networks are capable of serving only a tiny fraction of the ILEC's actual service area, typically less than 5 percent. Would you agree to that?

THE WITNESS: No.

VICE CHAIR HANSON: Why not? Is there a percentage that you would think would be

more accurate?

THE WITNESS: Well, the wireline will go in that area wherever somebody orders it. And the wireline gives you things that the wireless network doesn't. It gives you broadband capability, it gives you a lot of other things. The benefit that the Western Wireless -- both Mr. Blundell and Mr. Wood have said is mobility. That's their big thing. That's why people for the most part want the wireless is to be mobile.

So, you know, to say that, you know, if you take the dots where people have ordered landlines and you look at that area and you say how much is it, well, no matter whether someone says I want it here, it will be there in the landline.

In the wireless if mobility is to be a factor and a value, then you've got to have the signal coverage. You're also talking a totally different technology. You know, one is a broadcast over an area. The other is a wire.

VICE CHAIR HANSON: Is there a percentage that you would be comfortable using?

THE WITNESS: 100 percent.

VICE CHAIR HANSON: All right. I didn't expect you to use that one. Wouldn't you

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agree, though, that wireless has the capability certainly of greater coverage than wireline, more extensive coverage than wireline?

THE WITNESS: Well, it's the mobility component, and that's why people buy it. I have both and I use both for different purposes and I value both.

VICE CHAIR HANSON: We spoke earlier about -- I'm not sure which witness it was. It might have been Mr. Wood I believe brought it up. He was talking about daughters stranded by the side of the road example.

THE WITNESS: Yeah.

VICE CHAIR HANSON: Having two daughters and a daughter-in-law who are all pregnant right now, that's something that's of concern to me. But I'm not concerned about them being stranded -- the concern, though, for me is not being stranded alongside the road in Pierre, South Dakota or Sioux Falls or Tulare or wherever. It is 14 or 20 miles away from a community somewhere.

THE WITNESS: Yeah.

VICE CHAIR HANSON: And the ability to call for help and assistance in some way. So

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doesn't that necessarily mean we have to assist in the build-out, we have to get the -- in order to get the type of coverage that we're talking about since we can't have a plug in on every fence post, don't we need to do something to be able to provide that service?

THE WITNESS: I've done a lot of writing on the area of -- in the area of universal service, and one of the things I've kind of thought about or written about is wouldn't it be better if we could get the wireless network where we need it with a rifle rather than a shotgun and give --

You know, Western Wireless wants to serve in the Golden West area. And what that means at the get-go is for all 6,000, however many customers are there, they get $28 and some cents. And then the expectation is that they're going to use that to make sure the roads are --

We ought to find a way -- and I don't think we can do it in the context of this proceeding but to say, you know what, Highway 14 from 90 up to 34 and into Pierre where I was driving and I couldn't get cell coverage, who wants to serve that? Give us some bids. What will it cost? And you find an efficient way to get the services that the public

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needs. That's competitive.

But the current paradigm we're working with doesn't allow us to do that. So the next best thing is to say, you know, let's look at the resources in terms of universal service funding we have. Let's look at our priorities, and let's never forget priority number one, which is everybody has at least one connection and then figure out how we get as many other things done as we can.

And maybe part of the commitment that a carrier makes is we'll cover all the roads. We're not going to cover every square inch but, by golly, we're going to cover the roads. That's a possibility.

VICE CHAIR HANSON: Isn't the purpose of the Universal Service Fund, though, to service the consumer as opposed to the company, the business?

THE WITNESS: I think at the end of the day absolutely.

VICE CHAIR HANSON: So if consumers are paying for Universal Service Funds and they're paying it through wireless as well as wireline, shouldn't wireless be able to participate in that?

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THE WITNESS: In answer to Mr. Ayotte, yes. And the question is how do you maximize the service you get for the limited funding resources you have?

VICE CHAIR HANSON: So in the situation where government entities have the opportunity to look after the health, safety, security, not only the quality of life, but specifically health, safety, security of citizenry, isn't it incumbent upon us to assist that? I mean, doesn't A and B follow right to C?

THE WITNESS: Well, again, it's a balancing. If there was enough money to have everything we wanted, we wouldn't have a problem and government wouldn't have as tough a job as it sometimes has of making sure that, you know, we take, you know, the public's money and we spend the public's money wisely to get the most benefits, most services to the most people. It's not easy.

VICE CHAIR HANSON: Do you think the -- let's see. The Joint Board -- I don't want to ask the question by giving the answer. Do you think the Joint Board's recommendations should be viewed as recommendations or law?

THE WITNESS: I would look at it the

way Commissioner Abernathy put it at the NARUC meeting I was at. She says this is the best thinking of some of the best regulatory minds in the country, and there's nothing to prevent you, the states, from adopting it now.

VICE CHAIR HANSON: Thank you.

CHAIRMAN SAHR: I have a couple more questions. I keep hearing the phrase something about everyone having one connection and I know you mean that probably more so in the future but doesn't everybody have one connection today?

THE WITNESS: Yes. And let's hope we don't lose that.

CHAIRMAN SAHR: But you do acknowledge that that one connection is out there.

THE WITNESS: Yes.

CHAIRMAN SAHR: And thanks to the co-ops and people like them in this room; right?

THE WITNESS: Yes.

CHAIRMAN SAHR: But there's nothing that you can say that would indicate by extending it into a wireless carrier that it's necessarily going to make the system go bankrupt in and of itself.

THE WITNESS: I think if we stayed

on the course we're on, I won't say rubber stamping, but without the real thorough fact-finding that the Joint Board says ought to be done and as I described it today, balancing, you know, of how do you get the most service out of a given amount of resources, I think it was spinning out of control and we're now trying to get back under control and I don't think anybody has all of the answers but I think the Joint Board gave you some tools that will help you navigate that path.

CHAIRMAN SAHR: Probably after a day and a half on the stand Mr. Blundell's not going to tell his wife tonight that we're just going to rubber stamp it. So I think we are trying to and I think the Commission in the past has tried to engage in a thorough analysis.

Are you familiar with the concept of a line extension fee?

THE WITNESS: I am.

CHAIRMAN SAHR: Could you explain what that means?

THE WITNESS: It differs between companies, and I know the -- like the bell companies have some pretty rigid policies where if you want to go beyond a certain area, you know, you

pay so much. Western Wireless asked on discovery for each of the companies in this proceeding to give their line extension charges.

And I'll caveat this by saying my first job in the rate and tariff department in Mountain Bell in 1971 was writing the line extension policy. And with that background and reading what they put in I went, wow, I guess that's why a rural company is different because several of them said we want a line, we put it there, that's our job.

I forget -- and pardon me. We can go into it, but I think one said we required a deposit and over time we write that deposit down. So it's a very different thing like between what Qwest does today and what the rural co-ops do.

CHAIRMAN SAHR: If a line extension fee exists, who pays for that?

THE WITNESS: Well --

CHAIRMAN SAHR: And I don't mean -- obviously the company shares in that and may even, in fact, pay a large amount of it, but the consumer does pay something in that case; is that correct?

THE WITNESS: That's my understanding, sir.

CHAIRMAN SAHR: And I'm just curious

and there may be many ways to distinguish it but is there some similarities to the comment about people shouldn't have to buy boosters or have analog phone or put antennas up or do these sort of things to get service because you're in a really remote area, isn't this some similarities to the line extension fee, which is an acknowledgment if you get so far out there, that maybe you as the customer have to chip in a little bit to ensure financial viability of the underlying carrier?

THE WITNESS: That's part of the balancing job you have to do. If you can't have public money to do everything, then you figure out the next best solution.

(Discussion off the record)

(Recessed at 5 o'clock p.m.)

(Resumed on Thursday, May 6, 2004 at 8:30 a.m.)

MS. AILTS WIEST: Mr. Dickens.

MR. DICKENS: Thank you.

REDIRECT EXAMINATION

BY MR. DICKENS:

Q Mr. Brown.

A Good morning.

Q Good morning again. Since yesterday, Mr. Brown, have you had occasion to discover any further corrections

that need to be made to your prefiled exhibits?
A Yes, I did. And Mr. Best of the staff brought it to my attention. On Exhibit GHB 1 I have a West River listed there, and apparently in the State of South Dakota there are two West Rivers, one which is listed on the USAC report and the other as I have subsequently learned is imbedded in a study area that for USAC purposes is considered to be in North Dakota.

And I now know this, but at the time I put this report together I did not. So what I inadvertently pulled was the other West River that was in the group that has already been designated.

Because the other one exchange that's in South Dakota is part of another study area, there's no simple way for me to break that out. I'm told by people familiar with this particular company that, you know, what I've shown here on West River is a little over $400,000 of annual support. That could change somewhat when we get the right exchange plugged in for West River.

As Mr. Ayotte and I discussed yesterday, this is an estimate from the USAC. But I wanted the record to be clear that I had inadvertently picked the wrong West River.
Q Thank you. Mr. Ayotte yesterday asked you about the

publicly available ULS data that you had used in several of your exhibits and in your propagation analysis, which I believe is on the easel behind me.
A Yes.
Q And whether it excluded towers that were not at the edge of the CGSA contour. Can you explain how you validated the ULS data?
A Well, this is in my testimony. I took the actual data that had been supplied in response to the discovery request, and actually in the mapping software you can make two layers. You make that the bottom layer. You make the top layer the data from the ULS. You put one on top of another. And you'll see the ones that aren't in there.

And particularly in the areas that are outlined in black on there, which are the subject study areas of this proceeding, the correlation was just about one for one. Maybe there was one tower that was missing, and that was about it.
Q Okay. And later at one point yesterday Mr. Smith was questioning you about Interveners' Exhibit Confidential 18, and specifically he was asking you about some towers in the northwest part of the state and maybe speculating that they showed up behind this legend box. And I wanted to ask you to talk a little bit about why

those towers didn't show up.
A I think the ones he was talking about are a little further east of that legend box, and they do show up in the ULS data when you ask for the Western Wireless towers. But they weren't on the data requests. And then when I went into the -- when I went down a couple of layers in the ULS database to get the tower height and the power there was nothing for them in there, which led me, as I explained to Mr. Smith, to conclude that they perhaps at one point were planned but never were constructed. That's my best explanation for that.
Q Several of the Commissioners yesterday asked you your thoughts on how the Commission should manage the use of high-cost funds in South Dakota to facilitate the delivery of urban quality service, and you spent some time talking about build-out plans and the tool kit that the Commission had to try to realize its vision.

Can you describe -- can you kind of put that discussion into the public interest context?
A Okay. Well, and, of course, the public interest is the foundation of this whole proceeding. And I at several times tried to point out that, at least as I view it, the fundamental public interest requirement is that everybody have a connection to the network. And that's

a goal that it took the industry decades to get.

A large amount of universal service supports that ubiquity of the network and the highest cost parts of South Dakota and throughout the state. And I think one of the things that we have to be careful of and it has to be in the back of the mind as you evaluate is in the highest cost areas you don't want to dilute the fund to where you might begin to lose that ubiquity. If people start falling off the network at the edge, I think that's something you need to keep in mind.

But the key to the public interest test, and the FCC and the Joint Board, you know, kind of hit this same note, and we've talked a lot about it in the last few days, the balancing of benefits and costs.

First, you know, and this is an Act requirement, does the carrier serve throughout the service area? And I also think that means serve throughout with an urban quality of service. And then, you know, once that is satisfied, then there's a test as to what are going to be the benefits that are going to come from that and what are going to be the costs?

And the costs, of course, are any additional funding that might be required and then, you know, costs if -- dilution type costs that I talked about previously.

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But another thing that the Joint Board observed and a number of the Joint Board members have since gone on to comment further on is there may be some parts of the country that are just so high-cost to serve that it doesn't make sense to fund to people to build into those areas.

And I think that's another factor that you need to put in this balancing as I tried to describe it yesterday. And it's a difficult process. There are no easy answers to this. I understand that.

Q I think at one point yesterday you mentioned, Mr. Brown, a proposal by Billy Jack Gregg?

A Yes.

Q And I'd like you to explain more who he is and what his proposal is about.

A Billy Jack Gregg is the West Virginia consumer advocate. He's a member of the Joint Board and I've known him for many years and he's quite an interesting fellow, a very deep thinker. And he came up with an idea, and I remember he tried it on me at the Joint -- or at the NARUC meeting in Denver last summer and then he began to champion this.

His plan says pick a number. He had some analytical reasons how he got where he got. But he said anything over $30 per line per month presumptively

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is -- support above that should only go to one ETC. Between $20 per month and $30 per month, perhaps if the public interest test can be satisfied, one additional ETC. And below 20 as many as the market would tolerate.

It's interesting that that was his idea. I've noticed NASUCA frequently files comments in the proceedings where the FCC has to adjudicate an ETC designation. And I've seen, you know, that hierarchy show up there.

And the other thing that Billy Jack has been emphatic on since the Joint Board Decision was released, and I heard him speak just last week, is that the time to make that determination is an area at that point where you begin to worry about the dilution, the time to make that is at the designation point.

Q And finally, Mr. Brown, given all of this discussion about the public interest, we focused on it quite a bit yesterday, can you place the application of Western Wireless in perspective, kind of a so-what question?

A Well, to begin with, in all but one of the study areas we're talking about here the per line support is in that 20 to $30 range where Billy Jack said you need to think carefully and, you know, if there is to be one, maybe only one.

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The second thing is that as I've tried to illustrate several ways through the propagation analysis, through the proximity analysis, to get full coverage throughout the service area that Western Wireless is requesting is going to take a number of towers and probably a lot more than 17. So that's something that you have to consider.

I think it's also important that when Western Wireless's witness was asked a direct question of will you commit to at least those 17 towers and be measured under the standards in the Highland Cellular Order, he could not answer that question in the affirmative. And I think you have to take that into consideration.

I think also when you look at the Virginia Cellular, the Highland Cellular, both of them say that the burden of proof of public interest is upon the applicant. And in terms of serving throughout the area, that's one plank, and in terms of the fact-specific balancing of benefits and costs.

Because, you know, you're only going to get the benefit if the signal is there. You'll only get the public health and safety benefit if the signal is there. You only get the additional competition if the signal is there. And I just think based upon the record you have before you, you have to deny the

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application. They have not met their burden of proof.

MR. DICKENS: Thank you, Mr. Brown.

MS. AILTS WIEST: Mr. Cremer.

MR. CREMER: Thank you.

MR. AYOTTE: I'll object. He's testifying on behalf of James Valley, and Mr. Dickens just conducted the redirect.

MS. AILTS WIEST: But I believe in this case they are three different parties. They just have the same witness.

MR. CREMER: Thank you.

MR. AYOTTE: So are they all going to get to conduct redirect of this witness?

MS. AILTS WIEST: Yes.

MR. AYOTTE: Well, I'll state a continuing objection. Is this more redirect? Is this recross?

MS. AILTS WIEST: This would be redirect.

MR. AYOTTE: Mr. Dickens just conducted the redirect.

MR. COIT: I don't know of anything on the record that specifically said we ever agreed as attorneys that only one of us was going to ask all the questions.

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MR. AYOTTE: Well, I never suggested that. Mr. Brown is testifying on behalf of James Valley. He identified that at the beginning of his testimony. That's why Mr. Cremer was not allowed to conduct further direct examination of this witness yesterday.

CHAIRMAN SAHR: I would think as long as Mr. Cremer kept to the scope of the cross-examination and didn't engage in direct, then I think we'd be okay proceeding. Because they are making I think a pretty decent argument that he's the witness for each of these parties that are individually here at the table.

And, again, as long as -- I think the problem yesterday, and correct me if I'm wrong, Ms. Wiest, was that you were trying to put more direct in beyond what was the prefiled testimony; is that correct?

MS. AILTS WIEST: That's correct.

CHAIRMAN SAHR: And once you do your cross-examination, then he should have the opportunity too, as well as Mr. Coit, to follow up on those questions that came out in the cross-examination, shouldn't he?

MR. AYOTTE: No. Then they're

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cross-examining their own witness.

MS. AILTS WIEST: No. This is still redirect.

CHAIRMAN SAHR: This is redirect.

MR. CREMER: Thank you.

REDIRECT EXAMINATION

BY MR. CREMER:

Q Mr. Brown, I want to take you back to your propagation analysis, which is GBH 8 (sic), which is up on the board up here. Can you explain what the gold area represents?

A That's what I described in my testimony as urban quality service.

Q And what does the gray area represent?

A That represents at its periphery, the farthest that a signal could be received by a wireless device.

Q What does the white area represent?

A Where no signal would be present.

Q In the gray area -- well, let's go back to the gold area. Does the gold area represent what we would commonly refer to as five bar service?

A Pretty close to that. I think consumers would experience a service like they would in or near a major urban area.

Q In the gray area what kind of service would you expect?

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A Well, it would degrade, and it would be, you know -- you might have calls dropped. You might not be able to get a signal. You might still be in the gray but unable to get a signal. You might be able to get it but not maintain it for long. It would be an inferior quality of service.

Q Thank you. Now, Mr. Brown, there was some discussion yesterday about Confidential Exhibit 18 and your GBH 3?

A GHB.

Q Excuse me. Your Exhibit 3. In both of those or on both of those maps how many towers, Western Wireless towers, appear in the James Valley service area?

A On Exhibit 18 there is one, and on GHB 3 there was one.

Q Okay. Now you were here when Mr. Blundell testified and described in his Exhibit 1 the number of -- the 17 towers that were going to be on the 2004 construction plan; is that correct?

A Yes. I was here.

Q Was there any new towers to be constructed in the James Valley service area?

A No.

Q So, Mr. Brown, what benefit would the James Valley customers get from the $868,000 that Western Wireless seeks in this ETC designation?

A None that I'm aware of now.

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Q What benefit would there be to other mobile cell phone owners, users, traveling through the James Valley area if another tower is not constructed?

A None.

MR. CREMER: Thank you. That's all I have.

MS. AILTS WIEST: Mr. Coit?

MR. COIT: Nothing.

MS. ROGERS: Rolayne, could I ask a couple of questions, please.

MS. AILTS WIEST: Well, no. You guys are co-counsel.

MS. ROGERS: That's fine.

MS. AILTS WIEST: Mr. Ayotte, do you have any cross?

MR. AYOTTE: Just a few. Thank you.

CHAIRMAN SAHR: Mr. Ayotte, excuse me. I have just a couple of quick questions.

MS. AILTS WIEST: I was going to get to you guys.

CHAIRMAN SAHR: That's fine. Why don't you go ahead. I didn't know if he was going --

MS. AILTS WIEST: I just assumed we'd go to them and everybody else.

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CHAIRMAN SAHR: That's fine. That sounds good.

MS. AILTS WIEST: Go ahead.

MR. AYOTTE: Thank you.

RECROSS-EXAMINATION

BY MR. AYOTTE:

Q Mr. Brown, with respect to your clarifying remarks this morning relative to GHB 1 --

A Yes.

Q -- and West River, you haven't changed any of the numbers on that exhibit; correct?

A Right. And as I explained to Mr. Dickens --

Q It's still an estimate of the USAC projections?

A That plus we don't have enough data to be able to say exactly what the right number is so, you know, it is an estimate. You and I discussed that yesterday and the error was inadvertent but I wanted the record to be clear.

Q Thank you. With respect to your remarks, comments, based on this Billy Jack Gregg fellow, his idea, the $30 per line presumptively and that deal, his idea hasn't been adopted by any State Commission, has it, that you're aware of?

A Not that I'm aware of, no, sir.

Q And it's not been adopted by the FCC?

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A No.

Q And it's not even recommended by the Joint Board's most recent Recommended Decision.

A I believe that in the Joint Board Recommended Decision they note his idea, and there is language to the effect that the Commission might want to look at establishing some kind of benchmarks that might help states to think this through.

Q Okay. But other than it being noted in the Recommended Decision, it's not a part of the Joint Board's recommendation for adoption?

A No, sir.

Q You had some questions this morning relative to Confidential Exhibit Interveners' 18, and just so that I understand it correctly, the towers that you're showing on this map, you did not include the 17 additional towers that were identified by Western Wireless; correct?

A No. I did not have the latitude and longitude coordinates to do that.

Q Right. And, likewise, Confidential Exhibit Intervener 18, that just shows tower locations, it doesn't show any signal coverage?

A No, sir.

Q And with respect to your questions on the re-redirect

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by Mr. Cremer this morning on Exhibit GHB 8, this signal coverage document that you prepared, you didn't field test any of the results on this, did you?

A Only on my drive from Rapid City, but the record should be clear I use Verizon as my wireless provider. So, no, I did not field test the state.

Q And in your descriptions and explanations in response to Mr. Cremer regarding the gray areas and the yellow areas, again so that it's clear, the true actual service that a customer might experience in those areas would be affected by where the phone is located.

A Yes.

Q Other environmental factors?

A Yes.

Q Natural obstacles such as foliage and terrain.

A Yes.

Q Or the man-made obstacles such as buildings and the like?

A And the person-made obstacles.

Q Person-made.

MR. AYOTTE: Thank you, Mr. Brown.

MS. AILTS WIEST: Mr. Smith, do you have any questions?

MR. SMITH: I do not.

MS. AILTS WIEST: Commissioners?

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COMMISSIONER BURG: That brings up a question to me. When you said you were using a Verizon phone, can you get a roaming signal on Western Wireless?

THE WITNESS: I do not know that. Even if I could, I had trouble holding the signal on the drive up here.

COMMISSIONER BURG: Something else occurred to me last night. Can a wireline company receive more than one USF support payment for a single address?

THE WITNESS: Yes.

COMMISSIONER BURG: How many? Is there a limit?

THE WITNESS: Let me qualify that. That's an interesting question because the way a wireline company gets its support is it submits a cost study to NECA, the National Exchange Carrier Association. They do the math on how that cost compares to the nationwide average, and if their cost is above a certain benchmark -- which I think it was initially frozen at $240 a line, I think it's now up to 280 or something like that -- they receive support for the amount of cost above that by a formula that's in the FCC rules. They get the

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support for the whole study area. They do not get per line support.

Now a mathematical exercise occurs. They divide that support for the whole area by the number of lines in that area, and that is the support that becomes portable to wireless carriers like Western Wireless. And they do get support on a per line basis because it's tied back to the incumbent.

COMMISSIONER BURG: But you're getting a little ahead. But how many payments could they get at a single address?

THE WITNESS: Well, they get one payment for the whole study area.

COMMISSIONER BURG: One payment for the entire study area. And then that determines what the payment would be to the wireless ETC?

THE WITNESS: Correct.

COMMISSIONER BURG: Now can the wireless ETC get more than one payment per address?

THE WITNESS: Under the current rules, yes.

COMMISSIONER BURG: How many?

THE WITNESS: As many handsets as that customer has.

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COMMISSIONER BURG: So they could virtually get way more money than the wireline company for the same single address?

THE WITNESS: Well, again, because of the way the math works -- now if you go the next step -- let's just assume that the FCC adopts the primary line principle. You know, I think all carriers don't like it, but, you know, the Joint Board said they didn't like it either but it's the best they could think of.

Let's say we go to that. Then you do have a situation. I'm speculating, but under what has been proposed they say there's only one, you know, allocation of support to each address. And presumably the customer would pick. If they have both wireless phone and a wireline phone, they would have to choose which got the support. Presumably people would compete for the right to get the support.

And one of the problems with that, of course, is that then, you know, nobody knows exactly how much support they're going to get because it depends upon things in the marketplace. And so there are reasons that a lot of people would say don't go there but, you know, they're looking

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for --

COMMISSIONER BURG: That's a little beyond what I was looking for. I want to ask it in a different way. So you just told me that a wireline company determines, you know, what their costs are above what the standard set by the FCC. And then they get paid that difference.

THE WITNESS: On a study area wide basis?

COMMISSIONER BURG: On a study area wide basis.

THE WITNESS: Yes.

COMMISSIONER BURG: And that's the limit to what they can get.

THE WITNESS: Yes.

COMMISSIONER BURG: Could a wireless carrier get more than that? In other words, if they got every customer to also buy a wireline phone, I'm saying as a second -- and they also buy a wireline phone and they had multiple handsets within a household, within an address, could they end up with more money than what the wireline did?

THE WITNESS: I'm aware of at least one study area happens to be in the state of Washington where there are more wireless lines

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reported than wireline lines. And they are indeed getting --

COMMISSIONER BURG: But you told me the wireline lines are not dependant on the number of lines, it's dependent on the cost above what that was.

THE WITNESS: Right.

COMMISSIONER BURG: That transfers into the cost per line, and that's multiplied times the number of handsets for the wireless company; is that correct?

THE WITNESS: Right.

COMMISSIONER BURG: Am I tracking it right?

THE WITNESS: Let me finish the equation. So if you have the per lines computed on the number of lines the wireline has and you then take that per line and multiply it by a number of lines that's greater than the wireline carrier has, then that result will be more total support.

COMMISSIONER BURG: There isn't any real limit what that can be in the law?

THE WITNESS: Not under the current rules.

COMMISSIONER BURG: Let me ask one

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other thing. I'm impressed with your knowledge of the whole thing. And you were talking about Billy Jack's proposal. Greg Rislov and I, our Commission adviser, were visiting last night, and I was following up on the question I asked you yesterday. What people really want, they want three things to get urban grade service. They want a good wireline, they want wireless, and they want broadband.

They don't care how they get it in any estimation. I mean, that's my opinion. They don't care whether it's competitively, but they just want to have those kinds of service.

Could you visualize a case where -- that it says that is the standard, there will be one payment, but the standard to get that payment is to offer all three of those services either with one or more providers? Is that a -- give me your opinion on that logic.

THE WITNESS: Okay. I know that Chairman Powell has been talking about how can we get more spectrum available in rural areas. I don't track that as closely as I do some of the universal service issues but I'm aware there's dialogue on that and how can we make more spectrum

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available so people can bundle and package.

And under the current, you know, companies' smoke stacks that we have, if you will, and the way spectrum, you know, is made available, you know, in some companies -- and there are some companies and probably some -- in fact, I know because I was talking to one of them the other day, SDTA members that still have their wireless licenses. And so they provide wireless, wireline, broadband.

But that's not uniform. Not all wireline companies have wireless licenses. But, you know, as things move forward, I think public policymakers will, you know, hopefully, you know, put into place things that will allow the market to work because what we're all trying to do is satisfy what the consumer wants.

And, you know, I think did a pretty good job of describing what they're saying they want.

COMMISSIONER BURG: Okay. Thank you.

CHAIRMAN SAHR: Mr. Brown, you live in Chandler, Arizona; is that right?

THE WITNESS: I live in Chandler, Arizona. I'm in the process of moving to Sedona, Arizona.

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CHAIRMAN SAHR: Well, Sedona's nice, kind of a pretty spot, some interesting people up there. Chandler is kind of rapidly becoming a suburb of Phoenix or maybe you would even say it has if you're moving out of there.

THE WITNESS: That's one of the reasons I'm moving, sir.

CHAIRMAN SAHR: Do you know what the largest community that Western Wireless serves with towers that the company itself builds?

THE WITNESS: The largest community in South Dakota?

CHAIRMAN SAHR: No. In the nation.

THE WITNESS: I don't.?

CHAIRMAN SAHR: In terms of population.

THE WITNESS: I don't.

CHAIRMAN SAHR: I haven't verified this but I've been told it's Lubbock, Texas and maybe one of those other Texas cities which in South Dakota would be kind of big but in Texas where everything's big, it's kind of small.

COMMISSIONER BURG: Or exaggerated.

CHAIRMAN SAHR: That message brought to you by the John Kerry campaign. The point that

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I guess I'm getting at is Western Wireless also serves a lot of small towns and rural areas, do they not?

THE WITNESS: Yes, sir.

CHAIRMAN SAHR: Just like a wireline company would face, they face a lot of cost challenges bringing state-of-the-art services out to those communities, would you not acknowledge that?

THE WITNESS: I'm sure they do.

CHAIRMAN SAHR: And we keep talking about this phrase "urban quality." Do you recall from the testimony of Western Wireless, what percentage of the State of South Dakota towers have been upgraded to digital signal?

THE WITNESS: It might be all of them. I don't recall a precise number. I know that on some of the exhibits we were looking at where there was the blue and the green it seemed that most of the tower locations had the blue, which I interpreted to be CDMA.

CHAIRMAN SAHR: My recollection is the number is 99 percent, and I've also heard all so I think we're in the ballpark there.

THE WITNESS: Okay.

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CHAIRMAN SAHR: If not all, just about all the towers have been upgraded to digital service. Do you think that that is urban quality as far as I'm only asking -- not the coverage. I'm only asking the signal strength on that particular tower and the type of signal people are receiving.

THE WITNESS: Yeah. Right. And whenever you're close to the tower --

CHAIRMAN SAHR: That's not the question I asked so please answer the question.

THE WITNESS: I didn't understand. Repeat it, please.

CHAIRMAN SAHR: Yes, I will, and this isn't a coverage question. That will be the next question. The question is with these towers being upgraded to digital service and that type of -- with your knowledge of towers and with your knowledge of what sort of signal is being offered by Western Wireless off of those 117 or --

THE WITNESS: 111.

CHAIRMAN SAHR: Whatever we're at today, towers, is that not urban quality or even better than sometimes what's offered in urban quality?

THE WITNESS: Okay. And here's

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perhaps where I misunderstood your question. If this is the tower and you're standing, you know, very near it, you've got --

CHAIRMAN SAHR: Let me rephrase it. If you've got four or five bars, is that not urban quality?

THE WITNESS: Yes, sir.

CHAIRMAN SAHR: Thank you. Now if we're looking at trying to bring urban quality out to the people in these smaller towns from a public interest policy standpoint, and you can talk about -- well, you've already talked about other factors that weigh against it, but at least on the pro side of things is it not a good thing to use a very lay term but I think an accurate term but it is not a good thing if via this ETC designation this could involve more of these towers being put up which you have acknowledged would bring urban quality type service to these towns?

THE WITNESS: Oh, absolutely. And that's what universal service funding going to a wireless carrier ought to do.

CHAIRMAN SAHR: Right. And you and I talked a lot yesterday about what you think would be good checks and balances within that so I do

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realize you have some thoughts on what would be on the other side of the equation and how we should follow up on that. I do appreciate that.

But it also kind of comes to the James Valley question, and I certainly don't know the history of the tower there. It appears to me there's towers, though, that are right outside that service area that very likely could reach into that service area, does it not?

THE WITNESS: Well, they do. And I guess GHB 8 is up there. The James Valley outline is there in the northeast quadrant of the state, and you can see, yes, that if you look at the gold areas, some of that radiates into particularly that lower -- and I'm not sure if you're familiar with which one is James Valley on that.

CHAIRMAN SAHR: I am.

THE WITNESS: Okay. I think that pretty graphically shows you that there's some spill-over and that's just natural. The radio propagation doesn't follow any -- doesn't follow state boundaries as we were discussing yesterday.

CHAIRMAN SAHR: And I drive through the area a fair amount on business so I'm not arguing that there's perfect signal everywhere in

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the area.

THE WITNESS: Right.

CHAIRMAN SAHR: But we keep talking about one tower and actually some of the ones I think that are just on the outside reach --

THE WITNESS: They provide coverage, no doubt.

CHAIRMAN SAHR: If the company -- again, focusing kind of on the one tower issue -- and I don't know if this is the case in James Valley or not, but if a company takes an analog tower, upgrades it to digital service, is that not under current standards an appropriate use of universal service money?

THE WITNESS: I think that's -- you could probably have a debate about that.

CHAIRMAN SAHR: Let me rephrase it. And not to put -- I think we've got this in the record already, but the universal service money doesn't just have to be used for new towers, does it?

THE WITNESS: No. It's for the provision, maintenance, and upgrading of facilities.

CHAIRMAN SAHR: So when you said in

redirect that you made some sort of comment about all of this money that would be flowing into James Valley and it wouldn't mean a thing without getting new towers put up, I mean, it could be used for the provisioning type standards, and that would be a permissible use even without a new tower; is that correct?

THE WITNESS: Possibly, yes.

CHAIRMAN SAHR: And certainly I think you can tell the three Commissioners would like to see new towers go up as well so I'm not disagreeing with that part, but I just wanted it clear on the record and to the Commission that the money does not necessarily have to be spent directly on new towers.

THE WITNESS: Right. Now you would be improving the quality in some areas. Now there's an irony when you convert from analog to digital in that the footprint gets a little smaller, but you can offer other services with the digital.

But I think what I've been trying to say in my testimony is if you want to get the signal where it isn't today, you know, the communities that are saying we want to have service, you either have to

put a tower or you have to do something to get a signal there.

CHAIRMAN SAHR: And I appreciate that, and I think the overwhelming majority of people in underserved areas are focusing on getting new towers. I mean, that's by far and away the number one context. Again, I didn't mean to be disagreeing with you on that, but I wanted to clarify the universal service angle.

And it is a bit of a double whammy when you convert to digital, which I think in general is a good thing from analog and then people move from bag phones to handheld phones, which generally all things being equal if you have decent tower strength, people would rather have the smaller phone. But you do have the signal strength that oftentimes does decrease and may have, in fact, shrunk down coverage maps.

I appreciate the comments on that. Thank you.

MS. AILTS WIEST: Commissioner Hanson?

VICE CHAIR HANSON: No, thank you.

MS. AILTS WIEST: Any further redirect?

MR. DICKENS: I have, I think, just

one question.

REDIRECT EXAMINATION

BY MR. DICKENS:

Q When Mr. Ayotte was questioning you he asked if you had included the 17 planned cell sites on your coverage map, and you indicated you had not.

Are you aware whether the Interveners requested in discovery a listing of the cellular towers that Western Wireless planned to construct within the next two years?

A Yes. That was part of our initial discovery request.

Q Do you recollect what the response was?

A My recollection was that they said that that was not relevant.

MR. DICKENS: Thank you.

MS. AILTS WIEST: Anything further?

MR. CREMER: I have nothing further.

MS. AILTS WIEST: Anything further, Mr. Ayotte?

MR. AYOTTE: No. Thank you.

MS. AILTS WIEST: Thank you.

THE WITNESS: Thank you.

MS. AILTS WIEST: You may call your next witness.

MR. CREMER: Next witness will be

James Groft for James Valley.

JAMES GROFT,

called as a witness, being first duly sworn in the above cause, testified under oath as follows:

DIRECT EXAMINATION

BY MR. CREMER:

Q Would you state your name, address, and occupation, please.

A My name is James Groft. I'm the general manager at James Valley Telephone, Groton, South Dakota. The address there is 235 East First Avenue.

Q James did you previously file testimony in this matter?

A Yes, I did.

MR. CREMER: And, for the record, that would be Interveners' Exhibits 5 and 6 that was previously received.

Q James, are you prepared to give a summary of your testimony?

A Yes, I am.

Q And, James, would it be helpful in providing your summary to be referring to GHB 8, the exhibit on the board there?

A Yes, it would.

MR. CREMER: With the permission of the Commission, I would ask that you go up to the

board and give your summary. Would that be all right?

MS. AILTS WIEST: Go ahead.

A In my testimony I spoke about the James Valley territory is basically in this area. And probably the biggest point of my testimony were the fact that in my personal experience I live -- this is the James Valley's Mellette exchange, and I live in the Mellette area. And on a daily basis I drive either one or two ways.

Our office is in Groton, and we also have a subsidiary office in Aberdeen so I drive either directly across the Mellette exchange, or I drive through the Mellette exchange through Conde and up to Groton. And I mentioned -- in my testimony I mentioned four different areas where the service coverage is very, very, very, poor with static, dropped calls, or does not work at all. And I also have some other experiences that it was brought up yesterday about wife and kids being stranded. I can share some more on that, which was not in my testimony if you have questions about that.

But on a daily basis I drive across the Mellette exchange here, and this is the most common route I drive. And the service there is very, very poor. Frequent dropped calls, frequent static, if it

works at all.

Then the other way that I drive I mentioned in my testimony is I drive basically this route here through several of our exchanges. This basically whole route is very poor until you get to the Groton area.

Then I also mentioned last summer some of our outside plant personnel did a major pipe project up in the northern parts of our territory and this area is notorious for having no coverage and basically the whole time -- this project took a couple of weeks while our outside plant personnel were there -- they virtually had no coverage. So if we would have had any accident of any kind, they would not have been able to contact emergency personnel because there was no coverage.

Then I also mentioned I occasionally drive from Aberdeen to Groton. And there is kind of a dead spot right here at the end of the James Valley service territory, which is adjacent to our Columbia exchange.

Q James are you a Western Wireless customer?

A Yes, I am. I should mention, I am personally at home family-wise, my wife and I have Western Wireless phones, and for our company we have Western Wireless phones.

And I should also mention there's been a lot

of talk yesterday -- the last couple of days about the 85/15 question. This Mellette exchange, which virtually in my experience the entire exchange has poor coverage, that has 14 percent of our line in just that one exchange is our second biggest exchange.

MR. CREMER: Thank you, James. I would tender him for cross-examination.

MS. AILTS WIEST: Mr. Ayotte.

MR. AYOTTE: Thank you.

CROSS-EXAMINATION

BY MR. AYOTTE:

Q Good morning, Mr. Groft.

A Good morning.

Q I'm delighted to hear you're a customer of my client. You are the general manager of James Valley Cooperative Telephone?

A Yes.

Q And are you authorized to testify here today on behalf of James Valley?

A Yes.

Q I take it that you're not employed by nor do you have any financial interest in any of the other rural LEC Interveners?

A No.

Q I take it you're not authorized to testify on behalf of

any of the other rural telephone companies?

A No.

Q And you're not purporting to represent or testify on behalf of any of the other companies?

A No, sir, I'm not.

Q Are you familiar with the prefiled direct and surrebuttal testimony of Mr. Strandell and Mr. Houdek in this proceeding?

A I have not read it, no.

Q Who wrote your prefiled direct and surrebuttal testimony?

A I worked on that with Ms. Vanicek.

Q Who wrote the first draft?

A I worked on it with her and gave her direction on it.

Q So she wrote it, and you reviewed it?

A Yes. I worked on it with her.

Q Did she write it and then you reviewed it, or did you write it and have her review it?

A She wrote it, and I reviewed it.

Q And I take it you provided to her some of the company-specific information that's referenced in the testimony?

A Yes.

Q Is it fair to say, Mr. Groft, that your direct testimony really provides some basic company-specific

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information to provide the foundation for Ms. Vanicek's testimony?
A I guess, I don't know -- to me that's a legal question.
Q Well, the factual information in your testimony relates to the area served by James Valley.
A Yes.
Q And the average local service rates for business and residential for James Valley?
A Correct.
Q And the 2003 total federal universal service support for James Valley?
A Yes.
Q And some company-specific revenue and expense information.
A Yes.
Q And, as a result, you are providing the basis, the factual basis, to support her testimony.
A I guess, yes, I did provide facts. Beyond that was the interpretation.
Q Okay. Now you claim that Western Wireless's designation as a competitive ETC in the James Valley areas could have, "a potential impact on the amount of federal universal service support" that James Valley receives; right?
A Yes.

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Q And you reference the Federal State Joint Board recommendations for that statement.
A Yes.
Q Have you even read the Joint Board's Recommended Decision that was released on February 27 of 2004?
A Yes. As a matter of fact, I read every page.
Q So you're familiar with it?
A Yes. I'm not an expert, but I did read it.
Q Would you agree that the Joint Board's recommendation -- I'm not asking you for a legal opinion. I'll tell you that now.
MR. CREMER: If you do, I would object.
Q Would you agree with me, Mr. Groft, that the Joint Board's recommendations have no immediate effect on the amount of federal universal service support received by James Valley?
A I guess my interpretation of that would be I'm not an expert so I don't know what effect it will have.
Q But your testimony suggests that it could have a potential impact on the amount of federal universal service.
A Yes. My understanding of it was if they adopted a primary line, that it could impact the amount of support we would receive. What I mean to say by I'm not an expert, that I don't know what effect their recommendation will have on the FCC.

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Q So when you talk about the potential loss of support you're really referring to the proposed primary line restriction?
A Yes.
Q And I think you said it earlier, that the key point is if they adopt the primary line restriction; right?
A Right.
Q And do you understand that any exchange in the funding mechanisms to limit support to a primary connection -- do you understand that still needs to be considered by the FCC?
A Yes.
Q And that it may have to go through a rule-making process of some sort before it's ever implemented?
A Yes.
Q Now your direct testimony which references the Joint Board's primary line proposal based on the Recommended Decision which you've read, you don't tell the whole story about what the Joint Board has recommended, do you?
A No. I basically just mentioned the primary line.
Q Because the Joint Board's Recommended Decision devotes an entire section of its report discussing its further

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recommendations to the FCC on how to avoid or mitigate any reductions in the amount of high-cost support flowing to rural carriers if a primary line proposal were implemented; right?
A I'll take your word. I read it a long time ago. I don't remember all the specifics.
Q Do you remember the section entitled, "Maintaining Sufficient Support For Rural Areas"?
A No. I don't remember it at this time.
Q It appears right after the primary connection proposal.
A Okay.
Q You're not disagreeing with me, are you?
A No.
Q And do you recall the Joint Board's Recommended Decision also proposing that the FCC consider restating the total current support amounts paid to a rural carrier in terms of first lines?
A No. I don't recall that either.
Q Do you recall the Joint Board proposing a second alternative to the FCC about providing or considering providing supplemental lump sum payments to rural carriers to avoid any effect resulting from any limitation of support from a primary connection proposal?
MR. CREMER: Excuse me, Mr. Ayotte.

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I would object at this point. I don't see the relevancy of what Mr. Groft recalls about the Joint Board Decision. Those are legal matters that could be addressed in briefs.

MR. AYOTTE: Well, I suspect we'll fully address them in brief, but this witness has identified that he's read the Joint Board's Recommended Decision. His direct testimony specifically says there will be a potential loss of support.

He's testified that that's based upon his review of the Joint Board's Recommended Decision, specifically the primary line connection, and he's also admitted he didn't tell the whole story. So I'm just asking him for his understanding and recollections for the rest of the story.

MS. AILTS WIEST: Objection overruled.

Q Go back to my question, Mr. Groft. The Joint Board also set forth a second alternative proposal to the FCC relating to supplemental lump sum payments to rural carriers to avoid any effect resulting from any limitation of support from the primary line connection proposal. Do you recall that?

A I recall that the lump sum payments were mentioned, but

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specifics beyond that, no.

Q And a third alternative proposal from the Joint Board in the Recommended Decision was the hold harmless proposal. Do you recall that?

A I recall that it was mentioned, but again no more specifics beyond that.

Q But you would agree that the Joint Board has made its views clear that if the FCC implements a primary line restriction, that it must adopt some means of preventing or mitigating reductions in the support available to rural carriers?

A I guess my recollection is, as I testified, I remember those things but specifics beyond that I don't have an opinion, I guess.

Q But you're not disagreeing with me that that's what the Joint Board also recommended?

A No.

Q And none of those additional Joint Board proposals are discussed or referenced in your testimony. Would you suggest there could be a loss of universal service support to James Valley if Western Wireless were designated?

A Correct.

Q Correct? Is it fair to say, Mr. Groft, that your point regarding the potential loss of support if Western

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Wireless were designated, that that would only be true if the FCC adopts the Joint Board's primary line proposal and the FCC fails to adopt any of the other Joint Board's recommendations designed to prevent or mitigate any reduction in support to rural carriers?

A It's fair to say that I don't know the specifics of how those different items you mentioned would work out. I was primarily concerned with the fact that we could lose support.

Q And at this point, Mr. Groft, is it fair to say that we really don't know whether, when, or what the FCC might do?

A I certainly don't. I'm not an expert.

Q Do you know anyone who does know for certain what the FCC might do in response to the Joint Board's Recommended Decision?

A No, I don't.

Q Now regardless of the outcome of further FCC action on the Joint Board's recommendation, if Western Wireless were designated as an additional ETC in this proceeding, James Valley Telephone Company is in business today; right?

A Yes.

Q And making a profit?

A Yes.

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Q And your company will continue to receive the same amount of universal service support if Western is designated; right?

A Under the current rules.

Q Yes. And James Valley doesn't have any plans to relinquish its ETC designation if Western Wireless is designated, do you?

A No.

Q Because if you relinquish your ETC status, you'd be simply foregoing your chance to receive universal service support; correct?

A Correct.

Q You'd still have a Certificate of Authority and an obligation to serve customers under state law; right?

A Yes.

Q So if Western Wireless is designated as an additional ETC in this proceeding, James Valley's not going to go out of business, are they?

A Not under the current rules.

Q And I take it you will -- when I say you, I mean James Valley Telephone Company. You'll compete with Western Wireless, won't you?

A We don't have -- I would perceive we don't have any choice but to continue to try to stay in business.

Q Is it fair to say that you're prepared to compete hard

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with Western Wireless?
A Well, we are owned -- we are cooperative owned by members, and I would assume they would want us to continue to operate their phone company, yes.
Q And I take it in continuing to operate the phone company you'll try to attract new customers?
A We will try. Very hard in our areas.
Q And you'll try real hard to retain your existing customers, won't you?
A Yes.
Q Is it fair to say that if Western Wireless is designated as an additional ETC in this proceeding, that James Valley will continue to try to reduce its expenses and operate more efficiently?
A Yes.
Q And James Valley will try to develop new services or new revenue streams?
A Yes.
Q And you'll try to improve your customer service and your responsiveness to attract customers and to remain competitive, won't you?
A Yes.
Q And you might need to lower your rates or expand your local calling areas to respond to competition from Western Wireless, maybe?

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A Maybe.
Q Are you aware of West River Telecom and their recently -- where they recently expanded their local calling areas to eliminate long distance fees across their 9,750 service miles in South Dakota?
A I read about it in the Aberdeen paper.
Q James Valley could consider doing something like that maybe?
A We could. We have not.
Q Now, unfortunately, your testimony provides some criticisms of Western Wireless's coverage, and I have to ask you about that. And you reference some of your personal experience and indicated that you are a Western Wireless subscriber.
How long have you been a Western Wireless subscriber?
A Probably nine or 10 years.
Q And with respect to the James Valley Company account, about the same time, nine or 10 years?
A Approximately. I would not be able to give you an exact date.
Q Now have you reported to Western Wireless any of the claimed examples of substandard coverage?
A Yes, we have.
Q And how was Western Wireless responsive to that?

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A Not very. It took many, many months to get anything figured out. They gave us some different handsets.
Q Did that help improve the coverage?
A Eventually. We had some phones that I would say virtually gave us no service for many months. We were very upset. We thought they could have provided better service in a more timely manner.
Q But that was resolved through the use of different handsets?
A Yes.
Q Now in your surrebuttal testimony -- yes, in your surrebuttal testimony, Interveners' Exhibit 6, Mr. Groft, on page 4 you have a direct quote that Western Wireless's service, "does not work very well and cannot be counted on when needed." Do you see that?
A Which page are you on?
Q Page 4.
A Okay.
Q Lines 4 through 7.
A Okay.
Q The service, "does not work very well and cannot be counted on when needed," and you also indicate that there's discussion on a daily basis --
A Yes.

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Q -- about the service. If Western Wireless's service does not work very well and cannot be counted on when needed and if this is a daily discussion, is it fair to say then that James Valley must not be too concerned about Western Wireless as a competitor in its areas?
A No. I wouldn't say that's true.
MR. AYOTTE: Thank you, Mr. Groft. Nothing further.
MS. AILTS WIEST: Mr. Smith?
MR. SMITH: Nothing.
MS. AILTS WIEST: Commissioners?
CHAIRMAN SAHR: Mr. Groft, I just wanted to say thank you for coming in today and I appreciate your input and personal experiences, and I think what we've seen is especially in the last year and a half or so we've heard a lot from the public and that is very, very useful in trying to go forward and figure out where we need to do more.
And I really appreciate the comments, and I'd be happy to talk to you about your personal experiences and maybe come up with some ways and some suggestions on how to facilitate build-outs and do more to serve your area. And I appreciate your prefiled testimony and coming here today. Thank you.

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COMMISSIONER BURG: I have one, and I'm going to probably ask each ILEC the same thing. I've been pretty emphatic about what people want is basically the three, they want wireless, they want a good landline, and they want broadband.

And this is one way that they may be able to get at least one of those, the mobile. If we would deny this, how would you -- would you have any recommendations as to how you're going to get the consumers in your area?

And I'm not saying they're actually going to get it with or without our approval, but if we deny this, do you have any idea how you can get that mobile service to your consumers?

THE WITNESS: You know, I guess as a company we are always looking to provide our members what they want. So, of course, you're aware of all the different wireless spectrum options that come up. We are continuously monitoring those options to see if there is something that makes sense for us.

COMMISSIONER BURG: So you actually have talked about providing wireless service for your co-op members.

THE WITNESS: For our members, yes,

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because, you know, we continually hear that the wireless coverage is not sufficient.

COMMISSIONER BURG: Thank you. Because I think that's the thing that we're going to wrestle with, how do we get what people want out to them for service in the State of South Dakota. And I think that the ILECs have done a very good job getting broadband even into rural areas. I know on our farm we got DSL, and it's a real benefit.

But the other thing people want is mobile, and that's what we're here to talk about today. Thank you.

VICE CHAIR HANSON: Good morning, Mr. Groft.

THE WITNESS: Good morning.

VICE CHAIR HANSON: Thank you for coming in. I appreciate your testimony and information. I don't think I'm going to ask any questions that are confidential. And I noticed the information that you provided us was not confidential, except for a map item. So if I do, just don't answer me.

THE WITNESS: Okay.

VICE CHAIR HANSON: In looking at

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your testimony, it shows that you received -- and, again, when I say you I'm referring to James Valley. It shows that James Valley received $1.2 million in Universal Service Funds and that you spent $1.3 million for capital expenses last year.

THE WITNESS: Yes.

VICE CHAIR HANSON: Your testimony infers that you spent the $1.2 million for Universal Service Funds in different fashions, that not all of it went to capital. Is that true, some of it went to other areas?

THE WITNESS: Yeah. My testimony mentioned the 1.3 of capital expenditures and 3.6 million in operating expenses. So I think it would be fair to say that the universal service accounted for about one-fourth of either both capital and the expenses that we put in in 2003.

VICE CHAIR HANSON: Okay. The testimony also shows that approximately 94 percent of the consumers served by James Valley currently have access to broadband services through the provisioning of digital loop equipment.

THE WITNESS: Yes.

VICE CHAIR HANSON: Do you have an

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idea of what it would cost to provide the same service to those other 6 percent?

THE WITNESS: I don't know a total amount, no. It involves the placing of additional digital loop carrier equipment and additional fiber and copper.

VICE CHAIR HANSON: But you haven't cost that out or estimate --

THE WITNESS: We do have a plan for -- many years ago before I was manager, probably five or six years ago, the company did lay out our entire service territory. We did do a plan, a build-out plan, of we need a digital loop carrier here, here, here and the cost of that was not something we could do in one year. We've been doing it over three or four years.

And then the cost continuously changed. So we did identify where we needed to put them, and we have on a year-to-year basis been putting those in.

VICE CHAIR HANSON: I suspect the higher density are the areas that were covered first and you have the higher cost areas now left, or is that accurate to assume?

THE WITNESS: Yes and no. Some of it depends on density. Some of it depended on the

quality of the cable. If we have a very high-cost area with very few customers and the cable's 35 years old, we can't wait five years to do it. We've got to do it right now.

VICE CHAIR HANSON: Sure. But I understand that you do not have an estimate now for expanding that service to the last 6 percent.

THE WITNESS: Not the full 6 percent. We do have an estimate, which I don't have the exact numbers with me, what we're going to do this year and that's going to get us another -- I don't have the exact number, but it will get us another 1 or 2 percent of that 6.

VICE CHAIR HANSON: What does that cost?

THE WITNESS: I don't know the exact number. It would be -- we're going to have a similar capital plan to what we had in 2003 so it's going to be approximately that 1.3 million again.

VICE CHAIR HANSON: Okay. Thank you.

CHAIRMAN SAHR: We're sitting here and it's -- although I need to change my watch, it's May 6, 2004 by my recollection and, do you know, I'm just kind of curious, if -- and you've

seen what we won't call a build-out plan but the plans that are proposed for 2004 for Western Wireless and it doesn't appear that they're going to be at this point in time proposing any new towers in the area but, of course, we don't know what other provisioning they might do in the area.

And from Commissioner Hanson's question it's pretty clear a lot of times things don't go directly into capital type investment. If we ended up seeing some new towers up in 2005 in the James Valley area, do you think the consumers would be happy about that?

THE WITNESS: Yes, I do.

CHAIRMAN SAHR: You have obviously a tremendous amount of experience on the landline side of things. Would that be, in your mind, knowing business plans, the way things have to run through boards and through management and proper channels and so on and so forth, if you started to see some movement towards new towers in 2005, do you think that would show reasonable effort on behalf of the company to meet the USF requirements?

THE WITNESS: I guess I hesitate to give an opinion on that because to me it's kind of a policy regulatory question. You know, our

customers would like to see more towers. I would like to see a plan. But as far as does that meet USF requirements, I hesitate to give an opinion on that.

CHAIRMAN SAHR: Well, what I'm asking is if some new towers went up in 2005 in that area and coverage improved in some of those spots, knowing what you know about capital expenditure and capital outlay and again how planning takes place in the real world, which is you probably don't just run out and spend 1.3 million in capital without at least talking it through with somebody, do you think that would be -- you know, show a descent effort on behalf of the company to try to serve more of the people in that particular area?

THE WITNESS: Yes. If they did commit a build-out plan and were -- you know, they were obliged to stick to it, yes.

CHAIRMAN SAHR: Okay. Thank you.

MS. AILTS WIEST: Mr. Groft, can you explain your company's line extension policy?

THE WITNESS: No, I really can't, I guess. We have one. It's so seldom brought up that I am not overly familiar with it, no.

MS. AILTS WIEST: Okay. Thank you. Any further questions?

COMMISSIONER BURG: No. Off the record.

(Discussion off the record)

MS. AILTS WIEST: Do you have any redirect?

MR. CREMER: I have no redirect. Thank you.

MS. AILTS WIEST: Thank you, Mr. Groft.

(A short recess is taken)

CHAIRMAN SAHR: Commissioner Hanson is on a call that he needs to complete this morning, but he can always review the record.

MS. ROGERS: The Interveners call George Strandell.

GEORGE STRANDELL,

called as a witness, being first duly sworn in the above cause, testified under oath as follows:

DIRECT EXAMINATION

BY MS. ROGERS:

Q Would you please state your name and business address for the record.

A George Strandell, 415 Crown Street, Wall, South Dakota.

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Q What is your professional occupation?
A I am the general manager of Golden West Companies.
Q And what does Golden West Companies include?
A It includes Golden West Telecom Cooperative. It includes Vivian Telephone Company, and several subsidiaries, some of which provide traditional ILEC dial tone and some which provide some other services like cable television.
Q For the purposes of this proceeding the two companies that you manage that are appearing today are which ones?
A Golden West Telecommunications Cooperative, Inc. and Vivian Telephone Company.
Q George, before we get into your prefiled, just for the purposes of clarification, could you step over to the map and roughly identify where your areas are, Golden West and Vivian?
A Sure. Outlined here somewhat. The Golden West Telecom area includes this rural area east of Sturgis, South Dakota over to the Missouri River and down in approximately this area, including parts of the Pine Ridge Indian Reservation.
Vivian Telephone Company includes most of the south central area of South Dakota and some exchanges over in the Springfield, Scotland area, and Vivian also

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includes the Custer exchange in the Southern Black Hills.
Q Thank you, George. And I note especially in the Western part of your companies those are a lot of the ones that have white in their area; is that right?
A On that map, yes.
Q George, did you prefile testimony in this case?
A Yes, I did.
Q You filed direct testimony and also surrebuttal; is that correct?
A Yes, I did.
Q And these would be what have been marked as Interveners' Exhibit 7 and 8; is that correct?
A I think.
Q Before I ask you to summarize your testimony, I would ask you if you have additions or corrections to that testimony?
A Not at this time.
Q Thank you. Would you please summarize your testimony in this case?
A I'll try to summarize it quickly. My testimony which was compiled with my oversight by my legal team was filed and kind of states my company's concern about the impact of several ETC providers in our area and the impact that it might have on USF as it relates to our

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compensation and our support for the services that we provide.
Now in my testimony it was my intention to direct the attention to the extreme rural nature of our company. We do serve almost a third of the geographic land mass of South Dakota. However, Hot Springs, South Dakota, which has a local population of about somewhere just under 4,500 population is the largest community that we serve.
And the wire centers that we do serve drop off in population drastically thereafter. Just to give you an extreme example, we do have a wire center south of Hot Springs and it's on the edge of the Nebraska-South Dakota border, it's in South Dakota, that's the Ardmore exchange. That total -- -- the total number of access lines in that exchange is 42.
We're looking at an upgrade in the future, and in order to further modernize that we're looking at about an 88 mile build in that area. It was schedule for 2004, but work plans and some question about future technology kind of put those plans on hold for this year, but it's still on the block.
23,000 plus square miles in the two companies. USF is important to us, very important to us. Collectively we did collect nearly 10 million

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dollars in support from USF last year. We used that support for investing in upgrades. We use it to maintain and provision our services. And we've depended upon it for many years to continue to provide the latest state-of-the-art telecommunications services to our rural customers. And we're proud of our record in that regard.
My testimony makes reference to the primary line issue, which has some real concern to me. And if the primary line issue becomes -- does become one of the rules, I can see some immediate dissolution of those funds, whether or not Western Wireless is in the pool or not.
Today we have some instances where businesses have multi lines. At least the average would be affected for sure. That's kind of my summary.
MS. ROGERS: Thank you. I would tender him for cross.
MS. AILTS WIEST: Mr. Ayotte.
MR. AYOTTE: Thank you.
CROSS-EXAMINATION
BY MR. AYOTTE:
Q Good morning, Mr. Strandell.
A Good morning, Mr. Ayotte.
Q You're testifying today as the general manager on

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behalf of Golden West Telecommunications Cooperative and Vivian Telephone; correct?
A Correct.
Q And even though there are two companies, can we agree when I refer to Golden West we're really referring to Golden West Telecommunications Cooperative and Vivian?
A There are some minor differences in the two companies, but for reasons of today, yes, you can refer to both companies.
Q If you feel it necessary to differentiate your responses on behalf of either of the two companies, feel free to do so, okay?
A Sure.
Q I take it as the general manager you are authorized to testify on behalf of Golden West in this proceeding?
A I hope so.
Q And am I correct in assuming you're not employed by or have any financial interest in any of the other intervening telephone companies?
A That's correct. Both of my companies are members of SDTA.
Q But you're not authorized to testify on behalf of any of the other --
A No.
Q -- companies? And you're not purporting to represent

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or testify on their behalf?
A No, sir.
Q Are you familiar with the prefiled direct and surrebuttal testimony of Mr. Groft and Mr. Houdek in this proceeding?
A Only in conversation. I have not read their direct reports.
Q Do you understand that the basic text of your testimony is verbatim to the questions and answers of the other two witnesses?
A I understand that that is probably the case, yes.
Q And did Ms. Vanicek undertake to draft your direct and surrebuttal testimony with your oversight?
A Actually, I think Mrs. Vanicek was part of the legal team that worked on this. That's my understanding.
Q Is it fair to say then that you provided to that team the company-specific information so they could draft your testimony?
A Yes. That's in general terms that's fair to say that.
Q And the company-specific information that you provided related to the area served by Golden West?
A Yes.
Q And the average local service rates for businesses and residential?
A Yes.

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Q And the 2003 federal universal service support received by the two companies?
A Yes.
Q And the company-specific revenue and expense information?
A Yes, sir.
Q And is it your understanding that on the basis of that factual information on those items then Ms. Vanicek used that in her testimony?
A I will stipulate to that, yes.
Q Now in your direct testimony you claim that Western Wireless's designation as a competitive ETC in the areas served by Golden West and Vivian could have a potential impact on the amount of federal universal service support that's received; right?
A That's our -- yes, sir. That's what I testified to.
Q And the basis for that statement relates to this primary line connection proposal of the Joint Board?
A In today's -- yes. That's our major basis for that, yes.
Q And your testimony references the Joint Board's Recommended Decision.
A Uh-huh.
Q Have you read the Joint Board's Recommended Decision?
A Not a word. I rely on my consultants to advise me on

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some of those decisions. Usually the length of those proceedings is extremely lengthy and long, and I do not seem to find time to read a lot of that stuff.
Q Is it fair to say then, Mr. Strandell, that you're not particularly familiar with the Joint Board's Recommended Decision?
A I think that it might be fair to say that I'm familiar with some of the provisions that do relate to us, especially the primary line part of that that has been pointed out to me and has created some concern on our part, yes.
Q Do you understand that the Joint Board's recommendations have no immediate effect on the amount of federal universal service support received by your companies?
A Yes. I understand that until something is done, that we're on a status quo situation, yes.
Q Has your team of advisers and consultants -- and I'm not interesting for privileged information here, but the people whom you rely upon to create your understanding of the Joint Board's proposals, have they also explained to you the Joint Board's further recommendations that I discussed with Mr. Groft regarding additional recommendations to maintain support in rural areas if the primary line connection

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were to be adopted?
A We have discussed that but I will qualify that, that the discussion has been very, very brief and I do not have full knowledge of all of those points that you did bring up to Mr. Groft's attention.
Q But you're generally aware there's something else?
A Yes. I'm somewhat heartened by that.
Q And none of those other items is identified in your testimony; correct?
A No. Right.
Q Do you agree with me, Mr. Strandell, at this point we really don't know what or when the FCC might do in response to the Joint Board's recommendations?
A In general terms I agree with you. However, I have had occasion to visit with Commissioner Adelstien and he has expressed his concern over some of the items to me that came out of the Joint Board. He was on the Joint Board.
Q But nobody really knows --
A Nobody really knows. I certainly agree with you there.
Q But, again, now setting aside sort of regardless of the outcome of any further FCC action on the Joint Board's recommendations, let's talk about Western Wireless's application and its request to be designated in the areas of Golden West and Vivian in this proceeding.

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Your companies are in business today?
A Yes.
Q And they're making a profit?
A In most cases they are, yes.
Q And if Western Wireless is designated, your companies will continue to receive the same amounts of universal service support?
A I certainly hope so.
Q And you don't have any plans for either of your companies to relinquish ETC designation if Western is designated?
A That is a true statement.
Q You don't believe that your companies will go out of business if Western is designated, do you?
A I don't believe that our companies will go out of business if Western Wireless is so designated, yes.
Q And you're prepared to compete with Western Wireless?
A Yes, we are.
Q And compete very hard?
A Well, we hope so.
Q And you'll try to attract new customers and retain existing customers?
A We do that already.
Q And you'll try to reduce your expenses and operate more efficiently if Western is designated?

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A Again, we're a rural company. Our resources are limited, and we do that already. We do our best to keep our expenses as low as we can and to perform as efficiently as we can, yes.
Q And if Western is designated, you'll continue to do that?
A Yes.
Q And you mentioned -- you didn't identify but you mentioned some subsidiaries of the Golden West Companies.
A Uh-huh.
Q They're in some alternative lines of business, I take it?
A Actually a couple of them are in some alternative lines of generally related business, and some of them are also ILECs.
Q And that's an effort to try to develop new services or some new revenue streams?
A You mean, our owning those subsidiaries?
Q Yes.
A Yes. Plus we have recently acquired some of those within the last 12 months, and part of our thought process in doing that was an attempt to lower our overall expenses, increase operating efficiency by some -- enlarging the scale and we're working to do

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that. We think we're starting to see some real positive things in that area, yes.
Q And if Western Wireless is designated in this proceeding, you'll continue to pursue those types of efforts?
A Of course.
Q And I take it if Western is designated, your companies will strive to still improve customer service and responsiveness?
A Still improve, yes.
Q You may need to lower your rates or expand your local calling areas to respond to competition from Western, might you?
A That's your statement.
Q Well, do you foresee that or maybe not?
A I will tell you that our local calling scope for all of our companies is under study at this point in time, yes.
Q Your direct testimony also sets forth a calculation of the amount of universal service support received on a per line, per month basis; right?
A Right.
Q And I think Mr. Brown clarified some of this.
A He did.
Q The support for your companies is actually based on

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your costs, not on a per line amount; correct?
A The support for our company is based on our overall costs, yes.
Q And you were simply performing a calculation to divide the amount of your total support by the number of access lines.
A That's fairly common in the industry. In fact, it's the basis for the new ETC status, per line cost, is my understanding.
Q But under the current USF funding mechanisms, your companies' loss of an access line does not mean a loss in any total amount of USF support, does it?
A That's correct.
Q And if you have a customer that has two lines going into his or her home, you still receive the same amount of universal service support if they only have one line.
A We are able to include the investment in both lines and our overall calculations of our cost.
Q I appreciate that clarifying answer. Because your support is based upon cost.
A Correct. That methodology, however, has been discussed at length at the commissions, and there's some discussion whether that will continue under the new primary line proposal.

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Q Now in your surrebuttal testimony unlike Mr. Groft and Mr. Houdek your testimony does not contain any observations or comments regarding the quality of Western Wireless's service in the service areas of Golden West and Vivian, does it?
A No.
Q And that's true even though you indicated on your summary that most of the areas served -- based on GHB 8, most of the areas show up on that exhibit as a white area.
A Yes. It doesn't mean that the service is wonderful.
Q There's nothing in your testimony that addresses it; correct?
A You asked. No. There's nothing.

MR. AYOTTE: Thank you. Nothing further.

MS. AILTS WIEST: Mr. Smith?

MR. SMITH: No questions.

MS. AILTS WIEST: Commissioners?

COMMISSIONER BURG: I have the same one, Mr. Strandell, that I asked before. We want to see the three basically bags of service, the broadband, the wireline, and the wireless. And this is one way that it can be proposed to us to get wireless.

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If that doesn't occur, if there should be a denial based on your testimony of the effects, have you looked at any way to get wireless to your customers?

THE WITNESS: Commissioner Burg, we have looked at various different ways that wireless service could be provided or provisions in Golden West Companies' territories. In fact, we, have -- when the early auctions for PCS licenses we're up, we were successful in purchasing Rapid City BTA. I believe it's the C block license for PCS.

Since that time our company has in the last five years done at least four I would call them rather major studies to see if we could provide a wireless mobile product in the territories that we serve. In each one of those cases -- and we tried to make the best use of data and suppositions as we went forward.

Each one of those cases we determined that the best scenario that we could come up with showed that those cases of serving at least in the areas that we were looking at, and they did spill over a little bit maybe into Rapid City where the numbers are better, competition is higher too, but the best

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we could see was that in a nine or 10-year time frame that's how long it was going to take for this product that we were looking at to at least cash flow.

And with what I have seen in the industry, technology of the wireless industry and 10 years from now, it's pretty hard to invest some major dollars in a technology that in 10 years from now will be probably extremely obsolete.

So we continue to search for that in our own right. We've been unsuccessful to see anything that really makes a lot of good sense to us. But in the same regard, we do have some spectrum, and we also have some MMDS spectrum that we are looking at to possibly provide some wireless Internet and broadband possibilities in some of our areas.

COMMISSIONER BURG: If you decided to do a wireless -- go out with wireless, do you get additional USF money for that?

THE WITNESS: We'd probably have to go through the same process Western Wireless is doing here.

COMMISSIONER BURG: There's nothing to prohibit you from doing what they've done?

THE WITNESS: I don't think there's

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anything that prohibits us.
COMMISSIONER BURG: Would you have to apply for an additional ETC?
THE WITNESS: We'd have to apply for an additional ETC -- that would be my understanding -- if we wanted USF.
COMMISSIONER BURG: Just one other little question that was triggered by the discussion that you just had. If you actually lost customers in your area, could you actually see your USF support increase?
THE WITNESS: Actually I don't think you can -- this is kind of an accounting question, but I don't think you would see it increase. You'd see the per line cost over time increase.
I see that there would be a relatively small decrease in expenses and also some decrease in local service funding for the portion of local service rates that --
COMMISSIONER BURG: That's what I was wondering. Would your local service income decrease more than your expenses would increase with?
THE WITNESS: Oh, absolutely.
COMMISSIONER BURG: If that

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occurred, would that actually make you eligible for more dollars because you're --
THE WITNESS: Possibly. It's possible.
COMMISSIONER BURG: That's all I have.
MS. AILTS WIEST: Any other questions from the Commissioners?
Mr. Strandell, can you explain your line extension policy?
THE WITNESS: Yeah. I can explain it in pretty much general terms. In a previous life I was pretty familiar with it, but it has changed somewhat. Our line extension policy relates to reasonable requests for service that come our way where -- and I'll give an example.
A customer in a fairly remote area comes into our office and says, I'm building a house or I'm going to move to this area and I would like to have phone service.
If they're within -- and this is only my recollection. It's not exact. But I believe it's within a mile and a half of an existing facility we charge them nothing to provide that and we forego the expense of going to that location and

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installing a new service to that.
If it's more than that, we calculate approximately the cost to provide that service beyond that mile and a half and ask them to pay us a deposit in approximately that amount, and we keep that as a deposit. And the reason we do that is to guarantee at least some return on investment for providing the service to that customer.
Now after they have been a customer in good standing for a year, then we begin to credit their monthly bill from that deposit until they have completely zeroed out that. So it's not our intention to take their deposit and not return it. It's more of an effort for us to get some return on investment and a long-term -- it's kind of like signing up for a cell phone and signing a two-year contract for getting that low cost handset.
So that's the theory of your line extension policy. It's more of a guarantee of service type policy than aid to construction.
MS. AILTS WIEST: Okay. Thank you.
MR. AYOTTE: Ms. Wiest, I'm sorry. Could I just ask you to clarify your question to the witness to determine whether it's the same policy for both of the companies or whether there's

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any difference between the two?
MS. AILTS WIEST: Is it the same policy?
THE WITNESS: Same.
MR. AYOTTE: Thank you.
MS. AILTS WIEST: Do you have any redirect?
MS. ROGERS: Just a couple of things on redirect and maybe just one.

REDIRECT EXAMINATION

BY MS. ROGERS:

Q In response to a question asked to you by Mr. Ayotte concerning your consideration as a company of making the changes in local calling areas or local rates, I would ask you this, George. If you are concerned about your current revenue streams, would that be the reason that you would consider possibly scaling back or doing something different with your local calling areas or your local rates?

A Yes. That would be one of the reasons. In many cases we see instances of ILECs who have extended area calling plans that are not necessarily a function or a feature of their local service offering. Kind of a cafeteria plan.
We've heard a lot I think in the last few

days about what the customer wants. We're looking at a possibility of offering for a small incremental fee on their local service a toll-free call to an adjoining exchange or any other exchange in our serving area.

Q And those are considerations that you undergo as you look at your revenue streams and how things are going in your company generally?

A That is probably at least 50 percent of the consideration. The other reason that we look at that is, again, to try and respond to customers' wants and needs.

MS. ROGERS: That's all. Thank you.

MS. AILTS WIEST: Any further cross?

MR. AYOTTE: No. Thank you.

MS. AILTS WIEST: Thank you, Mr. Strandell. You may call your next witness.

MS. ROGERS: Randy Houdek.

RANDY HOUDEK,

called as a witness, being first duly sworn in the above cause, testified under oath as follows:

DIRECT EXAMINATION

BY MS. ROGERS:

Q For the record, would you please state your name and your business address.

A Randy Houdek from Highmore, South Dakota.

Q What is your occupation, Randy?

A General manager of Venture Communications.

Q And in the documents before this Commission and particularly in the Petition that was filed I think that your company was referred to as Sully Buttes. Is that the same company as Venture?

A Yeah. We changed our name.

Q And as I did with the previous witness, for the purposes of clarification, could you step to the map that's up on the board here and identify exactly where Venture's service area is or approximately where Venture's office area is?

A We operate east of the river, this area from Wessington Springs all the way up through the Selby exchange east. Also the Britton, Roslyn, Pierpont, Langford, Sisseton.

Q Mr. Houdek, did you file direct and surrebuttal testimony in this case?

A Yes.

Q And would those be Interveners Exhibits 9 and 10?

A I think so.

Q And I believe you also attached a map to one of those exhibits; is that correct?

A Right.

Q Mr. Houdek, I would ask you before I ask for a summary of your testimony if you have any corrections or additions to the prefiled testimony that was filed?

A Yeah. Unfortunately, I do. The square miles that we serve was understated in here. It's actually closer to 7,300 square miles. And the access lines are closer to 13,500 roughly.

MR. AYOTTE: Could we get perhaps a more specific reference? Page 2 of the direct serves an area of about 6,900 square miles? Are we changing that?

THE WITNESS: Yeah. Closer to 7,300.

MS. AILTS WIEST: What are the access lines?

THE WITNESS: About 13,500.

Q Do you know where in your testimony that appears?

A I don't know that the total count, access count line, appears in my testimony, but when you do the per line calculation it might. Someone might try to do the math.

Q So approximately how many access lines does your company serve?

A About 13,500.

Q Okay. Are there any other additions or corrections to your testimony?

A Again, they're going to be math-related because of the square miles of the density will probably change a little bit.

Q Okay. But other than that --

A Right.

Q -- your testimony is correct as it is? And I would ask you at this time, Randy, to provide us with a summary of your prefiled testimony.

A Very briefly I just want to, again, say how important the Universal Service Fund is to our company. We use it for the provision and maintenance of the services we offer. Like the other Interveners, we're very proud of the service that we provide to our customers and the things that we offer and the prices we charge and the relationship and care that we give to our customers.

Again, like I said, we use this to build a network that not only provides voice but gives us the capabilities of providing other services as they come down. Also in my testimony, and I'm sure you'll get to it, I have had a little experience with some of the Western Wireless service in our area and my opinion of that.

That's basically my summary.

MS. AILTS WIEST: Mr. Ayotte.

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MR. AYOTTE: Thank you.

CROSS-EXAMINATION

BY MR. AYOTTE:

Q Good morning, Mr. Houdek?
A Very good.
Q With a last name like Ayotte, I try to be sensitive. You're testifying here today on behalf of Venture Communications?
A Correct.
Q And I take it then that you're not testifying on behalf of any of the other six rural telephone companies where Western Wireless is seeking designation?
A Correct.
Q And are you familiar with the prefiled direct and surrebuttal testimony of Mr. Strandell and Mr. Groft in this proceeding?
A Just conversationally, but your next question is, yes, we use some of the same consultants and attorneys to help prepare in order to be more efficient.
Q It's the same basic testimony; right?
A Yeah. Very similar.
Q Almost like if I were to ask you the same questions here today that I asked of the other two witnesses, would your answers be the same?
A In a lot of cases, yes.

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MR. CREMER: Does that get us to page 2?

MR. AYOTTE: Pretty close.

A There's some benefit of being third.
Q Is it sort of fair to say that your direct testimony you're really kind of a set-up person for Ms. Vanicek's testimony by giving the factual information for Venture?
A I wouldn't go that far. No. It's my testimony. We just hired people to help us prepare it.
Q But I'm just saying the factual information relating to the area served, Venture's local rates, 2003 USF support, and the company-specific revenue and expense information, you're providing that information so that Ms. Vanicek can use it in her testimony; right? That's all I meant.
A Yeah. She's got her own testimony, but, yeah, this is my testimony.
Q Correct. And have you read the Joint Board's Recommended Decision?
A Parts of it. I won't say that I've read it all.
Q And just to move things along, are we in agreement that the Joint Board's recommendations have no immediate affect on the amount of federal universal service support that Venture will receive?

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A The Joint Board's Recommended Decision?
Q Yes.
A No. They won't have any direct impact immediately.
Q And there's nothing in your direct testimony like Mr. Groft and Mr. Strandell that talks about some of these other Joint Board recommendations about -- for the FCC to consider to avoid or mitigate any reduction in the amount of high-cost support that flows to rural carriers relating to this primary line proposal; right?
A Yeah. But the other two Interveners testified that their main concern was the primary line. And I'm very concerned about that as well. But another thing I think we should mention is the capping of the fund, and that could happen at any time that the FCC does cap the fund, we see an immediate reduction in universal service support.
Q Sure. But they haven't capped the fund.
A Not today.
Q Right. My question had to do with the other aspects of the Joint Board's Recommended Decision, that section of their report where they discuss further recommendations to the FCC to avoid or mitigate any reductions in the amount of high-cost support flowing to rural carriers if a primary line proposal were to be implemented.

MS. ROGERS: Excuse me, just a minute. What's your question to him about that?

Q My question now is are you aware of those aspects of the Joint Board's Recommended Decision?
A In general terms.
Q And I don't intend to ask you anything specific about them. My question is there's nothing in your direct testimony that discusses any of those further recommendations of the Joint Board.
A No. I don't think they've got a great chance of seeing the light of day, to be honest with you.
Q See, that wasn't my question. My question is there's nothing in your testimony that discusses those further recommendations; isn't that correct?
A Yes.
Q Thank you. Would you agree with me the point that is in your testimony about a potential loss of federal universal service support if Western Wireless were designated, would you agree with me that that's only true if the FCC adopts the Joint Board's primary line proposal and fails to adopt any of the other Joint Board's recommendations that are designed to prevent or mitigate any reduction in support to rural carriers?
A Not entirely. Again, the cap I think will kind of affect -- I'm confident that the fund will be capped sooner rather than later.

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Q Okay. But at this point, Mr. Houdek, nobody really knows for sure, do they, whether, when, or what the FCC might do?
A That's fair.
Q My series of questions on page 3 of my outline that I asked of Mr. Strandell and Mr. Groft about your company's in business today, you're making a profit, et cetera, would your answers be the same as those witnesses, or do you want me to run the list?
A I don't want you to run the list if you allow me to editorialize a little. I'll keep it short. I had the thought listening to you ask those questions about will we continue to stay in businesses, improve services, lower prices, et cetera.
Q And you will, won't you?
A No. I wouldn't say that.
Q Okay. If Western Wireless is designated as an ETC, is Venture going to go out of business? Is that your plan?
A That's not my plan.
Q Okay. If Western is designated as an ETC, is Venture going to relinquish its ETC designation?
A Again, not our plan.
Q If Western is designated as an ETC, are you not going to compete with Western Wireless?

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A We are today.
Q Okay. And if they are designated, you're going to continue to compete with them, aren't you?
A As long as I can.
Q And you're going to compete as hard as you can too, aren't you?
A Sure.
Q And you're going to try to attract new customers and retain your existing customers, aren't you?
A We can all try.
Q And you'll try to reduce expenses and operate more efficiently, won't you?
A Like Mr. Strandell, we're pretty efficient now.
Q And you'll continue to be if Western Wireless is designated, won't you?
A To the extent we don't lose the scale that comes with having the number of customers we have.
Q If Western is designated, you're also going to try to improve customer service and responsiveness so that you can retain customers, won't you?
A Again, we provide really good service today. If we lose enough customers, we might have to cut back on staff, but we're going to provide the best service we can.
Q And the company's making a profit today, isn't it?

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A Today.
Q And historically it's made profit, hasn't it?
A We've had years where we've lost money.
Q But more years that you've made money; right?
A I wouldn't -- I haven't been there that long. Since I've been general manager there's more years that we've made money.
Q You don't plan to step down as general manager any time soon, do you?
A Unfortunately, I don't get to make that decision.
Q But under today's current USF rules if Western Wireless is designated, you're going to continue to receive the same amount of USF support, won't you?
A Until they cap the fund.
Q If they cap the fund.
A I say until.
Q Now in your surrebuttal testimony you use a bunch of terms in describing Western Wireless's services like "significant areas without reliable cellular coverage" and "poor service."
Would you agree with me that those kind of terms are pretty vague, pretty relative terms?
A They're common terms.
Q But they're subjective terms?
A Sure.

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Q And they're not based on any particular facts that are set forth in your surrebuttal testimony, are they?
A I guess that depends what you define as a fact. You know, I've experienced poor qualities.
Q You've described the service as in areas without reliable coverage and you described it as poor but you haven't set forth any facts in your testimony to support those descriptions, have you?
A Like a propagation study or something like that, no.
Q And you also claim to have been a party to many conversations with friends and business associates who use Western Wireless's mobile wireless service; right?
A Yes.
Q Now do you mean talking to them while using Western Wireless's service or simply talking to them about Western Wireless's service?
A Both.
Q Some of this is all based on secondhand information, what people have told you about their experience; right?
A Well, that's part of it.
Q And you haven't told us who these people are or when the conversations took place or what you were told; right?
A Not as part of my testimony.

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Q Okay. And you don't know what type of equipment those people were using, do you?
A Not in all cases.
Q And you don't know if their handset was fully charged at the time of their conversation?
A Well, in one particular case I know that it was fully charged because I borrowed their phone.
Q But that was based on your experience, not what you were told from others?
A Right. Like I said, both.
Q Okay. I'm focusing right now not on your personal experience but what you've been told by these other unidentified people.
A Okay. Yeah.
Q For those people you don't know if their handsets were fully charged?
A I didn't ask them.
Q Okay. And you didn't know what time of day it was?
A Not from the experiences they told me. When I had the conversations I remember what time it was.
Q And you don't know what season these people were using the service, season meaning, you know, spring, winter, fall?
A That's a fair statement.
Q And you don't know what the weather conditions were at

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the time?
A That's fair.
Q And you don't know where they were when they tried to use the service?
A Well, in some cases I do.
Q But you don't know where they were relative to the -- Mr. Brown described how the individual experience of a customer can be affected by environmental and a person-made factors and so forth. You don't know exactly where these people were; right?
A I couldn't give you a GPS location, but probably I could point to an area on the map.
Q Okay. You're not afraid to compete with Western Wireless, are you?
A I don't have any choice.
Q Well, you claim in your testimony it is "the rule rather than the exception" that calls are dropped along many of the routes in Venture's service area; right?
A Yes.
Q So if that's true, Mr. Houdek, then you wouldn't expect Western Wireless to be very successful in attracting many customers, would you?
A Well, you've got quite a few customers, you know, we cover a large part of the state so, you know, in some geographic areas if service doesn't improve, I don't

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expect you'll get a lot more.
Q We might even lose some?
A Perhaps.
Q And if those customers are lost, Western isn't going to receive universal service support assuming they're designated; right?
A Yeah.
Q Would it be fair to say that for those customers of Western Wireless that are in Venture's service area, is it fair to assume that they subscribe to that service and they're generally satisfied with the quality of that service?
A I missed one of the words in there. Could you ask the question again? The customers of your product that live within my service area?
Q Yeah.
A Are they generally satisfied?
Q If they weren't satisfied with the quality of the service, they'd drop the product, wouldn't they?
A You know, not just your product, but a lot of cell coverage is poor. I'm a good example. I've got a phone. I've got a phone, and I'll always use a phone. And a lot of area of my service area it's poor, but I use it when I come to town, I travel to Sioux Falls, when I go to meetings outside the state. So even

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though my service in my area is poor, I'll still have a phone, and you'll still get support on that.
Q But if the customers didn't perceive a value for the service of what they're spending based on their use, if they didn't perceive a value, if they didn't perceive that there's quality there, they'd drop it, wouldn't they?
A Sure.

MR. AYOTTE: Thank you. Appreciate it. Nothing further.

MS. AILTS WIEST: Mr. Smith?

MR. SMITH: No questions.

MS. AILTS WIEST: Commissioners?

COMMISSIONER BURG: The only one I have is the same one, Randy. Have you looked at providing any type of wireless service in your service territory?

THE WITNESS: Many times. In the studies that we've performed they don't cash flow. We didn't include universal service funding in those studies, more out of fear because Universal Service Fund is so important to our landline business and the services we provide that we didn't want to jeopardize it.

COMMISSIONER BURG: Same argument

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you're making in opposition to someone else getting Universal Service Fund for that purpose.

THE WITNESS: Right.

COMMISSIONER BURG: Okay. That's all I have.

MS. AILTS WIEST: Any other questions from the Commissioners?

VICE CHAIR HANSON: Mr. Houdek, on page 4 you also stated about 94 percent of the consumers served by Venture have access to broadband services. Curious. Do you have a plan and do you know approximately how much longer and how much it will cost to provide that to the other 6 percent?

THE WITNESS: I'm sorry. I don't have the information in front of me but we did do kind of a high-level overview and that's probably been four or five years ago and it was over $100 million at that point.

VICE CHAIR HANSON: For the entire project?

THE WITNESS: For the entire service area. We do projects every year, and similar to the numbers that I've listed in my testimony, that's just about all we can do in terms of

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manpower and our current debt load.

VICE CHAIR HANSON: Okay. Thank you very much.

COMMISSIONER BURG: I do have one other one. I wasn't sure of your answer. I didn't think it was real clear to Mr. Ayotte's question of if people keep Western Wireless instruments, phone, are they necessarily satisfied with the service they're getting?

THE WITNESS: What I tried to say there is perhaps not satisfied with the service that they're providing within my area, but they have the phone so when they travel to the urban areas they've got a cell phone.

COMMISSIONER BURG: Okay.

CHAIRMAN SAHR: When we get to the annual certification process and start evaluating use of USF by wireless and wireline companies do you think -- it sounds like you've done some analysis on this. Should it be a requirement of every company to have detailed build-out plans as far as bringing any service supported by USF to those customers at no cost?

THE WITNESS: Explain that no cost again. I didn't --

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CHAIRMAN SAHR: Without -- for instance, when I say at no cost I would include a fee paid by the consumer, a deposit paid in advance that would be refunded to the consumer over a period of time and anything that would involve any participation by the consumer to receive this service.

THE WITNESS: Similar to the line extension?

CHAIRMAN SAHR: Yes. And I don't know how your line extension program works, but that's what I mean by any sort of cost by the consumers.

THE WITNESS: I think it would be fair -- you know, that's assuming that they get designation if there is a recertification process. Yeah. I think it should be a very detailed analysis and, you know, speaking for our company, I'd be happy to provide the same detailed analysis to you folks that anybody else is required.

CHAIRMAN SAHR: And should the standard to receive USF be 100 percent of coverage in a particular territory so that everyone in Venture that wanted DSL could have it? Shouldn't that be a condition of receiving USF money?

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MS. ROGERS: I'm --

CHAIRMAN SAHR: Maybe that's a bad example. Thank you. Let me rephrase that. For USF -- for service that USF funds are received should the standard be that 100 percent of customers should be able to receive those services without having to make any sort of financial commitment on their behalf?

THE WITNESS: I'm comfortable with that.

CHAIRMAN SAHR: Thank you.

MS. AILTS WIEST: Can you explain your line extension policy?

THE WITNESS: In general terms it's very similar to Golden West, after we get to a certain distance of facilities that we have to provide we will require a deposit. That may vary, but it's based on the months of local service, say, 12 months of local service or maybe even three years of local service and then we start crediting it back as long as they maintain service.

MS. AILTS WIEST: So are there instances when people can't afford the deposit and you do not provide service to them?

THE WITNESS: You know, we implement

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our line extension policy so rarely I'd hate to say with any certainty. Maybe it's happened, but I can't recall.

MS. AILTS WIEST: Thank you.

(Discussion off the record)

MS. AILTS WIEST: Any redirect?

MS. ROGERS: I have just a couple of things.

REDIRECT EXAMINATION

BY MS. ROGERS:

Q Randy, Mr. Ayotte asked you about some things that you did not include in your testimony, and while he didn't necessarily name them, I think he was talking about a hold harm -- possibly the hold harmless or something along those lines from the FCC -- or from the Joint Board recommendation.

Why did you not include them?

A Because I don't think that any of them will be implemented. I think they're politically unsound.

Q Okay. Mr. Ayotte also asked you about some of the things that you stated in your rebuttal testimony concerning your conversations with friends and business associates who use Western Wireless as mobile wireless service.

In addition to that, though, you have had

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some personal experience in using -- trying to use Western Wireless's service; is that correct?

A Yes.

Q And can you describe those experiences? And if you want to -- I'm referring to page 3 of your surrebuttal testimony as a starting point, if that helps you. Line 17. Excuse me.

MR. AYOTTE: Would you like to just answer for him, or have you set him up enough?

MS. ROGERS: I think I was following your excellent example from earlier. Thank you.

MR. AYOTTE: Thank you.

A Actually in anticipation of this question I borrowed a Western Wireless phone and took kind of a long road home Monday night after our meeting, and in many cases I had staticky service. Calls were dropped. I couldn't get -- couldn't complete the call. So, yeah, I've had very -- I've got good experience about the quality of service in some of the areas.

Q And the areas that you've described in your testimony that would be consistent with what you're saying here today?

A Yes.

Q In response to one of the other questions I believe that was whether you are able and willing to provide

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the services that you provide throughout your service area, is that a fair statement?

A Yes.

MS. ROGERS: Okay. Thank you.

MS. AILTS WIEST: Any further cross?

RECROSS-EXAMINATION

BY MR. AYOTTE:

Q Mr. Houdek, I get one more shot. You indicated you didn't include the Joint Board's recommendation on mitigating impacts and hold harmless and so forth in your testimony because you don't think they're going to be adopted; that is right?

A Yeah.

Q But you don't know for certain whether, when, or if any such proposals would be adopted by the FCC; fair?

A Yeah.

Q And do I understand also then that your personal experience with Western Wireless's service is limited to one time, last Monday night on your drive home?

A No. That's not fair.

Q Well, not fair. I wanted to know if that was accurate. That's what I understood your testimony to be.

A No. That was just to reassure myself that you hadn't put a tower up in the last couple of weeks.

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Q And had we?

A Evidently not.

MR. AYOTTE: Thank you.

CHAIRMAN SAHR: I do have a follow-up question to both that question and one of Ms. Rogers' questions, though. Let's say Western Wireless put up a cell site let's say up by the Onida-Blunt junction or somewhere in that area that would be a typical cell site. So we'll assume 300 foot tower type thing.

Do you think that would improve coverage on your drive back home?

THE WITNESS: Probably. I mean, I drove somewhat in that area so I would have to assume that it would help.

CHAIRMAN SAHR: And, unfortunately, we see a lot of bad accidents, don't we, along the highway to Onida and Highmore. It seems like at least over the last few years we've had a lot of pretty serious accidents out that way.

THE WITNESS: Yes. In fact, I served on the fire department and ambulance crew and have been involved in some of those so it's tragic.

CHAIRMAN SAHR: And certainly

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improved cell phone coverage in this particular part of the state just like any other highway might help us respond to those type of emergencies.

THE WITNESS: Very much so.

CHAIRMAN SAHR: Thank you.

MS. ROGERS: No. Thank you.

MS. AILTS WIEST: Thank you, Mr. Houdek. You may call your next witness.

MS. ROGERS: We would call Sue Vanicek to the stand.

SUE VANICEK,

called as a witness, being first duly sworn in the above cause, testified under oath as follows:

DIRECT EXAMINATION

BY MS. ROGERS:

Q Good morning. You've been here a long time, haven't you, waiting for this opportunity? Could you please state your name and address for the record.

A My name is Sue Vanicek. My business address is 233 South 13th Street, Suite 1225, Lincoln, Nebraska 68508.

Q That's a long address, isn't it? Just briefly can you tell us what you do in your professional background?

A I am currently a senior consultant for TELEC Consulting Resources and in that capacity I represent rural ILECs

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on a number of regulatory issues. I've been heavily involved in regulatory issues relating to universal service particularly.

Q Have you been involved in any -- what's your educational background?

A I have a master's degree in economics from the University of Nebraska at Lincoln.

Q And who are you appearing on behalf of today?

A Today I am appearing on behalf of Golden West, Vivian, Venture, James Valley, and Tri-County.

Q And also SDTA?

A Yes.

Q And have you filed prefiled testimony in this case?

A Yes, I have.

Q Are there any additions or corrections that you would like to make to that prefiled testimony?

A Yes. I would like to make one correction to the surrebuttal testimony. And that's on page 13, footnote 13. That should read, "Section 254(b)(1)."

MS. ROGERS: Is that clear to everyone?

Q Any other corrections or additions?

A Yes. In terms of an addition, I would like to explain that in page 7 of my surrebuttal I referenced the Fifth Circuit Court of Appeals Decision. That is the Texas

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Office of Public Utility Council vs. FCC case, and that case basically stated that nothing under the statute prevented the FCC -- or, excuse me, allowed the FCC to prevent State Commissions from imposing additional criteria -- I'm sorry. Let me start over here.

Nothing in the statute allowed the FCC to prevent State Commissions from imposing additional criteria on eligible telecommunications carriers.

Q And that would be an addition to line 17 of page 7?

A Yes. That's correct.

Q Any other additions or corrections?

A No.

Q And can you please summarize your testimony for the Commission?

A Yes. My testimony dealt basically with the public interest test. And in summary there's been a big change in the circumstances regarding, you know, where the Commission was when the first public interest test happened on Western Wireless's designation as opposed to now.

Back in 2001 -- I believe it was when you granted designation -- you were limited to the record that you had in '98. And at that point in time about the only thing that a lot of commissions considered was, you know, is this going to result in competition

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and is there harm from that competition.

Now we have a lot -- especially this year we've received a lot of guidance from the FCC and from the Joint Board. The FCC issued the Virginia Cellular Order, and in there they said just the benefit of competition wasn't enough for the public interest.

They gave several factors about the public interest. The only one that I really focused on in my testimony was the impact of multiple ETC designations, and the impact that that could have on the Universal Service Fund.

The Joint Board had some recommendations as well concerning public interest. They said that the public interest should be analyzed in a manner that's consistent with the goals and the purposes of the Act. Several states base their public interest analysis on relevant universal service principles.

One of the principles that I would specifically believe the Commission should focus on is ensuring the availability of quality telecommunications services at just, reasonable, and affordable rates.

The Joint Board also indicated that they believe another relevant factor in determining whether it's in the public interest to designate another ETC is the amount of per line support that's received in an

area. Because the higher the amount of per line support, the greater the burden there will be on the Universal Service Fund if you designate another carrier in that area.

And another reason that per line support is important is because if we get some changes in the universal service mechanisms, specifically the primary line proposal, it could dilute the amount of support in really high-cost areas to the point that no one carrier would receive enough support to provide adequate universal service.

And so, in summary, of all of this I said in my testimony, I really don't believe it's in the public interest to designate Western Wireless as an ETC and if there's some concern about, well, we don't know exactly what's going to happen with primary line at this point in time, it might be wise for the Commission to somehow condition the designation because maybe at this point in time you may think it's in the public interest but if primary line or some proposal to limit support to the point that no carrier could actually provide adequate universal service, then it may not be in the public interest anymore to have more than one ETC in the area.

That's the summary of my testimony.

MS. ROGERS: Thank you.

MS. AILTS WIEST: Mr. Ayotte.

CROSS-EXAMINATION

BY MR. AYOTTE:

Q Thank you. Good morning, Ms. Vanicek.

A Vanicek.

Q Thank you. I understand the purpose of your testimony today is to focus on the public interest standard to be applied to designate Western Wireless as an additional ETC in the study areas of the seven rural LECs; correct?

A Correct.

Q And your testimony is limited to that public interest issue, isn't it?

A Yes.

Q And I take it then nothing in your testimony addresses any of the other ETC requirements.

A That would be correct.

Q And you're not disputing in your testimony Western Wireless's satisfaction of those basic ETC criteria?

A I didn't address that.

Q You didn't address that because you don't dispute it. Is that fair?

A No. I didn't address it because that wasn't my responsibility.

MS. ROGERS: Can I impose an objection here? I believe that goes beyond the scope of the direct testimony.

MR. AYOTTE: That's what we're talking about is her direct testimony.

MS. AILTS WIEST: Overruled.

MR. AYOTTE: I think you've answered it.

Q In your testimony on the public interest issue you identify the factors considered by the FCC in its public interest discussion in the Virginia Cellular Decision; correct?

A Right.

Q You lay those out in both your direct testimony and again in your surrebuttal testimony.

A Correct.

Q And you also note in your surrebuttal testimony that the FCC applied these same public interest factors in the Highland Cellular Decision; right?

A Correct.

Q And it's true the FCC actually proceeded to designate Virginia Cellular and Highland Cellular as additional ETCs in those Decisions, didn't they?

A Yes, they did.

Q But although you summarize in your testimony the

factors considered by the FCC in Virginia Cellular and Highland Cellular, you don't actually apply or provide any discussion of those factors to the facts of Western Wireless in this proceeding, do you?

A I believe I said that the Commission should consider the impact of multiple designations.

Q Right. So you identify the factors, recommend them to the Commission, but in your testimony you didn't apply them to anything specific to Western Wireless; right?

A Well, I said if you consider the impact of multiple designations, the per line support and the affordability, I don't believe that's in the public interest I guess I would say that is applying.

Q But with respect to all the other factors that the FCC used in its public interest analysis --

A I did not address those in my testimony.

Q And your testimony also includes an extensive summary of the Joint Board's recommendations; right?

A Yes.

Q Including the recommended permissive guidelines for the ETC designation process?

A Yes.

Q And the Joint Board's proposal to limit the scope of high-cost support to a single connection.

A Yes.

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Q And ultimately you conclude that it would not be in the public interest to designate Western Wireless in this proceeding because of the potential for harm to the rural LECs based on the primary line proposal recommended by the Joint Board?
A That is one aspect of the public interest, not the entire but the one aspect.
Q And you would agree with me that the Joint Board's Recommended Decision at this point is merely advisory, it's not currently in effect?
A It hasn't been enacted into a rule. Excuse me. I want to clarify that.
Q Sure.
A The primary line aspect has not been put into a rule. I believe that the public interest factors as the FCC -- or, excuse me, as the Joint Board indicated, several states are already applying those public interest factors so I do not believe that the FCC needs to adopt any further rules for states to be applying the public interest factors that the Joint Board discussed. The FCC would only have to enact a rule change to change the support mechanism.
Q And it's that potential change in the support mechanism to a primary line connection which you rely upon to conclude that it's not in the public interest because

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of the potential harm for the rural ILECs; true?
A Just the public interest with regard to potential harm, but I do have some other public interest concerns.
Q No. I understand that. But your public interest concern relating to the potential harm to rural LECs, that's based on the Joint Board's recommended primary line proposal; right?
A Largely, yes.
Q Yes. And that proposed primary line suggestion, just trying not to use proposed again -- let me back up and restart.

The Joint Board's proposal regarding the primary connection?

A Uh-huh.
Q That has not been put into effect.
A No.
Q And the FCC would still have to take action to implement that primary line proposal and change the current funding rules.
A That's correct.
Q Would you agree with me, Ms. Vanicek, that nobody knows today with any certainty if, when, or what the FCC might ultimately do with the Joint Board's primary line proposal?
A Well, obviously we've heard over the last couple of

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days a lot of people make predictions.
Q Speculation?
A I thought Mr. Wood said he was almost certain yesterday but --
Q Speculation?
A I would characterize it as speculation.
Q And speculation by anyone else who would suggest that a primary line proposal will be adopted; right?
A Well, obviously until you have a rule change, no one knows with 100 percent certainty what the rule change will be.
Q And to steal a line from Commissioner Hanson, you wouldn't bet the farm on it, the primary line proposal being adopted, would you?
A I believe that the probability is low that the impact will be mitigated. I think there is going to be some rationing because the FCC has really changed their outlook -- you know, back when they enacted Mag in 2001 they were asked do we need to freeze per line support when there's a CETC that enters an area, and they said we don't think it's going to be a problem.

Now this year they say, wow, the amount of support going to CETCs is really rapidly increasing, maybe we need to look at this, it looks like it's going to be a burden on the fund. So I see over a period of

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years a very different perception of the growth of the fund problem and the need to do something to cap the fund.
Q So it might change in the future; right?
A Yes.
Q And nobody knows with any certainty, if, when, or how it might change; isn't that fair?
A Not with 100 percent certainty, no.
Q And isn't it equally possible that the levels of universal service support to the rural LECs in this proceeding might not change at all? It's possible, isn't it?
A That's one possible outcome among many.
Q Now in addition to the primary connection proposal, the Joint Board also recommended to the FCC consideration of these other measures to avoid or mitigate reductions in the amount of high-cost support flowing to rural carriers as a result of any implementation of a primary line restriction, didn't they?
A I believe if you read the Order, it says mitigate the amount -- mitigating reducing the amount of support to rural areas, not rural carriers. That's paragraph 72 of the Recommended Decision. But I believe the actual wording is rural areas, not rural carriers.
Q That's very good, paragraph 72, but in paragraph 76 the

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Joint Board was very clear to say, "If the FCC implements a primary line restriction, it must adopt some means of preventing or mitigating reductions in the support available to rural carriers."

A Okay.

Q Subject to check. But these additional proposals that the Joint Board has recommended, one relates to restating the total current support paid to the rural carriers in terms of first lines; right?

A That's one of the proposals. I'm not sure they would have characterized that as a mitigation. I'm not sure I believe it offers a lot of mitigation.

Q And you don't know if the FCC is going it adopt it, do you?

A Not with 100 percent certainty, no.

Q And they also recommended or suggested providing supplemental lump sum payments to avoid any effects on rural carriers; right?

A That is one option.

Q And another option was described as the hold harmless proposal to freeze the per line support available to competitive ETCs?

A That was another option.

Q But, in any event, you acknowledge in your surrebuttal testimony that it is unclear exactly how these

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proposals would function; right?

A I don't believe any of them have great specificity. Obviously, we don't know exactly how the computations are going to be made. We don't know -- say, for example, if they decide to do a lump sum payment, what period of time it's going to be, a year, two years, six months? Who knows.

Q Nobody knows; right?

A Not with 100 percent certainty, no.

Q And in your surrebuttal testimony, Intervener Exhibit 4, on page 18, could you grab that, please.

A Yes.

Q On line 8 you're providing a quote and you state that, "The FCC indicates that in conjunction with the measures discussed above we recommend that high-cost support" -- the FCC didn't indicate that. That's the Joint Board; right?

A I'm sorry. Yes. I did miss that correction.

Q Okay. Is that a correction we should make?

A Yes.

Q And on that same page down on line 15 you say, "Therefore, if the FCC believes that the growth in the Universal Service Fund must be controlled," and then you reference the hold harmless method. That should be Joint Board, shouldn't it, not the FCC?

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A No. I am referring to the FCC there because I'm talking about what the FCC might do with the Joint Board recommendation.

Q I see. Okay. Thank you. So that statement beginning on line 15 is not attributable to the Joint Board's Recommended Decision but rather your opinion; is that right? I'm just trying to put it in context.

A I'm not trying to paraphrase what's in the Joint Board recommendation, if that's what you're asking.

Q Okay. It's your view.

A Yes.

Q Is it fair to say, Ms. Vanicek, that all of your testimony on this public interest factor and potential harm for the rural LECs based on the Joint Board's Recommended Decision is really contingent on whatever the FCC ultimately does in response to the Joint Board's Recommended Decision?

A I don't think my entire testimony is contingent upon that, no.

Q I'm talking about the public interest testimony and the potential for harm, that piece of it.

A So you're talking about just the -- like a primary line proposal?

Q Whatever you set forth in your testimony regarding potential for harm based on the Joint Board's

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Recommended Decision.

A Well, I guess what I'm asking is when we're talking about public interest are we talking about affordability and the amount of per line support?

Q Let me ask the question this way. You're not recommending to this Commission that they accept the Joint Board's recommendations as discussed in your testimony as a foregone conclusion.

A With regard to the adoption of the primary line proposal?

Q Yes.

A I am suggesting that they need to consider it because I believe it's a very real possibility.

Q But one that nobody can say with any certainty is going to be adopted; right?

A No one knows 100 percent what's going to happen with it, no.

Q With respect to the correction you made to your surrebuttal testimony on page 13 in your footnote correcting the citation of Section 254(b)(1) rather than (b)(2)?

A Uh-huh.

Q That's the basis of your recommendation to the Commission that they consider affordability as part of a public interest determination; correct?

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A Well, I referenced the fact that the Joint Board says that there are already some states that use universal service principles in their ETC public interest designation process and that is one of the universal service principles.
Q And is that a universal service principle, Section 254(b)(1), that you are recommending or suggesting that this Commission consider as part of its public interest determination?
A Yes.
Q And I'm not asking you for a legal opinion. You're not a lawyer.
A No. I'm an economist.
Q Would you agree with me, subject to check, that the beginning part of Section 254(b) states that the Joint Board and the Commission, meaning FCC, the Joint Board and the FCC shall base policies for the preservation and advancement of universal service on the following principles, and then you get into 254(b)(1)?
MS. ROGERS: Excuse me. Maybe I could give her a copy.
MR. AYOTTE: Sure.
Q I'll restate my question. The universal service principle in 254(b)(1), quality of services being available at just, reasonable, and affordable rates,

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wouldn't you agree with me that when read in conjunction with the beginning sentence that that is Congress's directive to the Joint Board and the FCC to base their policies on those principles?
A Well, let me go back through my chain of reasoning. States are using -- the Joint Board said states are using these principles for ETC designation. I'm suggesting that this state does that too.
Q And the basis for that is the Joint Board's statement then, not the statute itself?
A The Joint Board basically said that states are using the statute.
Q That doesn't make it right, does it?
A They're recommending that states do it.
Q Okay. And --
A States have the ability to do it under the Fifth Circuit.
Q Are you expressing a legal opinion on that?
A No. I'm not a lawyer.
Q Okay. Have you read the Fifth Circuit's opinion in Texas PUC vs. FCC?
A Yes, I have.
Q Where they discussed how the FCC's prohibition against states adding additional criteria to be designated as an ETC?

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A Yes.
Q Okay. Wouldn't you agree with me that what the Fifth Circuit said when you read that opinion is that states with respect to matters within the State Commission's jurisdiction such as requiring CLEC certificates and certificates of registration that states are not prohibited from otherwise applying lawful state regulation in their designation of ETC?
A I did not see that in that opinion. What it says is -- I believe it's Paragraph 135 in the First Report and Order -- the FCC told the states they couldn't impose any additional eligibility criteria on ETCs. The court said, no, FCC, you are not right, you can't do that.
I don't believe it talked about intrastate regulation. As a matter of fact, I believe that the Petitioners actually raised the issue of intrastate regulation and the court never reached that because they said the FCC's rule is wrong, we don't need to address the issue of intrastate regulation.
Q Do you know why the Fifth Circuit said that the FCC's statement was incorrect?
A I believe it was something to do with the number of carriers rather than the criteria. I don't recall that exactly.
Q And you don't recall any part of the Fifth Circuit's

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opinion that speaks to matters of state regulation?
A Not within the question of whether the states have the ability to impose additional criteria on ETC designation.
Q On ETC designations or on ETCs, carriers that are designated as ETCs?
A I believe we were talking ETC designations.
Q If the FCC said that a state could not otherwise impose additional requirements on ETCs and a company came in and wanted to be designated -- a landline company came in and want to be designated as an ETC --
A Uh-huh.
Q -- but did not have a Certificate of Authority, CLEC certificate, then the State Commission couldn't require that CLEC certificate as part of the designation process, could they?
A Would you repeat the question.
Q If the FCC's statement were correct in that a State Commission cannot add additional requirements on ETCs, if that statement were correct, wouldn't that mean, for example, that a landline carrier could apply to the Commission to be designated as an ETC, they could demonstrate that they're a common carrier, they offer the supported services, they'll undertake to advertise the availability of the services, and they'll provide

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the services throughout their designated area?
Let's just say they're seeking designation in a nonrural area to avoid public interest.
A Okay.
Q Okay. If the FCC's rule were correct that a State Commission could not otherwise have any other requirements, then that applicability wouldn't even need a Certificate of Authority to be designated as an ETC, a Certificate of Authority under state law.
A The FCC's rules about ETC designation do not supersede state law. Whatever state requirements were there to operate otherwise would still be there.
Q Because the Fifth Circuit said that a state is not precluded from having additional requirements on ETCs if those requirements are a matter of state law; right?
A I don't believe it said if they are a matter of state law.
Q The Joint Board's Recommended Decision was released on February 27 of 2004; correct?
A Yes.
Q And the FCC's Decision in Highland Cellular was released on April 12 of 2004; right?
A I don't have that in front of me so I don't know if that's correct or not.
Q Take a look at your footnote 3 on page 5 of your

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surrebuttal testimony where you cite the High C Decision, Highland Cellular Decision.
A Okay.
Q You agree with me that the Highland Cellular Decision was released by the FCC on April 12 of 2004.
A Yes.
Q Which was after the release of the Joint Board's Recommended Decision; right?
A Yes.
Q Isn't it true that the FCC did not undertake to apply any of the Joint Board's recommendations when it designated Highland Cellular as an ETC?
A I believe the FCC used the same criteria it used in the Virginia Cellular.
Q Which was released on January 22 of 2004.
A Yes.
Q And, in fact, with respect to the Joint Board's recommendations, the FCC in Highland Cellular stated just the opposite, didn't they?
A Stated just the opposite what?
Q Stated just the opposite of anything that the Joint Board was recommending.
A I don't know that I would characterize it as the opposite.
Q Well, after acknowledging the Joint Board's Recommended

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Decision the FCC stated in Highland Cellular that the outcome of that proceeding could potentially impact, among other things, the support that Highland Cellular and other competitive ETCs may receive in the future and the criteria used for continued eligibility to receive support; right?
A It states that -- I wouldn't characterize that as opposite of what's in the Joint Board recommendation.
Q Well, they didn't undertake to apply any of the Joint Board's recommended factors in making their decision, did they?
A Well, in the Virginia Cellular Order the FCC announced these new criteria that they were going to use for ETC designation pending the Joint Board recommendation and their action on it.
Q Then I think we're in agreement. Virginia Cellular was released first, Joint Board was released second, Highland Cellular was released third, right, in the time line?
A Released --
MS. ROGERS: Could I interject something perhaps for the purposes of clarification? Could we also make reference to the adoption date as opposed to the release date? Would you like to add that to your question?

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MR. AYOTTE: No. I choose not to do that.
Q Ms. Vanicek, in terms of the time line, Virginia Cellular was released first, Joint Board's Recommended Decision was released second, Highland Cellular Decision was released third, was it not?
A The release dates and the adoption dates were not all consecutive in these three cases.
Q And until the Decision is actually released you don't know what the Order is going to say regardless of the date it was adopted, do you?
A I would hope that the FCC would have a pretty clear idea of what they're adopting and that they would pretty much know what the Order is going to say and not change it in between the adoption and the release.
Q They wouldn't do that, would they? Isn't it fair to say, Ms. Vanicek, that the FCC in its Virginia Cellular and Highland Cellular Decisions, the FCC did not attempt to prejudge the outcome of the Joint Board's recommendations?
A You're going to have to define for me what you mean by prejudge.
Q What do you understand it to mean?
A I don't understand the term in this context.
Q The Joint Board's -- you agreed with me before that the

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Joint Board's recommendations --
A Uh-huh.
Q -- were advisory, did not change existing law --
A With regard to primary line. I mean, basically the public interest findings there really isn't a lot of law there so it doesn't change it.
Q And with respect to the Joint Board's recommendations regarding their permissive guidelines to be adopted for the ETC designation?
A I'm sorry. What's the question there?
Q Those too were recommendations to the FCC.
A Yes.
Q And like the primary line proposal, the Joint Board's recommendations regarding the adoption of these permissive guidelines for ETC designation, the ETC designation process, those too were advisory.
A Well, because the advice on the permissive guidelines -- the fact that the guidelines are permissive I would interpret as meaning the states could do this now because some states are actually doing what the Joint Board recommended now.
Q But what the Joint Board was recommending regarding permissive guidelines was a recommendation to the FCC that they adopt permissive guidelines for states to consider using; right?

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A I believe they did ask the FCC to adopt the guidelines. However, as I just stated, I believe the states could be using those guidelines now.
Q I know. You've said that three times today. My question is with respect to those recommended permissive guidelines to be adopted for the ETC designation process, those too were advisory; right?
A Well, the whole thing is entitled Recommended Decision so I would say the whole thing is advised.
Q And with respect to all of the advise from the Joint Board's Recommended Decision, the FCC in its Virginia Cellular and Highland Cellular Decisions did not attempt to predetermine the outcome of the Joint Board's Recommended Decisions, did they?
A Well, I don't believe it would be appropriate for the FCC to try and prejudge what -- or to like read the mind of the Joint Board and figure out what they were going to recommend. I mean, that's -- they are instructed to refer issues to the Joint Board, get recommendations from the Joint Board, take comment on those and rule on them.

So it would not be appropriate for the FCC to try and figure out what the Joint Board was going to recommend to them.
Q Agreed. And, likewise, wouldn't you agree it's not

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appropriate for this Commission to try to prejudge and predetermine what's in the minds of what the FCC might ultimately do?
A No. Because the Joint Board said that the states are doing this today. You don't need to wait.

MR. AYOTTE: Thank you, Ms. Vanicek. Nothing further.

MS. AILTS WIEST: We'll break.

(A lunch recess is taken)

MS. AILTS WIEST: Mr. Ayotte, you were finished; correct?

MR. AYOTTE: Yes. Thank you.

MS. AILTS WIEST: Mr. Smith, do you have any questions?

MR. SMITH: I do. Just a couple.

CROSS-EXAMINATION

BY MR. SMITH:
Q Ms. Vanicek, you've been here for the entirety of the proceedings, have you not?
A Yes.
Q And in the course of sitting there listening to things, you've heard the questions of several of the Commissioners and comments and colloquies between them and various witnesses concerning the use of this annual certification process as a means of, I guess, an

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enforcement mechanism, if you will, as to compliance with the ETC provisions and so forth?
A Yes. I've heard those discussions.
Q Without in any way -- I guess presuming that that's what the Commission will decide, just assuming the Commission were to grant the ETC designation sought by Western Wireless in this case, could you take a few moments to discuss how the kinds of public interest factors that the FCC has discussed in its recent two cases and maybe the Joint Board discussed in its recent recommendation might be addressed by the Commission via that annual certification process?
A Yes. I'll try. And I'm not sure if I'm going to describe this correctly in terms of your certification process so please forgive me. But I'm going to describe it in terms of you might want to place some conditions that you want to see demonstrated in the certification process -- and this may not fit but with regard to affordability you may want to decide that certain offerings are affordable and only provide support for the offerings that you consider to be affordable.

As far as the investment goes, I think you'd want to make sure that whatever investments were proposed or planned -- I'm not sure exactly, as I say,

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how your certification process works, are indeed carried out and made. Let me think. And we're assuming it's already designated.

I think the important thing if you're assuming that it's designated is that you use the money for universal service and when you do have coverage gaps, it's important to build out to fill in those coverage gaps because I think as we've demonstrated here the ILECs basically serve every customer that wants service and certainly your first priority would want to be to get service to every customer if Western got designation every customer that wanted wireless service.

Q If the Commission rules one way or another in this case, it will do so on the basis of findings that it makes probably concerning facts as they exist today.

A Uh-huh.

Q Taking that certification process a step farther, is there anything in that process that would allow the Commission to react to changing circumstances and if facts change materially in the ways that you've suggested in their testimony that they might change, is that something the Commission would be able to address adequately in subsequent years via the certification process?

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A I'm not an expert on this. My understanding would be that you would probably need to go back and look at the designation and possibly either revoke the designation or somehow condition that. Now, as I say, I'm not an expert on this matter, but I believe once they're designated the certification involves are they using the funds correctly.

And if it's truly not in the public interest to be providing support to Western Wireless, then I believe you'd have to basically change the designation and not designate them whatsoever.

Q So we'd have to reopen an undesignation proceeding?

A That would be my understanding.

Q Do you have in front of you the FCC Highland Decision?

A I do not have the Highland Decision. I'm sorry.

(Attorney hands witness document)

A Okay.

Q Would you turn to paragraph 43, please.

A Sure. Okay.

Q And the paragraph is -- it's Subdivision F called Regulatory Oversight, and it's the one we've talked about here on several occasions. But I note that one of the somewhat unusual things about this is -- and we've talked about certification and all of that, is if you look down -- I think it's the second sentence.

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It's the one that immediately follows footnote 118.

Do you see that?

A Yes.

Q The FCC begins its recitation of what I refer to as conditions or additional requirements, et cetera, with this phrase, "Separate and in addition to its annual certification filings under Sections 54-3-13 and 54-3-14," which are the nonrural and rural certification statutes -- or rules. And then it goes onto list those various things the FCC found based on the public interest criteria.

Now I guess based upon the discussion we've just had would it be your understanding that perhaps the reason that the FCC did that was to make it clear that a revisitation of those particular issues would be made and that the purpose of this was to put the company on notice that they would be made?

A Yes. I would agree with that.

Q Is that the kind of thing with respect to at least some of the issues we've talked about here with respect to the public interest in satisfying that criteria that perhaps this Commission ought to think about doing as well, in your opinion?

Again, and assuming -- I'm not deciding. I'm assuming for the sake of just the question that the

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Commission were to grant the designation.

A Yes. Assuming you grant the designation, I think we would definitely support, for example, the sentence that you have just pointed out in Highland Cellular where they committed to submit records and build-out plans because I'm not sure that I ever heard Western was willing to do that and I would certainly think that would be one thing the Commission would want to do.

Q And I note if you turn the page, same paragraph, turn the page to the second to the last sentence.

A That starts, "We further"?

Q "We further emphasize that if Highland Cellular fails to fulfill," and then it lists a few things, it says, "requirements of the statute," our rules, and then I'll quote, "and the terms of this Order," which would include those things in the previous paragraph?

A Yes.

Q "The Commission has authority to revoke its ETC designation." And in your opinion is that the kind of thing that the Commission ought to do in this case?

A Oh, yes. I think that the Commission should definitely consider doing something like that if they do indeed grant the designation.

MR. SMITH: Thank you. That's all the questions I have.

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MS. AILTS WIEST: Commissioners?
COMMISSIONER BURG: Continuing that line of questioning, have you testified in similar cases any place else, similar issues?
THE WITNESS: I've testified on a number of universal service issues in Nebraska. We did have an ETC designation case in Nebraska. I did not testify in it. I kind of kept track in it, but I wasn't a participant.
COMMISSIONER BURG: And it appears to me that you have the background. What kind of conditions do you think we have the authority to provide in the designation?
THE WITNESS: I think your conditions are almost unlimited based on that Fifth Circuit Court Order. I think you can impose whatever conditions you wish.
COMMISSIONER BURG: Do you feel this is quite a change from what I'd say our first round or two or three years ago?
THE WITNESS: It's a change, and I think the circumstances, you know, as I said in my introduction, have changed, and I think it's warranted. I know in Nebraska we had a Nextel within about the last year applied for ETC

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designation and the Commission denied their petition and the Commission basically said circumstances have changed substantially in the past two or three years and we no longer view just having competition as being a proper public interest standard and a reason to grant designation.
COMMISSIONER BURG: Prior to that denial did they offer or have any discussion about conditions?
THE WITNESS: Yes. As a matter of fact, Western Wireless does have designation in Nebraska, but Nebraska has conditioned it to only apply to fixed wireless -- the provision of fixed wireless service.
COMMISSIONER BURG: Have you been involved in any certifications?
THE WITNESS: No, I have not.
COMMISSIONER BURG: Are you aware, has Nebraska done any -- have they held hearings or anything dealing with the certification?
THE WITNESS: Nebraska has a certification process. I'm not sure that I would characterize it as quite as detailed as the South Dakota certification process at this point in

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time. I don't believe that the state actually requires, say, for example, that you provide what you're going to -- you know, your investment amounts and your accounts, some of those sort of things that South Dakota requires.
COMMISSIONER BURG: This may be mor technical, and if you aren't the expert on it, I accept that. In areas you consider or in the areas covered by this hearing would mobile only provide universal service?
THE WITNESS: Do you mean would mobile service be eligible for universal service support?
COMMISSIONER BURG: No. If mobile were the only thing available to a customer, could they receive the kind of services that Universal Service Fund was designated for?
THE WITNESS: If you had 100 percent mobile coverage, I would say that today -- under today's supported services, probably you could. Tomorrow if we decide that advanced services are included, maybe not. But, you know, assuming you'd want 100 percent coverage of the areas.
COMMISSIONER BURG: Single voice line, which is basically today's standard; is that

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correct?
THE WITNESS: Yes. That's correct.
COMMISSIONER BURG: And then the last question, could the FCC adopt a Joint Board recommendation -- we've had a lot of discussion about the Joint Board and the FCC's following recommendations of the Joint Board. There's been a lot of discussion on that and what they may or may not or could or could not do.
THE WITNESS: Uh-huh.
COMMISSIONER BURG: Could the FCC adopt the Joint Board recommendations to limit funds to a single line but not adopt the Joint Board's recommendations to mitigate the effect on rural areas or to do a hold harmless?
THE WITNESS: Certainly the FCC could adopt the primary line and not have any mitigation.
COMMISSIONER BURG: Well, Mr. Ayotte in questioning you on that part said one of the other requirements that the Joint Board said that "they shall," I think the language was or "they must" provide mitigating.
But does the Board have to follow that? Do they have to provide --

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THE WITNESS: No. The FCC can change -- they don't necessarily have to adopt whatever the Joint Board recommends to them. And, you know, they often tweak things a little bit.

COMMISSIONER BURG: Or they can adopt portions or ignore portions.

THE WITNESS: Sure. Absolutely.

COMMISSIONER BURG: Okay. That's all I have.

VICE CHAIR HANSON: Good afternoon, Ms. Vanicek.

THE WITNESS: Good afternoon.

VICE CHAIR HANSON: Mr. Ayotte in his opening remarks suggested that we give certain criteria in examining whether or not an ETC status should be granted to Western Wireless based upon benefits versus harm.

THE WITNESS: Uh-huh.

VICE CHAIR HANSON: The suggestion, of course, alludes to examining the benefits and the harm of providing ETC status.

THE WITNESS: Uh-huh.

VICE CHAIR HANSON: What harm do you see if we do not provide ETC status?

THE WITNESS: I don't believe off

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the top of my head I can think of any harms that would happen if you didn't provide status.

VICE CHAIR HANSON: Should we ignore the Interveners' witnesses who stated that wireless services being clamored for, that it is necessary for safety, for economic development in the rural areas?

THE WITNESS: Well, I guess I would characterize that as a benefit rather than as a harm if you don't grant designation. I would say, you know, public safety and things such as that are benefits.

VICE CHAIR HANSON: So that would be on the benefit side.

THE WITNESS: Yeah. That's what I'm trying to say.

VICE CHAIR HANSON: Okay. Do you think the public interest test is met by the witnesses for the Interveners who said that it's lacking, that we need more services, we need more cell towers, we need to have this opportunity in the rural areas?

THE WITNESS: I think it may be a need, but I'm not sure that that need outweighs the potential harm to universal service that's

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currently provided by the rural ILECs.

VICE CHAIR HANSON: That's certainly a big guess, isn't it?

THE WITNESS: Well, I think as most of the witnesses have said, this is a -- you know, it's a balancing issue, and you have to weigh the harms against the benefits. And it's a tough thing to do.

VICE CHAIR HANSON: Especially since we have no idea of knowing what the potential is on either side, with the exception that we've heard from witnesses saying that folks are clamoring for the people who are -- you know, the example's been given a number of times about people on the side of the road in need of assistance.

One of the gentleman talked about wearing his other hat as a public safety person and the need for having better services in those areas. So we do, in fact, know that communication is beneficial, especially in some of the discussion that was brought up about traffic accidents, things of that nature, quality of life, economic development. It's all been discussed from one extent.

Aren't those all pretty imposing arguments?

THE WITNESS: They're certainly all

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important things that you need to weigh as benefits versus cost.

VICE CHAIR HANSON: Would you care to clarify that at all, expand on it?

THE WITNESS: Well, ultimately I think you as Commissioners will need to weigh that. And, you know, I've mentioned in my testimony if you decide to grant it now, maybe at some point if you really do see, you know, not potential harms but very definite harms to the rural ILECs, maybe you need to, you know, reconsider at that point whether designation is appropriate.

VICE CHAIR HANSON: Thank you very much for appearing here. No further questions.

THE WITNESS: You're welcome.

CHAIRMAN SAHR: The shoe is on the other foot with Commissioner Hanson going before me for a change where he got to ask some of the questions I had. But I do have some other questions.

I'll start off, I'm just curious, in Nebraska do you know how many wireless ETCs there are?

THE WITNESS: Currently, one.

CHAIRMAN SAHR: That one provider currently has ETC status?

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THE WITNESS: It has status. To my knowledge it's not providing service, the service for which it has status, but it does have status.

CHAIRMAN SAHR: What company is that?

THE WITNESS: Western Wireless.

CHAIRMAN SAHR: And that hasn't been revoked or revisited?

THE WITNESS: They have status for fixed wireless service, and that has not been revoked or anything of that matter.

CHAIRMAN SAHR: Now you've been urging more active state interpretation of the public interest criteria. Is that a fair characterization?

THE WITNESS: Yes.

CHAIRMAN SAHR: You're saying that you believe certainly the Joint Board, if not the FCC, has stated that states should have some flexibility in what sort of criteria they consider.

THE WITNESS: Yes.

CHAIRMAN SAHR: This is going to dovetail on Commissioner Hanson's question, but would improved public safety be a criteria that a Commission might reasonably consider as far as

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being part of the public interest test then?

THE WITNESS: I think it would be, once again, one of the benefits you'd weigh against the cost.

CHAIRMAN SAHR: What about improved service on highways and in smaller towns?

THE WITNESS: Once again, a benefit you'd weigh against the cost.

CHAIRMAN SAHR: What about better economic development opportunities?

THE WITNESS: You could consider that a benefit that you'd weigh against the cost.

CHAIRMAN SAHR: What about giving consumers more choice? Or, excuse me, I can rephrase that, opportunity to have a service in their town that they might not otherwise have.

THE WITNESS: An additional complimentary service as opposed to the same service, yes.

CHAIRMAN SAHR: What about bring cell phone service to people who don't have it now and trying to meet the goals that Mr. Brown has said that we all should be looking towards of having urban quality in our rural parts of the country?

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THE WITNESS: Certainly if you place some conditions or criteria on the designation to make sure that that's being accomplished, yes.

CHAIRMAN SAHR: Don't you think we should place some pretty heavy weight on those type of factors?

THE WITNESS: I think it's up to the Commission to place the weights on the factors.

CHAIRMAN SAHR: So you don't have an opinion as to what factors are important in considering a public interest test?

THE WITNESS: Well, I think that there's benefits and costs that you have to weigh, and the benefits are important. The costs are a potential risk that you have to weigh.

CHAIRMAN SAHR: Let's talk about some of the mitigation steps that could be taken. One of the primary costs or however you want to phrase it, is potential impact if certain changes are made to universal service funding or -- I'll even lump it into what could happen in the future with USF.

If our Commission saw that that was taking place, why could we not open up a proceeding, consider the factor at that point in time and say,

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you know, at this point in time we see not just some potential harm, we're seeing a reasonable expectation or we're seeing actual harm coming down the pike? Why could we not at that point in time look again into the question of anyone's ETC's designation into the state?

THE WITNESS: Well, I think that would be a wise thing to do. I think the reason we're raising this here is we don't want that possibility foreclosed. In other words, we do not want the Commission to grant designation not knowing that this potential harm could come up in the future and then be foreclosed from the option of changing or revoking the designation at some point in the future.

CHAIRMAN SAHR: And I appreciate your point on that, and I think it's a valid one. But when we're engaging in this balancing act we see a number of factors that are advantages, some disadvantages but when you get to the public interest test certainly we're all very, very concerned about the Universal Service Fund.

But by everyone's own admission, until we see more guidance from the Joint Board and the FCC or maybe in definitive action by the FCC or Congress,

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we're really speculating as to what is going to happen as far as primary lines are concerned, potential caps to the fund, and those type of things. I'm not saying they're not important factors, and I'm not even saying they're things this Commission doesn't consider on a regular basis.

But the point is there is a mechanism in place. We don't have to blindly go forward and just say everyone can have Universal Service Funds who asks for it. We've got the means to do a certification. We've got the means -- and requirement to do certifications. We have the ability to look at certifications and say at this point in time under these circumstances we will revoke a certification because you haven't done X, Y, and Z or because perhaps a public interest scale has tipped because it could even be potential harm to the Universal Service Fund.

We have those mechanisms in place; is that correct?

THE WITNESS: I'm sorry. The question got a little too long. I'm not sure I can follow it from beginning to end.

CHAIRMAN SAHR: Here's the question.

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If we were to designate ETC status, would we not have the ability to look at, during the certification process, how that money is being spent, evaluate it and then also -- in particular with the universal -- I'll let you answer that question. The first question is we do have certification process where we can review expenditures?

THE WITNESS: That is my understanding. I think you may want to I'm going to use the term "beef up" that certification and make sure that those expenditures are really being made or, like, require a build-out plan as we have discussed.

CHAIRMAN SAHR: And I appreciate your input on that. And then the second part of the question, which may even be asked and answered, but if we did see a potential impact because of some changes that were made to the Universal Service Fund, we could evaluate any company's ETC status and consider that as part of a public interest test at that point in time; is that correct?

THE WITNESS: I would certainly recommend that, yes.

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CHAIRMAN SAHR: Thank you.

MS. AILTS WIEST: Any further questions from Commissioners? Any redirect?

MS. ROGERS: I have just a couple of things.

REDIRECT EXAMINATION

BY MS. ROGERS:

Q First of all, with regard to some of the questions that have just come up, when you refer to or when Commissioner Sahr was referring to reviewing at a future point in time, do I not understand from your previous responses to questions that it would be your recommendation that if ETC designation is going to be granted, that it would be conditioned upon fulfillment of some of the conditions as outlined in other points made by Mr. Smith and in Highland and Virginia Cellular?

A Yes. That is correct.

Q You talked some about weighing -- the potential benefits and weighing the cost. I think that was a term that you were referring to. By weighing costs would that include, for example, how the services -- or Western Wireless's commitment to expanding the services in South Dakota?

A Yes. I think that's one way of looking at it or on the

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other side if they aren't willing to commit, then I don't know how much you can count it as a benefit because you don't really know if it's a benefit that's going to occur if you don't have a commitment.

Q And I did want to clarify that is it my understanding then that in Nebraska Western Wireless was designated just for fixed services; is that correct?

A That's correct.

Q And, again, in the context of the questions concerning a weighing of benefits versus cost, you've been here throughout the course of this hearing. Did you hear any evidence from Western Wireless that if ETC is not granted, that they would no longer provide services in South Dakota?

A No. I heard no evidence to that effect.

Q No evidence that in absence of ETC designation here those services will go away?

A I didn't hear them testify that they would exit the state if they didn't get ETC status.

Q Did you hear any evidence that Western Wireless, if granted, would actually utilize ETC funds for expansion of services in rural areas in South Dakota?

A I didn't perceive that we had a build-out plan or a commitment as to exactly how those funds would be spent.

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Q I wanted to make a clarification in the Virginia Cellular case and also the Highland case. The FCC did not designate ETC status in all areas in those cases, did it?
A That's true. That's correct. There were some areas in which they did not grant designation.
Q They denied it?
A Yes.
Q With regard to the Joint Board Decision, and we discussed that at length back and forth, are you aware of any distinction between the Joint Board's Recommended Decision -- distinction meaning the recommendation. Was there any distinction between the Joint Board's recommendation regarding the public interest guidelines versus the primary line?
A I'm not aware of any Commissioners that dissented with the public interest guidelines. I think you had unanimous support of those guidelines. There were some Commissioners that dissented with the primary line portion of the recommendation.
Q You discussed some potential options in the event that if ETC designation is granted in this case. Would one option for a condition be a grant of ETC status contingent upon a review if further action comes from the FCC regarding the Joint Board's Recommended

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Decision?
A Yes. I think that would be one condition that you would want added to an Order.
Q And there will be continued input on that Joint Board Decision, and there will be a final Decision from the FCC one way or another; is that correct?
A Yes. Correct.
Q So to the extent that we know there are going to be further proceedings at this point in time, that is a definite thing?
A Yes.
Q I think one of the things that you were asked and I think you testified to was that you feel certain, and this is sort of a follow-up to my previous question that, in fact, some action will be taken with regard to the USF funds and some type of capping or primary line or something along those lines?
A I think we've seen a definite shift and concern about how fast the fund is growing, and I think you may not know exactly how the proposal will be adopted but I think there will be some capping or rationing mechanism because the concern has been exhibited about how fast the fund is growing and unless you do some sort of rationing or capping, you aren't going to stop that fund growth.

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Q So as you sit here today, you feel relatively certain some action may be coming in that regard?
A Yes, I do.
Q I don't know that you were allowed to answer the question of whether or not you would bet the farm on that, but my question to you would be is your estimation of some type of action on the FCC with regard to capping or changing USF funds more certain than your estimation of Western Wireless having a construction plan and following it in the state of South Dakota?
A In my estimation, yes.

MS. ROGERS: Thank you.

MS. AILTS WIEST: Do you have any other questions?

MR. AYOTTE: Just a few.

RECROSS-EXAMINATION

BY MR. AYOTTE:

Q Ms. Vanicek, you testified on redirect you heard no evidence that if Western Wireless were not granted ETC status, they're not going to leave the State of South Dakota; right?
A Yes.
Q But you did hear Mr. Blundell testify and you saw his testimony regarding the account's plans for the

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construction of the 17 additional cell sites contingent on ETC designation?
A I'm not sure if I can characterize it as a plan. There was some talk of additional cell sites. I'm not sure how to characterize that.
Q And I'm not trying to characterize it or mischaracterize it. But you do understand that Western Wireless, Mr. Blundell, spoke of 17 additional cell sites that were dotted on one of the maps that presuppose that it would be receiving USF support?
A Well, my recollection was that there was going to be 17 cell sites and we didn't know how many of them would or would not be built, depending on whether or whether or not there was ETC designation.
Q Correct. But at least some of those cell sites he testified would not be built in the absence of being designated as an ETC and receiving universal service support?
A That was implied given that we were given no exact numbers.
Q Correct. Now whatever the precise number of additional cell sites there are of that 17, you testified -- you recommended that if it were granted designation, that that designation should be conditioned upon a review once the FCC takes some definitive action in response

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to the Joint Board's Recommended Decision; correct?
A A review of the ETC designation.
Q Right. And is it fair to assume that as part of that recommendation you would suggest to this Commission that the condition be stated that the ETC status would be revoked as a result of FCC action on the Joint Board's Recommended Decision that there was some financial impact on the rural LECs?
A I think I'm suggesting that the Commission needs to revisit the public interest issue if they do indeed grant designation at this point in time and there is a change in the support mechanism because then there could be potential -- there could be harm that can be absolutely measured at that point in time.
Q Right. And, again, I guess I'm just trying to understand and put a finer point on it that as part of your recommended condition you would ask the Commission then to revoke Western Wireless's ETC designation in this proceeding if it were determined that there was some adverse financial impact to the rural LECs as a result of the change in fund mechanism?
A Because at that point in time you may have a totally different picture of the public interest, and a designation is dependant upon the public interest.
Q In other words, then I think you may have addressed

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this in your opening summary. You're really saying just give them conditional status at this point subject to reviewing it later once the FCC takes action.
A Well, I'm not actually recommending conditional status at this point, but if the Commission feels it should grant status, I'm recommending it be conditional.
Q It can be conditional subject to being taken away once the FCC takes action on the Joint Board's Recommended Decision?
A It can be conditional based on that, or I want to also add any other proceeding that may occur that could change the public interest, anything else that might cause an impact on the provision of universal service.
Q But specifically what you're focusing in on, which is what your testimony was --
A Right. Right now that's obviously the most foreseeable change in the support mechanism and potential harm that, you know, who knows, there could be other ones.
Q There could be others, but the potential impact to the universal service support funding to these rural LECs as a result of the Joint Board's Recommended Decision?
A That's obviously the most foreseeable one that we can foresee in the future horizon.
Q Thinking about that for a moment, Ms. Vanicek, do you think it reasonable that any company would proceed to

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make investments in infrastructure and otherwise start providing universal services in reliance upon projected universal service support if that were subject to being taken away as a result of any FCC action based on the Joint Board's Recommended Decision?

Would that be a reasonable decision for a company to do?
A Well, I think every company that invests currently given the fact that we have the primary line support mechanism staring us in the face is taking a certain risk. So, yes, I believe there are a lot of companies that are still investing and there's a certain risk that you won't recover that investment.
Q My point is a little more precise because there's been a lot of discussion about the need for additional infrastructure, cell site construction in some of these areas, the white areas of the map, and improving the quality of the service in some of these service areas of the rural telephone companies.

And my question is very simple. Do you think it would be reasonable for Western Wireless to proceed to make those investments if their ETC status and the potential availability of universal service support to help fund some of the costs of that investment were subject to being taken away?

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A I think that's a business risk that Western Wireless has to assess if that's the condition that's placed on their status. I can't answer that question for them. That's a business case decision. People have different risk levels that they're willing to accept.
Q And, lastly, you were asked some questions about Virginia Cellular and Highland Cellular and how the FCC did not designate those carriers in certain of the areas they were requesting. Do you recall that?
A Yes.
Q Isn't it true they were not designated in those areas -- Virginia Cellular and Highland Cellular were not designated in certain areas because the Commission did not redefine the service area requirement from something -- from the study area down to a wire center or subwire center level? It was those areas they were not designated in; correct?
A Could you clarify that? I'm not sure I'm understanding it.
Q Okay. To be designated as an additional ETC in an area served by an incumbent rural telephone company, the service area requirement is that of the study area; correct?
A Correct.
Q And you're aware of provisions in the statute and the

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FCC's rules to redefine the service area from the study area to something less than a study area if a carrier doesn't have the ability to serve throughout the study area?

A Yes. That's correct.

Q And in both Virginia Cellular and the Highland Cellular petitions for designation those two carriers were not only seeking designation as an ETC but also a redefinition of that study area down to the wire centers or partial wire centers that were within their licensed areas that they could serve?

A I believe that's correct.

Q And the FCC, for certain of the incumbent LECs, determined not to redefine the service area below the study area.

A I'm not sure if I'd quite characterize it that way. I believe in the Virginia Cellular Order there was a company called NTELOS.

And I'm not sure if this is what you're getting at. They sought to serve their entire area, but it basically ended up being low cost areas -- the Virginia Cellular company sought to serve only portions of a rural company's area? Is that what we're getting at here?

Q Portions of the rural company's study area.

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A Yes.

Q You can't do that unless you redefine the service area from the study area down to something less than the study area such as the wire center.

A Yes. That's true.

Q And when the FCC determined not to designate Virginia Cellular in the NTELOS area it was because the FCC determined not to redefine the service area --

A I wasn't sure if that was requested of the FCC or not. I'm not familiar enough with the case. I didn't necessarily read that they had requested that.

Q Okay. But do you recall that in those areas where the FCC determined not to designate Virginia Cellular or Highland Cellular it was not because of their public interest determination, it was for some other reason?

A Well, it was because of some effect similar to cream skimming, which I think possibly could be interpreted as public entrance.

Q But the FCC looked at the population density analysis and the potential for cream skimming as part of their analysis on redefinig the service area?

A Actually --

Q Do you recall? If not, we can put it in brief.

A No. I can't agree to that. I'm sorry.

MR. AYOTTE: Okay. Thank you.

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MS. AILTS WIEST: Any further questions?

MS. ROGERS: No. Thank you.

MS. AILTS WIEST: Thank you.

THE WITNESS: Thank you.

MS. AILTS WIEST: We have no further witnesses. Is that true?

MS. ROGERS: That's correct. We have no further witnesses.

MS. AILTS WIEST: I just want to go through some late-filed exhibits. According to my notes, which I may have missed something, what I have is that for Intervener Exhibit 16 there will be an annual report, 2003 filed by Western Wireless.

MR. AYOTTE: That's correct.

MS. AILTS WIEST: For Western Wireless Exhibit 8 they will file the attachments.

MR. WIECZOREK: That's correct.

MS. AILTS WIEST: And I don't know, I assume -- I had this marked as Intervener because I think it was requested by the Interveners, the marketing plan for wireless local loop. I believe that was requested -- I have that on the list.

MR. WIECZOREK: I think it was

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requested, but I don't think we talked about marking or numbering it at the time.

MS. AILTS WIEST: I think the question was to Mr. Blundell and they requested it and he said they could provide it. That's my recollection, if someone has something different.

MR. COIT: That's my recollection as well.

MS. AILTS WIEST: Can we mark that as Intervener Exhibit 19?

MR. AYOTTE: Sure.

MR. WIECZOREK: Should I supply those originals straight to the Commission or to the court reporter or Interveners so they can mark them and provide them to the Commission?

MR. COIT: Supply them straight to the Commission.

MR. AYOTTE: We'll do everything, Rich. I'm sorry. I thought we were off the record.

MR. COIT: Make sure you get that in the record.

MS. AILTS WIEST: You can supply them to the court reporter. The Commissioners, I believe, asked for the map of the current cell

sites and should that be marked as a Western Wireless exhibit? Can we mark that as Exhibit 9? And I assume that will be a confidential exhibit.

MR. AYOTTE: Yes, it will.

MS. AILTS WIEST: And then I have Western Wireless was requested to file the map with only the blue areas, and was that Exhibit 7, I believe?

MR. WIECZOREK: Yeah. It's marked as Exhibit 7 so you want us to provide it just as a supplement to Exhibit 7 so all of those maps are together, or do you want it as a separate exhibit?

CHAIRMAN SAHR: My recollection is Jim had asked for the blue map, which I think would be useful, and then I had asked -- there was some type of technical glitch on some of the maps where signal strength from Nebraska was dropped off or Wyoming, whatever the case may be, North Dakota, and I'd be fine if they just attached that as all Exhibit 7. I think they're all pretty much the same sort of things.

COMMISSIONER BURG: Can I make a clarification? I would either on that -- probably on the second map if you want to include what you are proposing -- in other words, all the blue area

that would be true today, the blue area would be true of what you've -- the 17 you've thrown out.

Because, I mean, I don't want to be confused as to does this include them or doesn't include them.

CHAIRMAN SAHR: I think on Exhibit 7 the first one was today, second was planned, and third one was planned with USF.

COMMISSIONER BURG: Take the second and third formats and take it just the blue. That would answer that.

CHAIRMAN SAHR: So you want just the blue through all of those maps?

COMMISSIONER BURG: Right.

MS. AILTS WIEST: That's all I had.

COMMISSIONER BURG: I don't know if this is exactly the right time, Rolayne. I'd like to, since we've had so much discussion about conditions for -- what do we call it now?

CHAIRMAN SAHR: Certification, designation?

COMMISSIONER BURG: Conditions for designation. I'd like to see conditions for designation or lack thereof be briefed by all parties.

MS. AILTS WIEST: Okay.

COMMISSIONER BURG: In other words, I'd like to get feedback as to what kind of conditions we should consider.

MR. AYOTTE: Or not.

COMMISSIONER BURG: Or not. That's why I said or lack thereof. I wanted to be fair.

MS. AILTS WIEST: Let's go off the record.

(Discussion off the record)

MS. AILTS WIEST: We will have Western Wireless will file its initial brief Monday, June 14. Interveners and staff can file July 14 and rebuttal brief July 30.

With that, I believe that will close the hearing. Thank you.

STATE OF SOUTH DAKOTA)
:SS CERTIFICATE
COUNTY OF HUGHES)

I, CHERI MCCOMSEY WITTLER, a Registered Professional Reporter and Notary Public in and for the State of South Dakota:

DO HEREBY CERTIFY that as the duly-appointed shorthand reporter, I took in shorthand the proceedings had in the above-entitled matter on the 4th, 5th and 6th day of May 2004, and that the attached is a true and correct transcription of the proceedings so taken.

Dated at Pierre, South Dakota this 20th day of May 2004.

Cheri McComsey Wittler,
Notary Public and
Registered Professional Reporter

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CONFIDENTIAL

#2

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MAR 16 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUITH DAKOTA

In the Matter of the Filing by	)	
WWC Holding Co., Inc, d/b/a	)	
Cellular One® for Designation as	)	Docket No.TC03-191
An Eligible Telecommunications	)	
Carrier in Other Rural Areas	)	

DIRECT TESTIMONY OF

GLENN H. BROWN

March 15, 2004

EXHIBIT
Ent. 1

Q: Please state your name and business address.

A: My name is Glenn H. Brown, and my business address is 9011 East Cedar Waxwing Drive, Chandler, Arizona 85248.

Q: Please summarize your current employment and prior business experience.

A: I am President of McLean & Brown, a telecommunications consulting firm specializing in universal service issues. Prior to joining McLean & Brown in 1998, I worked for U S WEST for 28 years, during which time I held a number of senior management positions in the regulatory and public policy area. I have testified before numerous state regulatory commissions, the Federal Communications Commission (FCC) and the United States Congress on a wide variety of telecommunications costing, pricing and regulatory issues. My last six years with U S WEST were spent in Washington, DC, where I was intimately involved in the implementation of the Telecommunications Act of 1996, with particular emphasis on universal service issues.

Q: Please summarize your educational experience.

A: I have a Bachelor of Science in Industrial Engineering from Lehigh University, and an MBA from the University of Colorado. Both of my degree programs focused on computer modeling technology and applications.

Q: Please describe your experience with universal service issues.

A: I have been active in almost every major universal service proceeding before the Federal Communications Commission (FCC) since the passage of the 1996 Act. In 1998, the FCC appointed the Rural Task Force (RTF) to develop policy recommendations for rural telecommunications carriers. While not a member of the RTF, I attended almost all of its meetings, and assisted it in both analytical matters and in the preparation and

drafting of several white papers. In my current position I provide advice and assistance to small and mid-size telecommunications companies regarding universal service and other regulatory and pricing issues before federal and state regulatory bodies.

McLean & Brown is also an Associate Member of the Organization for the Advancement and Promotion of Small Telephone Companies (OPASTCO) and the National Telecommunications Cooperative Associations (NTCA), and I serve as a member of the OPASTCO Universal Service Committee. I was intimately involved in the drafting of the OPASTCO white paper *Universal Service in Rural America: A Congressional Mandate at Risk.* I am attaching a copy of this white paper as Appendix A to my testimony, as it provides background information that may be useful to the Commission as it considers these important universal service issues.

Q: On whose behalf are you presenting testimony?

A: I am presenting testimony on behalf of the South Dakota Telephone Association and its member companies affected by this Application -- Golden West Telecommunications Cooperative, Inc., James Valley Cooperative Telephone Company, Splitrock Properties, Inc., Venture Communications Cooperative, Inc., Tri-County Telecom, Inc., Vivian Telephone Company, and West River Telecommunications Cooperative. Collectively I will be referring to these companies as the South Dakota Rural LECs.

Q: What are the purposes of your testimony?

A: The purposes of my testimony are to:

1. To discuss the important responsibilities of the South Dakota Public Utilities Commission (Commission) under the Telecommunications Act of 1996 in

regards to implementation of the federal universal service program. Under the Act, and FCC rules, the Commission may approve additional Eligible Telecommunications Carriers ("ETCs") in areas served by rural telephone companies only if the Commission determines that such designation is in the public interest;

2. To describe the elements of the public interest test recently developed by the Federal Communications Commission in its *Virginia Cellular* order[1], and apply this test to the facts as they relate to Western Wireless' application in the instant proceeding.

3. To illustrate what Western Wireless has (or more properly has not) done with funds received as a result of previous ETC decisions, and explain why this is relevant in the Commission's consideration of the instant application.

4. To explain why it is critical that as a condition for ETC status, any prospective applicant demonstrate its commitment to serve throughout the serving area of the ILEC territory for which ETC status is requested.

5. To discuss why it is important that carriers that accept public funds to support service in high-cost areas also accept public accountability for how these funds are spent, the quality of the service offerings for which these funds are intended, and the use of the funds to construct facilities to serve throughout the service area.

[1] *Memorandum Opinion and Order, Virginia Cellular, LLC Petition for Designation as an Eligible Telecommunications Carrier in the Commonwealth of Virginia,* FCC 03-338, released January 22, 2004. (Virginia Cellular Order). I will also be discussing the Recommended Decision by the Federal-State Joint Board on Universal Service, issued February 27, 2004, which supports ETC qualification guidelines which are very similar to those provided by the FCC in the Virginia Cellular Order.

6. To reply to the statements made by Western Wireless in its application for ETC status filed on November 4, 2003, the testimony of James Blundell filed on December 30, 2003, and statements made in response to subsequent Data Requests.

Q: Could you please summarize the conclusions of your testimony?

A: Based upon my examination of Western Wireless' application, and supported by the facts and data that I will be presenting in the remainder of my testimony, I do not believe that the application of Western Wireless to receive federal universal service support for all of its CMRS customers in the South Dakota Rural LEC study areas for which it seeks ETC designation in the state of South Dakota is in the public interest. Specifically:

1. Western Wireless has failed in its application and testimony to meet its burden of proof that its application for ETC status is in the public interest.
2. The designation of Western Wireless will create significant new public costs and deliver few, if any, incremental public benefits. As a result, this designation does not pass the cost/benefit test mandated by the Virginia Cellular Order, and thus cannot reasonably be found to be in the public interest.
3. Western Wireless has provided none of the "fact-specific" data that is required by the Virginia Cellular Order to prove that the requested designation is in the public interest.
4. Western Wireless has received significant amounts of public funding as a result of prior designation as an ETC in the state of South Dakota, yet has

done virtually nothing to extend its wireless coverage to rural and high cost areas of South Dakota.

5. Western Wireless provides wireless signal coverage in predominantly densely populated and low-cost areas of the state, and not in the sparsely populated and high-cost areas of the South Dakota Rural LEC serving areas.

6. Western wireless makes no commitment or demonstration that it will provide wireless service coverage throughout the requested service area within a reasonable period of time as required by the Virginia Cellular order.

7. Western Wireless is requesting high-cost support for serving predominantly low-cost customers, and is thus engaging in prohibited cream skimming..

8. Designation of Western Wireless as an ETC in the rural telephone service areas it requests will cause significant harm to these companies and to the customers that they serve.

9. Western Wireless seeks to avoid public accountability for its use of scarce public support funds.

SDPUC RESPONSIBILITIES UNDER THE 1996 ACT.

Q: What are the key sections of the Telecommunications Act of 1996 and the FCC rules, and the South Dakota PUC rules that deal with universal service and the public interest test for designating a second ETC?

A: Section 214(e) of the 1996 Federal Telecommunications Act (47 U.S.C. § 214(e)deals with the designation of multiple ETCs, 47 CFR 54.201 contains the FCC's corresponding regulations, South Dakota Codified Laws (SDCL) § 49-31-78 conatins

similar state statutory provisions and Administrative Rules of South Dakota (ARSD) Section 20:10:32:42 contains the corresponding South Dakota PUC rules.

Q: Please summarize the key elements of Section 214(e),, FCC rule 54.201 and South Dakota PUC rule 20:10:42:42 regarding the designation of multiple ETCs.

A: 47 U.S.C. Section 214(e)(1) states that, to be eligible for ETC status, a carrier must offer the defined universal service elements (the FCC rules currently define nine elements) throughout the service area for which the designation is received, and advertise the availability of such services in media of general distribution. Section 214(e)(2) states that the Commission *may*, for rural telephone companies, and *shall* for non-rural companies, designate more than one ETC. It further states that, "before designating an additional [ETC] for an area served by a rural telephone company, the State commission shall find that the designation is in the public interest." FCC Rule 54.201 and South Dakota PUC Rule 20:10:32:42 contain very similar language.

Q: You said that Section 214(e)(2) states that before approving an additional ETC in an area served by a rural telephone company, the state commission must first find such designation to be in the public interest. Does the Act or the FCC regulations say how this determination should be made?

A: While neither the 1996 Act nor the FCC rules provide specific guidance in conducting the public interest test, the FCC recently issued an Order in the Virginia Cellular ETC case which finally provides definitive guidelines for states to use in performing this important determination. Among the principles addressed in this Order are:

- The value of increased competition, by itself, is not sufficient to satisfy the public interest test in rural areas.
- Among the factors that should be considered in making the public interest test are:
  - The benefits of increased competitive choice,
  - The impact of multiple ETC designations on the universal service fund,
  - Whether the benefits of an additional ETC outweigh any potential harms,
  - The unique advantages and disadvantages of the competitor's service offering,
  - Any commitments made regarding quality of service, and
  - The competitive ETC's ability to provide the supported services throughout the designated service area within a reasonable time frame.
- The burden of proving whether the pubic interest is served is placed upon the ETC applicant.
- Additional conditions may be placed on the ETC applicant to ensure that it satisfies its obligations under Section 214 of the Act.[2]

Q. The Federal-State Joint Board on Universal Service recently issued its Recommended Decision regarding standards for ETC designation, and the provision of universal service support in study areas with multiple ETCs? How do the ETC designation standards in this Recommended Decision compare with the standards in the Virginia Cellular Order?

A. The minimum ETC designation standards in the Recommended Decision, unanimously approved by the Joint Board, are very similar to the Virginia Cellular Order.

[2] Virginia Cellular Order, paragraph 4.

Like Virginia Cellular, the Joint Board states that competition, by itself, is not sufficient to justify that a particular ETC designation is in the public interest.[3] Similarly, it states that "Federal guidelines concerning minimum qualifications should encourage state commissions to conduct rigorous reviews of ETC applications, including fact-intensive analysis.[4] It also provides a list of "minimum qualifications" for ETC status including:

- Adequate financial resources. (¶22)
- Commitment to provide the supported services throughout the service area. (¶22)
- Formal build-out plans for areas where facilities are not yet built. (¶24)
- Ability to remain functional in emergencies. (¶30)
- Consumer protection requirements. (¶31)
- The amount of local usage ETCs should offer as a condition of federal universal service support. (¶35)

Q: Does that fact that the Joint Board issued a "Recommended Decision" affect its applicability in this case?

A: No. While the Joint Board's recommendation will now be considered by the full FCC, it is important to note that these minimum standards for ETC designation were supported by all three federal Joint Board members, which constitutes a majority of the full FCC. Second, the standards recommended by the Joint Board are virtually identical to the standards adopted by the full FCC in the Virginia Cellular order, which stands as the currently operable statement of federal policy in the ETC designation area. Finally, in remarks before the NARUC Telecommunications Committee on March 10, 2004, Joint Board Chair and FCC Commissioner Kathleen Abernathy encouraged states to use these guidelines as they consider pending requests for ETC designation, and as they review ETC designations that have already been granted during annual review processes.

[3] Recommended Decision, paragraph 12
[4] Id, paragraph 11.

Q: Does the 1996 Act provide guiding principles for universal service?

A: Yes. In section 254(b) of the 1996 Act, Congress enumerated six major universal service principles:

1. Quality services should be available at just, reasonable, and affordable rates.
2. Access to advanced services should be provided in all regions of the nation.
3. Consumers in all regions of the nation should have access to services (including advanced services) and rates that are reasonably comparable to those in urban areas.
4. All telecommunications providers should make an equitable and nondiscriminatory contribution to the preservation and advancement of universal service.
5. There should be specific, predictable and sufficient Federal and State mechanisms to preserve and advance universal service.
6. Schools and libraries should have access to advanced services.

Q: Have additional principles been added since the passage of the 1996 Act?

A: Yes. During the implementation of the 1996 Act, the Joint Board recommended and the FCC approved an additional principle of "competitive neutrality." This principle states that "universal service support mechanisms and rules neither unfairly advantage nor disadvantage one provider over another, and neither unfairly favor nor disfavor one technology over another."

Q: Does the FCC indicate whether the principle of competitive neutrality be given any additional weight over the other six principles enunciated by Congress?

A: The FCC specifically states that all principles should be given equal weight, and that no one principle trumps another. Specifically the FCC stated:

> We agree with the Joint Board's recommendation that our universal service policies should strike a fair and reasonable balance among all of the principles identified in section 254(b) and the additional principle of competitive neutrality to preserve and advance universal service. Consistent with the recommendations of the Joint Board, we find that promotion of any one goal or principle should be tempered by a commitment to ensuring the advancement of each of the principles enumerated above.[5]

Q: Does the 1996 Act provide guidance on how the serving area for an ETC applicant should be determined?

A: Yes. Section 214(e)(5) provides the following guidance for the determination of an ETC serving a rural telephone company area:

> In the case of an area served by a rural telephone company, "service area" means such company's "study area" unless and until the [FCC] and the States, after taking into account recommendations from a Federal-State Joint Board instituted under section 410(c), establish a different definition of service area for such company.

Q: Why is the definition of the serving area important in the public interest analysis?

A: Section 214(e) states that in order for an ETC to receive support, they must provide the services for which support is received "throughout the service area for which the designation is received." In their original Recommended Decision implementing the universal service provisions of the 1996 Act, the Joint Board reasoned that requiring service throughout the service area prevented a carrier from only serving the low-cost portions of the serving area and still receive high-cost support as though they were serving the entire area – a situation they called "cream skimming":

[5] *Reported Order* in CC Docket No. 96-45, issued May 8, 1997 at ¶52.

> Potential "cream skimming" is minimized because competitors, as a condition of eligibility, must provide services throughout the [service area]. Competitors would thus not be eligible for universal service support if they sought to serve only the lowest cost portions of a rural telephone company's [service area].[6]

Thus, before Western Wireless can become eligible for support it must demonstrate that it can provide the supported services throughout the service area. In this proceeding, that means providing service throughout each of the South Dakota Rural LEC service areas for which it seeks ETC status. The Virginia Cellular Order further clarifies this requirement by stating that the ETC applicant must demonstrate its commitment "to serve the designated service areas within a reasonable time frame."[7], and requires annual reporting of progress towards meeting build-out commitments.[8] In the Recommended Decision, the Joint Board says that states may require "a formal build-out plan for areas where facilities are not yet built out at the time the ETC application is considered",[9] and recommends that "states should examine compliance with build-out plans" as part of the annual ETC certification process. [10]

Q: Does Western Wireless propose to serve throughout the South Dakota Rural LEC study areas for which it has requested ETC designation?

A. No. In response to SDITA Interrogatory No. 15, requesting when Western Wireless believed its network would be capable of serving throughout the requested ETC service area, Western Wireless stated:

> An ETC applicant must commit to meeting reasonable requests for service. Western Wireless meets this standard today. Western Wireless enjoys extensive network coverage in South Dakota and has requested ETC designation only in study areas where it can currently provide service to at least 85% of the

[6] *Joint Board Recommended Decision*, released November 8, 1996, FCC 96J-3 at ¶172.
[7] Virginia Cellular Order at paragraph 28.
[8] Id at paragraph 46.
[9] Recommended Decision at paragraph 24.
[10] Id at paragraph 47.

population in each wire center within the study area. Western Wireless cannot identify at this time where additional requests will come from, and whether those requests will be reasonable.

Q: What is your reaction to Western Wireless' statement of its intentions for serving throughout the service area?

A: Western Wireless clearly does not now, nor does it in the future, have any intentions for serving throughout the study areas of the rural telephone company areas where they seek ETC designation. I have three reactions to their statement, which I will explain and document in the remainder of my testimony

1. The requirement as stated in the 1996 Act, and as amplified in the Virginia Cellular Order as well as the Joint Board Recommended Decision, is to serve *throughout the service area*, not to cover 85% of a given wire center's population. As I will demonstrate later in my testimony, many customers within a wire center are clustered in cities and towns and can be served at a relatively low-cost. Other customers are located in more remote and sparsely populated areas of the wire center and are often very costly to serve. Universal service funds are intended to support the provision of affordable service to these high-cost customers. If a prospective ETC serves predominantly the more concentrated low-cost customers and receives support based upon the higher-cost customers, then they would receive a windfall that would not be in the public interest.
2. Even using Western Wireless' generously contrived "85% of population" standard, it falls woefully short of meeting even this watered-down target. Later in my testimony I will be presenting data indicating the location of Western Wireless' towers, and what percentage of each study area's population and land

mass are within reasonable coverage radiuses of these tower locations. I will also demonstrate that in the study areas for which Western Wireless was granted ETC status by this Commission in 2001, and for which they have received almost $12 million in high-cost support, Western Wireless has done little, if anything, to build wireless towers in the more sparsely populated portions of these service areas.

3. To the extent that Western Wireless does offer service to customers in remote and rural portions of South Dakota it is through the use of high-power wireless equipment and roof-mounted antennas. Western Wireless serves virtually all of its customers in the state of South Dakota with a cellular service product that employs mobile handsets. Indeed at paragraph 20 of its Application, Western Wireless cites this mobility as one of the key public interest benefits in its Application.[11] As I will demonstrate shortly, however, the traditional cellular product is only functional in a small percentage of many of the wire center service areas for which Western Wireless has requested ETC status, and predominantly in areas where costs are low. To meet its obligations to provide service throughout the ETC serving area, Western Wireless will rely on modified customer equipment or roof-top antennas to extend its service into remote areas that are currently unserved by its mobile cellular product.[12] While this will allow a few additional customers to obtain Western Wireless' service, it will provide no

[11] See Western Wireless *Verified Petition for Designation as an Eligible Telecommunications Carrier and Request to Expedite Proceedings*, filed November 4, 2004. It should be noted that on July 14, 2003, the FCC released an *Order and Order on Reconsideration* in CC Docket 96-45 in which decided what services should be included in the list of services supported by federal universal service. Notably, "mobility" was not on this list of supported services.

[12] See Blundell testimony at Page 13, line 6, through page 14, line 12.

additional benefit (i.e., expanded coverage area) to the vast majority of Western Wireless' customers who use conventional handsets.

THE PUBLIC INTEREST ANALYSIS

Q: You stated earlier that the recently released Virginia Cellular Order established new and clearer guidelines for making the public interest determination. How do the Virginia Cellular standards differ from prior FCC Orders?

A: The prior ETC standards articulated by the FCC focused primarily on the role that designating additional ETCs would have on creating competition, and provided rather loose standards for the ETC to build out to serve the entire service area.[13] The Virginia Cellular Order makes clear that "competition, by itself, is not sufficient to satisfy the public interest test in rural areas".[14] The FCC concludes that "the balancing of benefits and costs is a fact-specific exercise"[15], and that "the burden of proof [is] upon the ETC applicant."[16] Further, the ETC applicant has an "obligation to serve the designated service area within a reasonable time frame"[17] and that the competitive ETC must "submit records and documentation on an annual basis detailing its progress towards meeting its build-out plans in the service areas it is designated as an ETC."[18]

Q: Have any FCC Commissioners spoken about the reasons why they have adopted more rigorous standards for ETC designation?

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[13] Two of the widely cited prior FCC decisions were the Alabama ETC decisions in the cases of RCC Cellular and Cellular South (DA 02-3181 and DA 02-3317) and the South Dakota Declaratory Order (FCC 00-248). It should be noted that the Alabama decisions were issued by the Wireline Competition Bureau, and applications for review of these decisions are pending before the full Commission.
[14] Virginia Cellular Order, paragraph 4.
[15] Id at paragraph 28.
[16] Id at paragraph 26.
[17] Id at paragraph 28.
[18] Id at paragraph 46.

A: Yes. In a speech given around the time that the Virginia Cellular decision was issued, FCC Commissioner and Joint Board Chair Kathleen Abernathy stated:

> [T]he Commission made clear that any carrier that wants to be an ETC must offer quality services at affordable rates throughout the designated service area. The ETC also must be ready, willing, and able to serve as a carrier of last resort and otherwise be prepared to fulfill the goals set forth in section 254 of the Act. To this end, the FCC required Virginia Cellular to submit build-out plans to document its proposed use of federal universal service funding for infrastructure investment.[19]

In addition, all five FCC Commissioners issued written statements accompanying the Order which further clarified their reasons for adopting the new standards. It is worth noting that three of the five Commissioners specifically list the ability to perform "carrier of last resort" responsibilities as an important element of ETC designation. The Joint Board unanimously approved a recommended set of federal guidelines for ETC designation, including a list of "minimum qualifications" and recommendations for a "specific, fact-intensive inquiry"

Q: On page 15 of his testimony, Mr. Blundell states that that "the FCC and state commissions in more than 20 jurisdictions have designated CMRS carriers as ETCs." Have there been any changes recently in the way that some states are reviewing ETC applications?

A: Yes. Similar to the FCC, a number of states are looking beyond the mere technical compliance with the requirements of Section 214(e) to determine how the ETC applicant intends to use high-cost support, and how the grant of ETC status will improve the services that the public receives. For example, on December 1, 2003 (well before the issuance of the Virginia Cellular Order) the Minnesota Public Service Commission

issued an order denying the application of Nextel for ETC status. In that order the Commission states:

> The Company presented no plan for expanding its service capabilities and simply stated that receipt of the universal service funding would change (in unspecified ways) the economic model that might (no guarantee or analysis to show reasonable likelihood) make expansion (of unspecified extent) into some (unspecified) areas possible. The extent to which the economic model would change was not specified. No guarantee of expansion or analysis was provided to demonstrate the likelihood of expansion. No areas were identified for expansion. ...In these circumstances and based on this record, therefore, the Commission finds that Nextel has failed to demonstrate that it is willing and able to serve "throughout the service area for which the designation is received..." as required of an ETC by 47 U.S.C. § 214(e)(1).[20]

In addition, commissions in the states of Louisiana and Nebraska have also recently denied ETC applications by wireless carriers on public interest grounds.[21]

Q: Have there been other recent developments that change the dynamics and public interest aspects of the ETC designation process?

A: Yes. Under current FCC rules, an ETC receives "per line" support for each "line" that it serves in a study area. If a study area has both a wireline and a wireless ETC, and a customer has both wireline and wireless service, both carriers receive support. The wireline carrier receives support for each physical line that it provides to the customer's premise, and the wireless carrier receives the same "per line" support for each cellular handset that it provides to the customer. This situation led this Commission to conclude in its 2001 Western Wireless ETC Order that:

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[19] *Ensuring the Sustainability of Universal Service,* Remarks by FCC Commissioner Kathleen Q. Abernathy (As prepared for delivery) OPASTCO Winter Meeting, January 21, 2004

[20] In the matter of NPCR, Inc. d/b/a Nextel Partners for Designation as an Eligible Telecommunications Carrier Under 47 U.S.C. § 214(e)(2), Docket No. PT-6200/M-03-647, Issued December 1, 2003.

[21] Louisiana Public Service Commission, Docket U-27274 (Centennial Lafayette Communications, LLC, et. al.) January 14, 2004. Nebraska Public Service Commission Application No. C-2932 (Nextel) February 10, 2004.

> Significantly, the FCC has decided that federal universal support will be extended to all lines served by ETCs in high-cost areas. Thus, if consumers subscribe to GCC's [Western Wireless'] service but retain their landline service from the incumbent carrier, the incumbent carrier will still receive the same amount of support for that line.[22] (emphasis in original)

Due to recent rapid and unsustainable growth in the size of the federal universal service fund, the Joint Board has recommended by a vote of 5 to 3, that this policy be changed, and that support be provided to only one "primary line" at each customer's residence or business location.

Q: How would a "primary line" rule impact the ETC designation process?

A. It would change the designation process in two fundamental ways. First, it would significantly raise the stakes of designating multiple ETCs in sparsely populated rural areas. It could present the possibility of serious negative consequences to consumers if ETC designations were, made without great care, and particular attention to the benefits and costs of each ETC designation. No longer would both carriers receive support for all of their lines. What one carrier gained by securing a customer's "primary line" designation, the other carrier would lose. A wireline carrier that had made investment to provide high-quality service throughout its service area would see the cash flow needed to support and maintain that investment diminished, perhaps impacting its ability to continue serving customers, and certainly impacting its willingness to make new investment with the prospect of uncertain returns. It would also place a premium on assuring that the new ETC had sufficient network and service availability to assume carrier of last resort obligations should the incumbent no longer be able or willing to do so.

[22] Western Wireless ETC Order, paragraph 16.

Q: What is the second impact that a primary line restriction would have on the ETC process?

A: It would force regulators to carefully evaluate what areas were capable of supporting multiple subsidized competitors. As I will demonstrate shortly, the cost of building and maintaining telecommunications networks, both wireline and wireless, are very sensitive to customer density. In sparsely populated areas, the cost of serving customers increases geometrically as customer density decreases below a certain level. In other words, the combined cost of two carriers serving the same sparsely populated area could be significantly higher than that of a single carrier. If current universal service funding levels are capped, and that capped funding base is divided among two or more network providers, then it could be possible that no provider would have adequate financial resources to continue to invest to provide affordable service to remote rural consumers.

Q: Has the phenomenon of increasing costs when multiple ETCs serve sparsely populated rural areas been recognized as a problem?

A: Yes. In May of 2001, the FCC released its MAG Order that eliminated the Carrier Common Line charge for rate-of-return carriers and replaced it with an explicit and portable Interstate Common Line Support (ICLS) mechanism. In his separate statement issued with this Order, FCC Commissioner Kevin Martin said:

> "I also note that I have some concerns with the Commission's policy – adopted long before this Order – of using universal service support as a means of creating "competition" in high cost areas. I am hesitant to subsidize multiple competitors to serve areas in which costs are prohibitively expensive for even one carrier. This policy may make it difficult for any one carrier to achieve the economies of

scale necessary to serve all of the customers in a rural area, leading to inefficient and/or stranded investment and a ballooning universal service fund."[23]

In his separate statement issued with the Recommended Decision West Virginia consumer advocate and Joint Board member Billy Jack Gregg stated:

> I believe that there are certain areas of this country where it is so expensive to provide service that it makes no sense to have more than one carrier subsidized by the federal universal service fund.
>
> Several of my colleagues on the Joint Board have expressed concern over the fate of small, rural incumbent carriers if support is limited to primary lines. I share these concerns. **However, under the Act, the proper place for these concerns is at the point when the decision is made whether to designate an additional ETC in an area served by a rural carrier.** If a state or the Commission believes that a particular rural area or a particular rural carrier cannot stand the loss or dilution of current levels of support, then under Section 214(e)(2) of the Act, it should find that additional ETCs are "not in the public interest". (emphasis added)

Q: If the Commission were to conclude that there should only be one ETC in some rural study areas, would this mean that consumers in those areas would not have competitive choices for telecom providers?

A: Absolutely not. As I will illustrate shortly using Western Wireless' current network, wireless carriers have built their networks in cities and towns and along major highways. These are areas where customer density is high, and costs are low. Customers in these areas are already subscribing to Western Wireless' service. Indeed, Western Wireless is asking for high-cost support for these low-cost customers as soon as it gets ETC designation. The only customers really in question are those in the remote, high-cost portions of the study area where Western Wireless' network currently does not reach. Many of these customers likely have Western Wireless service also, for use when

[23] 2nd R&O and FNPRM in CC Docket No. 00-256, 15th R&O in CC Docket No. 96-45, and R&O in CC Docket Nos. 98-77 and 98-166, Released November 8, 2001, *Separate Statement of Commissioner Kevin*

they are on the road, or when they are in town shopping, working or going to school. It is only when a new ETC invests high-cost funds to build facilities into the more remote and higher-cost areas, however, that consumers will begin to see benefits through larger areas to enjoy their mobile service capabilities, and the ability to use their wireless services at home. Thus, unless a prospective ETC applicant is willing to commit to formal plans to construct facilities throughout the proposed service area, the benefits of their ETC designation will be greatly diminished. Furthermore, to the extent that the ETC designation dilutes the finite pool of high-cost funds to the point where no carrier can viably serve as carrier of last resort, then consumers will be harmed, and the public costs will be greatly increased.

Q: Have other FCC Commissioners warned of the need for a more realistic balancing of benefits and costs in considering ETC applications?

A: Yes. In a speech before the National Telecommunications Cooperative Association, FCC Commissioner Jonathan Adelstein stated:

> I'm encouraging state commissioners to carefully consider the public interest when making their eligibility determinations, as is required by the Act. Specifically, states must make sure that the new market entrants receiving universal service meet all the obligations required by the Act. These include providing service throughout the service area and advertising its availability. They also need to consider whether the new service proposed is an enhancement or an upgrade to already existing or currently available service. Another consideration is the effect it will have on the cost of providing service. As the fund grows, so does the level of contribution. We must ensure that the benefits that come from increasing the number of carriers we fund outweigh the burden of increasing contributions for consumers.[24]

J. Martin. Commissioner Martin reaffirms this statement in his separate statement concerning the Joint Board Recommended Decision..

[24] Remarks of Commissioner Jonathan Adelstein before the National Telephone Cooperative Association February 3, 2003.

In a speech in October of 2002 commenting on the lessons learned from early experience with competition in telecommunications markets, FCC Chairman Michael Powell stated:

> [I]n introducing competition, we should no more trust the promised benefits and representations of competitive entrants as we do the promises to do no harm from incumbents. We must insist on market fundamentals that provide proper incentives for long term, sustainable competition. Just as we are aggressive in policing anticompetitive behavior, we should be equally aggressive in developing incentives that push entrants to enter in a manner that offers long-term, sustainable choice and meaningful welfare for consumers.

Q: Have other consumer representatives commented on whether the public interest is advanced by supporting multiple competitors in high-cost rural markets?

A: Yes. In comments filed during the Joint Board inquiry that led to the recently released Recommended Decision, the National Association of State Utility Consumer Advocates (NASUCA) stated the following:

> It appears that, in finding that CETCs should be designated in ILECs' territories, the [FCC] and some states have found the mere encouragement of competition sufficient under the law to meet the public interest test. If that were sufficient, Congress would not have needed to establish the public interest test; the [FCC] and states would simply have been directed to authorize multiple ETCs in all ILECs' territories, rural or not.[25]
>
> If the goal underlying support for CETCs is to provide incentives to invest in facilities that provide telecommunications in high-cost areas, the rules should require that tangible benefits result from that support.[26]
>
> NASUCA urges the Joint Board to take stronger steps to encourage the states to fully consider the impact of competitive entry into high cost areas served by rural carriers, areas that currently receive high cost support. The impact of competitive entry into high cost areas supported by universal service funding can be significant. We urge the Joint Board to ensure that the states .do the math when they consider the public interest in allowing competitive entry in high cost areas. As a CETC takes market share from a rural incumbent, the incumbent's per-line costs rise. The incumbent receives more USF funding and the CETC.s funding rises also. Rural competition in such an environment provides none of the

[25] Comments of the National Association of State Utility Consumer Advocates, CC Docket No. 96-45, FCC 03J-1, filed May 5, 2003, at page 9.
[26] *Id.* at page 12.

benefits one would expect to receive from competition -- lower costs and better service. Rural competition in that environment produces negative consequences for consumers in terms of increased universal service funding and, thereby, higher costs to consumers nationwide.[27]

Q: Has the Joint Board commented on whether subsidized competition in all rural study areas is always in the public interest, and factors that must be considered in making this determination?

A: Yes. In paragraph 38 of the Recommended Decision the Joint Board states:

> [Section 214(e)(2)] confers discretion on the states to designate more than one ETC in areas served by rural carriers. In these areas, the Act provides that a state commission "may" grant the designation. Also, as noted above, the last sentence of section 214(e)(2) requires that before a state designates an additional ETC in an area served by a rural carrier, the state must find the designation to be in the public interest. These two additional requirements demonstrate Congress's recognition that supporting competition might not always serve the public interest in areas served by rural carriers, and Congress' intent that state commissions exercise discretion in deciding whether the designation of an additional ETC serves the public interest. As discussed above, the low customer densities and high per-customer cost characteristics of many rural carrier study areas also support a more rigorous standard of eligibility.

Q: Could you summarize your recommendations on the factors the Commission should consider as it conducts its public interest analysis?

A: The Commission must ensure that scarce public funds are spent wisely and for the purposes for which they were intended. It has an obligation to ensure provider accountability. Thus, the Commission should approve additional ETCs in rural areas only when the public benefits that will come from supporting multiple carriers can be shown to clearly exceed the costs that are created by supporting multiple networks. It must ensure that providing public funds to competing wireless providers will bring mobile wireless service to areas that currently do not have wireless service. If carriers

[27] Reply comments of the National Association of State Utility Consumer Advocates, CC Docket No. 96-

who receive scarce public support merely continue business as usual, the public interest will indeed be harmed.

COST/BENEFIT ANALYSIS

Q: What are some of the benefits that might be created by the designation of a second ETC?

A: Benefits that might be created could include investments in new towers and facilities to bring mobile communications services to currently unserved areas, wider service areas over which consumers could use their mobile phones, new choices or service upgrades for consumers, lower prices, higher quality and potential competitive responses from other service providers.

Q: What are some of the costs that would be created?

A: The most easily identified cost would be the cost of providing support to the new ETC. Where multiple competing carriers serve the same market, there will be significantly increased cost, as these carriers, to ensure they remain on a competitive footing, will have no choice other than to request ETC status. Indeed, in several of the study areas where Western Wireless has requested ETC status, RCC Minnesota has also requested that the Commission designate them as an ETC.[28]

In very sparsely populated areas there could also be increased public costs due to the loss in network efficiency caused by multiple providers serving in a less efficient manner than a single provider could serve. These higher costs could lead to significant harms to consumers if finite universal service support resources are spread so thinly that

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45, FCC03J-1, filed June 3, 2003, at page 28.

[28] Among other area, RCC has requested ETC designation in the James Valley, Split Rock and Sully Buttes study areas.

no carrier (wireline or wireless) can justify the investment to viably function as a carrier of last resort. Later in my testimony I will demonstrate how providing support to multiple carriers – wireless or wireline – will increase the cost of providing universal service in the most remote and sparsely populated areas

Q: What are the costs created by the designation of a second ETC in a high-cost area?

A. Supporting an additional ETC adds to costs in several ways. First, under the current USF structure[29], total costs increase in proportion to the number of additional lines that are supported. This increase can be particularly large if, as is the case with Western Wireless, the carrier already serves a significant number of lines in the lower-cost portions of the area for which it seeks ETC designation, and it requests funding for all such pre-existing lines. Second, in sparsely populated rural areas, supporting multiple carriers can actually increase the cost of serving all customers. If support were to be restricted to only one "primary line" to each customer location, this could increase the risk of serious harms to consumers if finite universal service support resources are spread so thinly that no carrier has the ability or incentive to make and support the investment that will be necessary to serve as the carrier of last resort.

Q. How much will high-cost support increase if Western Wireless is granted ETC status in the South Dakota Rural LEC study areas that it has requested?

A. Under current rules, the competitive ETC receives the same per-line high-cost support as the incumbent. In response to data requests, Western Wireless had not (until

[29] As previously noted, the Joint Board majority has proposed that support be provided only to one primary line at each customer location. While this would tend to decrease the pressure on the overall size of the universal service fund, it would dramatically increase the risk of harms to consumers if ETC designations are awarded in areas that cannot economically justify two supported carriers.

just prior to the filing of this direct testimony) identified the number of wireless handsets that it provides in each of the study areas for which ETC designation has been requested. In order to estimate these number I have taken line data from USAC Report HC18 for the second quarter of 2004. Exhibit GHB-1 provides a calculation of the amount of high-cost support that Western Wireless would receive based upon ILEC support amounts as reported on USAC Report HC01 for the second quarter of 2004. Based upon these estimates the total amount of support that Western Wireless would receive would be approximately $6.9 million per year in additional federal high-cost support.[30] In my surrebuttal testimony I will indicate the estimated impact of ETC designation using the numbers provided in the recently received discovery response, and discuss any differences.

Q. If Western Wireless were to be designated as an ETC in the state of South Dakota, would $6.9 million be the total impact?

A. No. Experience in other jurisdictions has shown that when one wireless provider has requested and received ETC status, other wireless providers serving the same geographic market will apply for and receive ETC status. If the Commission approves this application based upon the limited showing and commitments made by Western Wireless, then it is reasonable to expect that other wireless providers in the state of South Dakota would apply for and receive ETC status and federal universal service support.

[30] This estimate is approximate for several reasons. First, it is based upon estimated line counts provided to USAC as of December an unknown date. Second, it does not include the impact of support disaggregation for the Sully Buttes study area, as line data by disaggregation zone is not available. Finally, it assumes neither the impact of a primary line restriction, should such a requirement be implemented, not the impact should Western Wireless undertake promotions to provide additional handsets to customers in high-support areas to gain additional support if it is not.

Indeed, if high-cost "support" is perceived to be available merely for the asking, then any company that did not apply could be violating its fiduciary obligations to its owners.

Q. How can the overall impact of the designation of Western Wireless and other wireless carriers on the size of the fund be estimated?

A. Publicly available data indicates that as of December, 2002, there were 325 thousand wireless "lines" and 427 thousand wireline access lines in the state of South Dakota.[31] This indicates a wireless to wireline ratio of 76.1%. Based upon second quarter 2004 support levels, incumbent ILECs in the state of South Dakota currently receive $36.6 million of federal high-cost support.[32] Assuming that all South Dakota wireless carriers apply for and receive ETC status, and that the same 76.1% market share is maintained, then wireless ETCs in South Dakota would add approximately $27.9 million to the federal high-cost fund. I believe that this estimate is conservative for two reasons. First, it assumes that the ratio does not increase. Second, and more importantly, it assumes that wireless carriers will not initiate special promotions in high-support areas to provide multiple wireless handsets to subscriber households in the higher cost areas.

Q. You also mentioned that in sparsely populated rural areas supporting multiple carriers can also increase the cost of serving all customers. Could you explain why this is so?

A Proxy cost modeling work done at the FCC in the late 1990s established a strong correlation between customer density and the cost of providing basic telephone service. The following Chart I shows data from the Benchmark Cost Proxy Model 3.0 for all

[31] Source for ILEC lines USAC HC01, 2nd Quarter 2002. Source for wireless lines Table 11 of the FCC's Local Telephone Competition: Status as of June 30, 2002, released December 9, 2002.
[32] Source USAC HC01 fourth quarter 2003.

ILECs in the state of South Dakota shows the relationship of subscriber density, measured in households per square mile, to the monthly cost of providing basic telephone service.

Households per Square Mile	All South Dakota ILECs
0 to 5	$ 152.63
5 to 100	$ 50.02
100 to 200	$ 32.25
200 to 650	$ 27.12
650 to 850	$ 25.72
850 to 2550	$ 24.25
2550 to 5000	$ 22.89
5000 to 10,000	$ 21.29
> 10,000	$ 18.79

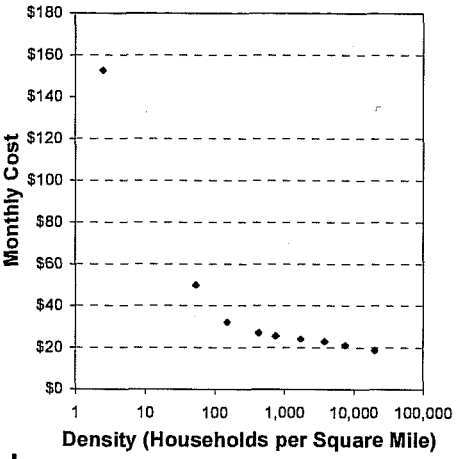


Chart I

Notice that at household densities of 100 households per square mile and greater, the per-line cost of basic telephone service is quite low. At densities of less than 100 households per square mile, costs increase dramatically and exponentially, with areas with density of 5 households per square mile or less costing well in excess of $100 per line per month.

Q. What does this have to do with Western Wireless' cost of providing service?

A. While the technologies of wireline and wireless networks are very different, they both experience high levels of fixed cost, or costs that do not necessarily vary with the number of customers served, which make the cost of providing service very sensitive to subscriber density. A good example of this type of fixed cost in a wireline network is a trench for the placement of distribution cable. Assume for discussion purposes that a trench costs $2 per foot to dig, place and fill. In a densely populated area where a trench

might support 500 lines, the cost of this trench would be $0.004 per line per foot. In a sparsely populated area where the trench only supports 10 lines, the cost per line would be $0.20. In a very sparsely populated area with only 2 lines the per-line cost would be $1, and for the customer at the very end of the line, the cost of the length of trench becomes $2 per line per foot. While not a perfect analogy, this shows why the cost to density curve shown above shows costs increasing geometrically as population density decreases.

In a wireless network, a major fixed cost is the tower and associated radio equipment. A tower and associated equipment cover a given "footprint", or area where acceptable wireless coverage can be received from that tower. The per-customer cost of providing service from that tower is very sensitive to the number of customers within that footprint. In a densely populated or heavily traveled area where thousands of customers may be within that footprint, the cost per-customer is low. In sparsely populated areas, the cost per customer becomes increasingly high, and would follow the same exponential relationship of increasing cost to decreasing density. As a result of this, wireless providers have tended to build their networks and provide conventional cellular service in towns and along major highways where subscriber density is high and relative per-customer costs are low.

Q. How can costs go up for all customers when multiple carriers serve sparsely populated areas?

A. As I described previously, both wireline and wireless networks are comprised of many fixed cost investments, and therefore the cost of providing service is highly dependent on the density of customers in a particular area. The following Chart II

illustrates how when multiple providers serve the same sparsely populated area, the cost for both providers increases. As I mentioned earlier, this relationship is equally valid if two wireless providers are serving the same sparsely populated area.

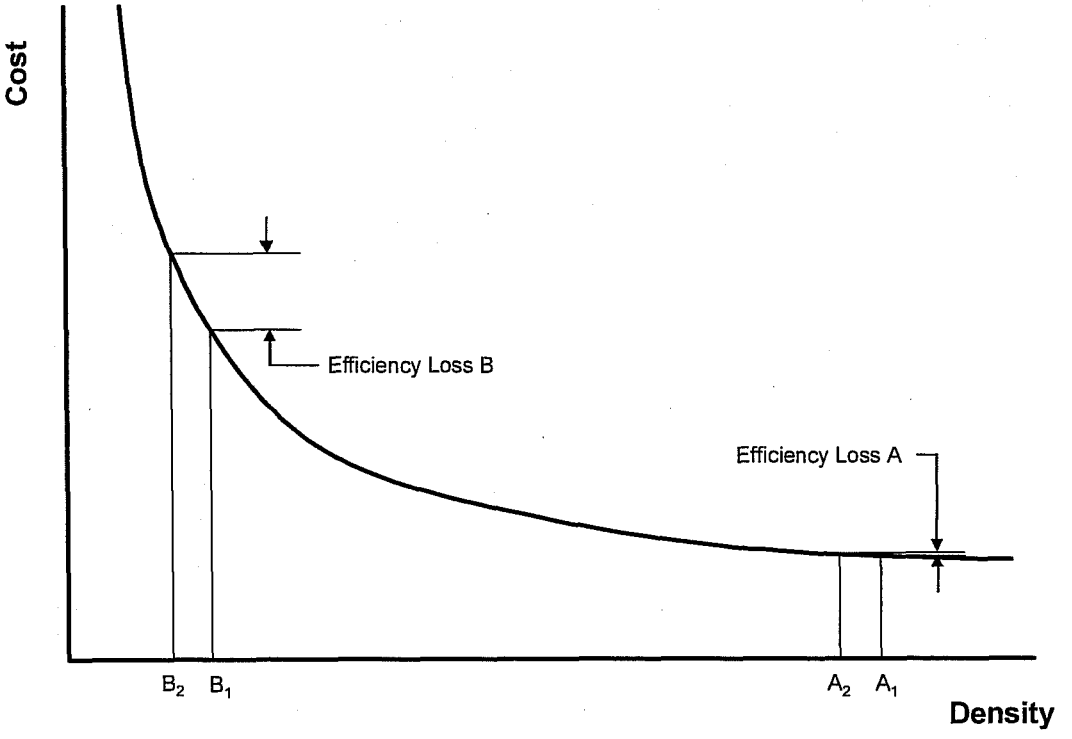


Chart II

When a second carrier enters a service area and captures customers from the incumbent, the physical area of the service area is unchanged, but the number of customers served is less. This will have the impact of reducing the average density in terms of households per square mile and increasing the cost per customer for both carriers. The impact that this reduction in density will have on the average cost of serving customers is highly dependent on the density of the serving area. This graph shows the cost impact for two hypothetical scenarios. Company A, shown on the right side of the chart, serves a densely populated area with relatively low costs. If the entry of an additional carrier results in a reduction in subscriber density from A_1 to A_2, the resulting efficiency loss is

negligible. On the other hand, Company B, shown on the left side of the chart, serves a relatively sparsely populated area. Notice that an equivalent reduction in density from B_1 to B_2 results in a significant and much larger loss of efficiency due to the nature of the density/cost relationship. Given the exponential increase in cost with decreasing density, the lower the initial density level, the higher will be the efficiency loss with the introduction of a second carrier. As Commissioner Martin has noted, there are substantial policy disadvantages to using public funds to subsidize competition when inefficiencies of this magnitude are an additional result. Thus, as population density decreases below 100 households per square mile, the level of public benefit necessary to justify the corresponding increase in public costs becomes larger than would be the case in a more densely populated area. In the most extremely sparse areas, very significant additional public benefit would be necessary to justify the substantial increase in public costs that would be created by providing public support to multiple carriers.

BENEFITS

Q. What benefits has Western Wireless identified that would result from its designation as an ETC for the receipt of high-cost universal service?

A. On pages 8 through 15 of its Application, Western Wireless offers its assessment of the benefits that this designation will bring. Among these benefits are:

- Increased competition
- Increased consumer choice and service quality.
- Larger local calling area
- The benefits of mobility.
- Competitive response from affected ILECs.

Q. What is your reaction to the purported benefits that Western Wireless describes?

A. First of all, these purported benefits consist totally of generalized statements regarding the generic benefits of competition, and as I have stated previously, Western Wireless is already competing in these areas today. The real question before this Commission is what *additional* competition and *increased* benefits will come from designating Western Wireless as an ETC and paying them high-cost support. Noticeably missing from Western Wireless' description of benefits are any of the facts and data that that the FCC and Joint Board believe are necessary to conduct a "fact-intensive" analysis of the public interest benefits of granting Western Wireless ETC status in the requested study areas... Second, to read Western Wireless' statements you would think that Western Wireless currently does not compete in this market, and only if they are granted ETC designation will there be competition in rural areas in the state of South Dakota. Nothing could be further from the truth. Wireless carriers, including Western Wireless, have built facilities throughout rural America, including rural areas in South Dakota. Wireless carriers have built their networks in cities and towns and along major highways where customer concentration is high and costs are low. Finally, as I will illustrate shortly, there is evidence that in areas where Western Wireless has previously received ETC status in the state of South Dakota, they have done very little to expand their service into the more sparsely populated areas of the state. The purpose of high-cost support is to allow for the construction of facilities into sparsely populated and high-cost areas of the service territory. To the extent that Western Wireless is not using its high-cost support to construct towers in the more remote and higher-cost areas of the state, consumers will not

experience public benefits anywhere near the significant public costs that will be created. Thus, Western Wireless had failed to meet its burden of proof that its designation as an ETC would be in the public interest.

Q. Can you provide an illustration of Western Wireless' network in the state of South Dakota?

A. Exhibit GHB - 2 is a map of the state of South Dakota indicating the location of Western Wireless' towers as best can be determined using publicly available data. The map also shows population density statistics, which I will use to illustrate the cost of serving various areas.

Q. How did you obtain the data shown on this map?

A. The locations of the Western Wireless towers were obtained from the FCC's publicly available Universal Licensing System (ULS) data base. The legend in the upper left hand corner of the map indicates the color coding used to indicate the population density. This density data was obtained from the 2000 Census, and indicates housing density at the Census Block level. Also shown on Exhibit GHB-2 are the major highways in this area for geographic reference.

Q. Have you been able to compare these tower locations from this publicly available data base with the proprietary latitude and longitude information regarding tower locations that Western Wireless provided in response to Intervenors' discovery request?

A. Yes. In almost every case the locations correlate exactly. There are a few towers shown on Western Wireless' list that were not in the publicly available data base, but most of them are in the more densely populated areas, and do not materially change the

depiction of Western Wireless' existing network, particularly in the sparsely populated rural areas of the state.[33]

Q. Can you show the wire center boundary areas for the rural study areas for which Western Wireless has requested ETC status?

A. Exhibit GHB-3 shows the wire center boundaries for the 6 rural telephone company study areas for which Western Wireless is requesting ETC status in this proceeding. This exhibit was constructed using the actual wire center boundaries that are on file with the Commission as well as from actual company engineering records.

Q. How can the serving area of Western Wireless' network been determined?

A. The best way to determine network coverage is through what is called a "propagation analysis". In this type of analysis, numerous factors such as the transmission characteristics of the cellular tower and the end user's handset or receiver, the nature of the radio spectrum used, as well as the topographical contour of the area in question all have an impact on the area over which consumers can receive satisfactory performance from the wireless network.

Q. How do topographical features influence network performance?

A. Radio waves can't "see through" hills or mountains. Most of us have had the experience of talking on a mobile phone and losing the connection as we went down into a valley or went behind a hill, building or some other obstruction. Propagation studies take terrain data from the U.S. Geological Survey to predict areas where coverage will be good, marginal or non-existent.

[33] In the analysis that I will present later in my testimony regarding the percentage of population and land area that are in proximity to Western Wireless' towers I have included these additional towers.

Q. How do the characteristics of the cellular tower influence network performance?

A. Factors such as the height of the tower and the electromagnetic power of the radio transmitter and antenna have a significant impact on the area that a tower can cover. Generally, the higher the tower and the more powerful the transmitter, the larger will be the radius that can be theoretically covered.

Q. Are there other factors that influence the level of service that a customer might experience?

A. Yes. Another important component is the receiving and transmitting equipment that the customer uses. Unlike a broadcast application such as commercial radio, a telecommunications network requires a two-way communication between the tower and the mobile equipment. Not only must the customer's receiver be able to detect and receive the signal from the tower, but it must send a signal back to the tower that the tower is capable of detecting and receiving. Thus the characteristics of the customer's equipment play a critical role in determining the coverage that a customer will experience. The same laws of physics that apply to the tower dictate that the transmitting power and antenna height of the customer's equipment will play a significant role in determining the coverage that will be experienced.

Q. What types of equipment do customers generally use?

A. By far, the most commonly used equipment is cellular handset that most of us carry strapped to our belts or in our purses. These handsets generally operate at a power level around 0.6 watts. The other type of equipment that is used, although less frequently than in the earlier days of cellular service, is the "bag phone" or "car phone" that operates

at a power level of 3 watts. The wireless local loop service that Mr. Blundell describes on pages 13 and 14 of his testimony also generally operates at the 3 watt level. The higher power level of this equipment makes it heavier and bulkier, and not as mobile or convenient as the conventional cellular handset. The higher power level of such equipment does give it a significantly larger operating radius that the 0.6 watt handset. In more remote locations, service can also be achieved or improved by working on the "height" variable in the coverage equation. Many of us have had personal experiences with going to a higher floor, or climbing a hill to improve cellular reception. In wireless local loop applications it is often possible to mount an external antenna to the roof of the building to gain additional height and therefore coverage.

Q. Why should the South Dakota Public Utilities Commission care about the coverage areas that consumers experience, and the different coverage characteristics of different types of equipment?

A. The actual wireless coverage that consumers experience should be a key factor in the cost/benefit analysis that lies at the heart of the public interest evaluation process. The original high-cost fund had its genesis in the public goal of making wireline telephone service available and affordable in remote and high-cost areas where, absent support, it would not otherwise be offered. Similarly, an equally valid public goal could be to make wireless service more widely available and affordable in remote areas where it would not otherwise be available, absent support. The key factor thus becomes what benefit will consumers experience in terms of expanded ability to use their mobile service over wider areas in return for the increased universal service fund assessments that this will cost? If a wireless carrier merely offers to provide higher powered customer

premise equipment and external antennas to a few customers in remote locations so that they can qualify for funding, that might not be worth the cost of providing "high-cost" support to all of that carrier's existing customer base. It is for this reason that it is critical that the Commission understand the benefits that consumers will receive before it decides to spend their money.

WESTERN WIRELESS' COVERAGE AREA

Q: How has Western Wireless described its service coverage in the rural telephone company service areas for which it is seeking ETC designation?

A: On page 18 of his testimony, Mr. Blundell states:

> Using publicly available mapping software and the Company's own radio frequency signal propagation information (i.e., coverage), Western Wireless determined the extent to which each study area is covered by Western Wireless today, and where coverage will be expanded in the future. Second, Western Wireless analyzed the percentage of the population within each study area that is covered by Western Wireless' existing network today. Western Wireless included only those study areas where its existing and future network reaches at least 85% of the population in each wire center within the study area. Exhibit A sets forth by name each study area in South Dakota determined by Western Wireless to meet this standard.

Q: Have you had an opportunity to examine the materials that Mr. Blundell claims that he used in making these determinations?

A: No. In Interrogatories filed in this proceeding, Intervenors specifically requested that Western Wireless provide copies of this analysis, including "any and all work papers, maps (including, but not limited to propagation maps), computer output or other materials that support the conclusions reached in the referenced portion of [Mr. Blundell's testimony."[34] In its reply, Western Wireless states:

[34] Intervenors Interrogatory No. 9.

Western Wireless objects to this interrogatory to the extent it seeks information that is confidential and/or proprietary in that such information may afford Western Wireless' competitors an unfair advantage if made publicly available.

I find this response somewhat puzzling, since a Protective Agreement has been entered in this proceeding and signed by all parties, and significant amounts of other confidential and/or proprietary information have been provided by Western Wireless under this Protective Agreement in response to other interrogatories from the Intervenors.

Q: Have you been able to perform an independent analysis of Western Wireless' signal coverage in the affected South Dakota rural telephone company areas?

A: No. The South Dakota rural LECs filed discovery requests asking Western Wireless for information on its tower locations including:

- The tower height
- The tower ERP in Watts
- The type of antenna utilized, and
- The type of antenna utilized, and the latitude and longitude of the tower.
- Whether the tower is capable of delivering digital wireless services.
- The type of emergency power deployed and the estimated amount of back-up power available.

In its initial response, Western Wireless had only provided data indicating the latitude and longitude of the tower, and the tower height. Just prior to the filing of this direct testimony, Western Wireless provided additional data in response to this discovery request. As of this writing, I have not had an opportunity to examine this additional information.

Q: How had you intended to use this information in the public interest analysis?

A: We had hoped to use the information on the tower and radio equipment to conduct an independent analysis of the coverage area provided by the Western Wireless network to determine the coverage areas of Western Wireless' network using different

types of customer equipment (i.e., 0.6 watt handsets, and 3 watt bag-phones and fixed wireless units). Since we were not provided with complete information in response to our discovery request, we were unable to perform this analysis. We had requested information on backup power, as one of the minimum qualifications for ETC status identified by the Joint Board was the ability to remain functional in emergencies.

Q. Are there other ways to develop a rough estimate of the portions of the requested service areas that are covered?

A. As I have just described, to properly analyze coverage, a propagation analysis should be undertaken. As described above, however, the South Dakota Rural LECs have not been able to independently develop such an analysis, and even though Western Wireless claims to have done such an analysis themselves,[35] they have chosen not to provide it in response to our discovery request. Lacking this information I have attempted to the next best thing. I have examined propagation studies for other networks and have developed some "rules-of-thumb" based upon my past experience. Assuming relatively flat terrain, I have found that a radius of 5 miles from the tower often approximates the area where solid "5-bars" coverage can be achieved using a 0.6 watt handset. This also seems to correlate with my real-world experience as a cellular customer. Similarly, I have found that a 10 mile radius can often predict good performance with a 3 watt phone, and a 25 mile radius a 3 watt phone with a roof mounted antenna. For purposes of this testimony I have taken the tower locations I was able to identify from the FCC ULS database, and utilized the actual exchange boundaries

[35] See Blundell testimony at page 18, line 5.

to determine what portion of each rural telephone company's land area and population falls within a 5 mile, 10 mile and 25 mile radius of a Western Wireless tower location.

Q. Does your "rule-of-thumb" analysis predict actual coverage levels?

A. Not exactly. It only provides a rough approximation that should be further validated through an actual propagation analysis that takes many real-world factors into consideration. None the less, it does provide a basic analytical framework to analyze the existing Western Wireless network, and to identify what type of additional tower facilities may be necessary to expand coverage to currently unserved or underserved areas. At a minimum, it allows an analysis of what percentage of the population and land area of South Dakota Rural LEC study areas are within reasonable proximity of existing Western Wireless towers.

Q. What are the results of the wireless coverage analysis that you have just described.

A. The results of my analysis are summarized in the charts shown on Exhibit GHB-4, which shows the results for all of the requested South Dakota Rural LEC study areas. This exhibit shows, for the 95 wire centers in requested ETC service areas, the percentage of households and land area that are within a 5 mile, 10 mile and 25 mile radius of an existing Western Wireless tower.

Q: Can you summarize the conclusions that you draw from this analysis?

A: The data shows that only in 16 of the 95 wire centers are over half of the households within 5 miles of an existing Western Wireless tower. In 51 of these wire centers, none of the households are within 5 miles of a tower. In only 34 of these 95 wire centers are over half of these households within a 10 mile radius of a tower, and in 28 of

these wire centers none of the housing units are within 10 miles of a tower. In 13 of the 95 wire centers less than half of the population is within even 25 miles of an existing Western Wireless tower. Based upon this information, I believe that there is reason to question whether Western Wireless does indeed serve throughout the service territory of these rural study areas. In many areas, to the extent that it provides service at all, it would appear that service would have to be through the use of high-power customer equipment and/or external antennas. As I have discussed previously, while this might provide some small incremental benefit to the customers that receive this type of service, it would provide little or no incremental benefit to the vast majority of Western Wireless' customers using conventional handsets.

Q. Has Western Wireless made any commitments regarding its plans to serve throughout the service areas for which it is requesting ETC status?

A: No. On page 4 of his testimony, Mr. Blundell states:

> Western Wireless now commits to offer and advertise the supported services throughout the service areas referenced in this Application through a combination of signal coverage that has been expanded since the time of the original ETC application and future investment in network infrastructure.

As mentioned earlier in my testimony, when asked when Western Wireless would be capable of serving throughout the service area in an Interrogatory Western Wireless stated:

> An ETC applicant must commit to meeting reasonable requests for service. Western Wireless meets this standard today. Western Wireless enjoys extensive network coverage in South Dakota and has requested ETC designation only in study areas where it can currently provide service to at least 85% of the population in each wire center within the study area. Western Wireless cannot identify at this time where additional requests will come from, and whether those requests will be reasonable.

When asked in an interrogatory for Western Wireless' plans to construct additional cellular towers in the next two years, Western Wireless stated:

> Western Wireless has stated that it will continue to make a significant investment in South Dakota, especially if it is able to expand its ETC designation. See Exhibit 7 for an article explaining, in part, Western Wireless' investment plans for South Dakota.[36]

The newspaper articles provided were titled "West Coast Company Might Build Towers", and "Cell Phone Networks Still Weak in Rural S.D..

Q: Is there evidence that suggests that Western Wireless has not been investing the high-cost funds that it receives in the high-cost areas where it currently has ETC status?

A: Yes. Publicly available data suggests that since Western Wireless received its initial ETC designations in the state of South Dakota in October of 2001, it has received almost $12 million in high-cost funding. Exhibit GHB-5 provides data from publicly available USAC reports summarizing the amount of high-cost support that Western Wireless has received by quarter. The USAC data is divided between areas where ETC status has been approved and areas where ETC status is pending. This data indicates that through the first quarter of 2003 Western wireless has received $11,878,920 of federal high-cost support. Exhibit GHB-6 is a map of the state of South Dakota showing the Western Wireless tower locations that existed as of October 18 2001 when Western Wireless received these designations, and the tower locations that either exist or for which licenses have been applied for as of January 26, 2004.[37] Notice that of the roughly 12 towers added since the approval of ETC status, most are in more densely populated

[36] Response to Intervenor Interrogatory No. 7.
[37] This information was taken from the publicly available ULS data base.

areas of the state, and very few are in the remote high-cost areas. This raises several very serious questions. Where did this money go? If the intended purpose of the funding was to provide service to consumers in the high-cost regions of the state, why were towers not constructed in these areas? Finally, what incremental benefit did consumers in the state of South Dakota receive in return for the $11.9 million of public money that has been provided to Western Wireless.?

Q. Where did the money go?

A. I do not know. I do know, however, that early in 2003 Western Wireless' CEO John Stanton had a meeting with the investment community. In an investment report summarizing this meeting it was stated "The USF subsidy represents an incremental revenue source, which we believe should improve our revenue and EBITDA estimates by $6-8 million during the first quarter and $24-30 million during 2003 as the incremental revenue is almost all margin."[38] This statement is significant since in order for USF support to be "all margin" this would mean that Western Wireless would not be investing this money in new facilities to serve rural customers, but rather flowing it directly to the bottom line. I do not believe that this is an intended purpose of the high-cost fund.

HARMS TO CONSUMERS

Q. If Western Wireless is to be granted ETC status, what potential harms could occur to South Dakota consumers?

A. Harms to consumers from an improper ETC designation can come in several forms. First, and most easily identified, is the cost imposed upon consumers, particularly

[38]"Western Wireless (WWCA): USF Provides Upside To Our EBITDA Estimate," Salomon Smith Barney *Research Note*, issued January 9, 2003, at page 2..

if they do not receive equal or greater benefits in return. As I mentioned previously, if in return for ETC designation the applicant expands its network to areas that were previously unserved, and expands the area over which consumers can utilize mobile communications, then perhaps this could be a reasonable use of public funds. If, on the other hand, the applicant merely offers to serve outlying customers with high-powered customer premise equipment and roof-top antennas as a means of meeting minimum funding qualifications, and if the large body of its existing customers experience no tangible improvement in their service, then such funding would not be in the public interest, and the cost of the increased funding assessments would represent a harm to consumers. Another harm could occur if multiple ETCs are designated in areas that could not economically support multiple carriers.

Q. How would designating multiple carriers in areas in sparsely populated rural areas cause harm to consumers?

A. Earlier in my testimony I presented several charts and graphs that showed the relationship of cost to subscriber density. In very sparsely populated rural areas, the largely fixed nature of network costs (both wireline and wireless) causes costs to increase geometrically as population density decreases. This is the phenomenon identified by FCC Commissioner Martin that supporting multiple carriers in an area that is prohibitively expensive for one provider could cause "stranded investment and a ballooning universal service fund". Many of the rural study areas for which Western Wireless seeks ETC designation are very sparsely populated. Exhibit GHB-7 provides density statistics for the study areas in which Western Wireless has requested ETC status. I have provided statistics showing the average density for each of these study areas for,

along with the percentage of households in areas with 0-5, 5-100 and over 100 households per square mile. For comparative purposes I have also included the same statistics for rural and non-rural telephone companies in South Dakota, as well as for all rural and non-rural telephone companies nationwide. This data clearly shows that in most of these areas customer density is very low, leading to the high monthly support levels that these companies currently receive.

Q. Are there other harms that could come to rural South Dakota consumers as policy makers grapple with growing demands on finite universal service funding resources?

A. Yes. As mentioned previously,a majority of the Federal-State Joint Board on Universal Service has recently recommended that the FCC end its practice of providing support to all "lines" provided by all ETCs, and instead provide funding to only one "primary line" to each customer location. The Joint Board has made clear that the primary reason for this recommendation is that the current fund is growing to an unsustainable size due to the number of ETC designation made by state and federal regulators. No matter what the fate of the primary line proposal, the reality is that there is a finite amount of public funding to support for rural telecommunications infrastructure. In making the decision regarding the designation of additional ETCs in high-cost rural areas, the Commission must carefully weigh the impact of the dilution of support that this will create, against the need to provide sufficient support so that at least one carrier can viably remain as a carrier of last resort.

Q: Did the Joint Board address the issue how state Commissions might want to deal with the issue of multiple ETC designations in high-cost rural areas, and what factors should influence their thought process in this area?

A: Yes. Among the factors that the Joint Board has suggested that state Commissions consider is the amount of high-cost support flowing to an existing incumbent carrier. In paragraph 43 of their recommendation the Joint Board states:

> We believe that states making public interest determinations may properly consider the level of federal high-cost per-line support to be received by ETCs. High-cost support is an explicit subsidy that flows to areas with demonstrated levels of costs above various national averages. Thus, one relevant factor in considering whether or not it is in the public interest to have additional ETCs designated in any area may be the level of per-line support provided to the area. If the per-line support level is high enough, the state may be justified in limiting the number of ETCs in that study area, because funding multiple ETCs in such areas could impose strains on the universal service fund. Moreover, if the Commission were to cap per-line support upon entry of a competitive ETC and impose a primary-connection restriction, as discussed below, designating an excessive number of ETCs could dilute the amount of support available to each ETC to the point that each carrier's ability to provide universal service might be jeopardized. State commission consideration of high-cost support on a dollar per line basis would allow equivalent comparison of support among study areas.

Q: Do the rural study areas for which Western Wireless has requested ETC designation have high per line levels of support?

A: Yes. Exhibit GHB-1 shows the per line support for the six rural telephone company study areas for which Western Wireless has requested ETC status. Five of the six study areas have monthly high-cost support levels of over $20 per line per month, while two have monthly support levels of over $30 per line. To put this in perspective, of lines served by rural telephone companies nationwide, only $12.2% of these lines have monthly support of over $20, and only 5.9% have support of over $30. When compared to all lines, served by both rural and non-rural companies, study areas with over $20 per

line of monthly support represent only 1.8% of all lines, and those with over $30 per line represent the top 0.8% of all lines nationally in terms of cost. The testimony of Mr. Strandell (Golden West - $28.61 and Vivian $20.53), Mr. Houdek (Venture $27.81) and Mr. Groft (James Valley - $26.40) clearly illustrate the challenges that they would face, and the potential harms that their customers could experience if their high-cost support were diluted through the designation of additional ETCs in their service areas.

Q: Does the Commission also have to address the impact of designating multiple competitive ETCs in any of these service areas?

A: Yes. In addition to the request for ETC status from Western Wireless, the Commission also has before it requests for ETC status from RCC Minnesota, Inc. in the James Valley, Split Rock and Sully Buttes study areas. Thus the Commission will not only have to decide if two ETCs in these areas serve the public interest, but whether three or potentially even more ETCs will cause more benefit than harm to consumers. Under the prior, unsustainable, system where funding seemed to be available for all lines provided by all carriers, such a decision was easier. Now the Commission is faced with the prospect of a fixed "budget" of high cost support that it must decide if it is in the public interest to divide among several potential ETC carriers. Because the Joint Board decided to retain the current practice of basing the support available to competitive ETCs on the per-line support currently provided to the wireline incumbent, the size of this support "budget" is exactly the amount of support that it took to support a single wireline network functioning as carrier of last resort. Thus, as this support is divided among multiple ETCs in the highest-cost rural areas, the incumbent will face the challenges that Mssrs. Strandell, Houdek and Groft describe in their testimony.

Q: Does the prospect of multiple competitive ETCs impact the ability of these carriers to function as carriers of last resort?

A: Yes. It certainly raises the question of whether multiple wireless carriers could each economically build a network that provided service throughout the study area and be prepared to function as carriers of last resort, particularly in sparsely populated, high-cost portions of South Dakota. As I described earlier, wireless networks exhibit the same characteristics of increasing cost with decreasing density as wireline networks. Thus, if multiple ETCs are placed in a high-cost area with a fixed amount of support, it becomes increasingly difficult for any of them to effectively serve throughout the entire study area and function as a carrier of last resort. This would carry the prospect of significant harm to consumers in the most rural parts of South Dakota.

Q: How should the Commission assure that consumers in the most rural parts of South Dakota are not harmed?

A: In addition to carefully assessing the potential harms that could occur to customers of the wireline incumbent currently functioning as carrier of last resort, the Commission must also assure itself that the new ETC actually will build sufficient facilities in a reasonable period of time to serve throughout the entire study area. The Joint Board made very clear that ETC applicants must be able to serve throughout the study area, and if they did not do so at the time of application, that they provide formal build-out plans subject to annual review. Their reason for this recommendation is that otherwise there would be no guarantee that they would be able to function as carrier of last resort if the incumbent was unable to continue to do so. Indeed, if carriers can obtain ETC status and "high-cost" funding without some form of enforceable commitment to

actually expand their network into high-cost areas then the Commission may have created unintended consequences and negative incentives.

Q. Why do you say that the lack of an enforceable commitment to invest universal service fund proceeds to expand service throughout the ETC service area would create negative incentives?

A. If a carrier can gain access to high-cost funds for serving its current predominantly low-cost customer base without making any enforceable commitment to serve the entire area, then there is a significant risk that the remote facilities will never be built, and the most rural customers will remain unserved by the wireless ETC. The reason is simple, once the carrier has the funding in hand, it faces a very different set of business incentives regarding investments in remote areas. Construction of these facilities will generate substantial cost, yet yield relatively little incremental revenue. In essence, the carrier is back where it started, with no incentive to make investments that make no business sense. Unless the Commission either requires the prospective ETC applicant to serve throughout the area prior to granting ETC status, or requires specific build-out plans and firm and enforceable commitments for such investment as a pre-condition to granting ETC status, then it is highly likely that the carrier will not build facilities to serve the remote customers, and that scarce high-cost funds will provide a windfall to carries serving predominantly low-cost markets. The losers in this scenario would be rural consumers who could face the prospect of having no carrier willing or able to make the necessary investments necessary to function as carrier of last resort. It would also be difficult, if not impossible, for carries to invest to bring rural consumers access to advanced services, including broadband services.

CONCLUSIONS

Q. Could you please summarize your testimony?

A. In this proceeding Western Wireless requests that it be granted ETC status for receipt of approximately $6.9 million of annual federal high-cost support. In return for this, Western Wireless commits to nothing more than serving the areas within South Dakota that it currently serves, and meeting requests for service from customers outside of its current serving area with high-powered customer premise equipment and roof-mounted antennas. Western Wireless justifies that this support will be in the public interest through generic observations about the benefits of "competition", yet there is competition throughout rural areas of South Dakota. Western Wireless presents no evidence that would indicate any expansion in the wireless service areas that consumers in South Dakota would experience as a result of a grant of ETC status. In short, Western Wireless has failed to meet its required burden of proof that its designation as an ETC would provide public benefits anywhere near the substantial public costs and harms to consumers that it would create. The Commission should deny Western Wireless' application unless and until it can make a factual showing of the benefits that its designation as an ETC would bring to South Dakota consumers, including specific plans for how it would use universal service support to expand its coverage throughout the rural telephone company study areas for which it seeks ETC designation. The Commission may also want to examine how Western Wireless has used the high-cost funding that it has already received in areas where it had previously been granted ETC status as part of its annual review and certification process to determine if these funds have been used for their intended purpose.

Q. Does this conclude your testimony at this time?

A. Yes.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUITH DAKOTA

In the Matter of the Filing by WWC Holding Co., Inc, d/b/a Cellular One® for Designation as An Eligible Telecommunications Carrier in Other Rural Areas	)))))	Docket No.TC03-191

EXHIBITS FOR THE DIRECT TESTIMONY OF

GLENN H. BROWN

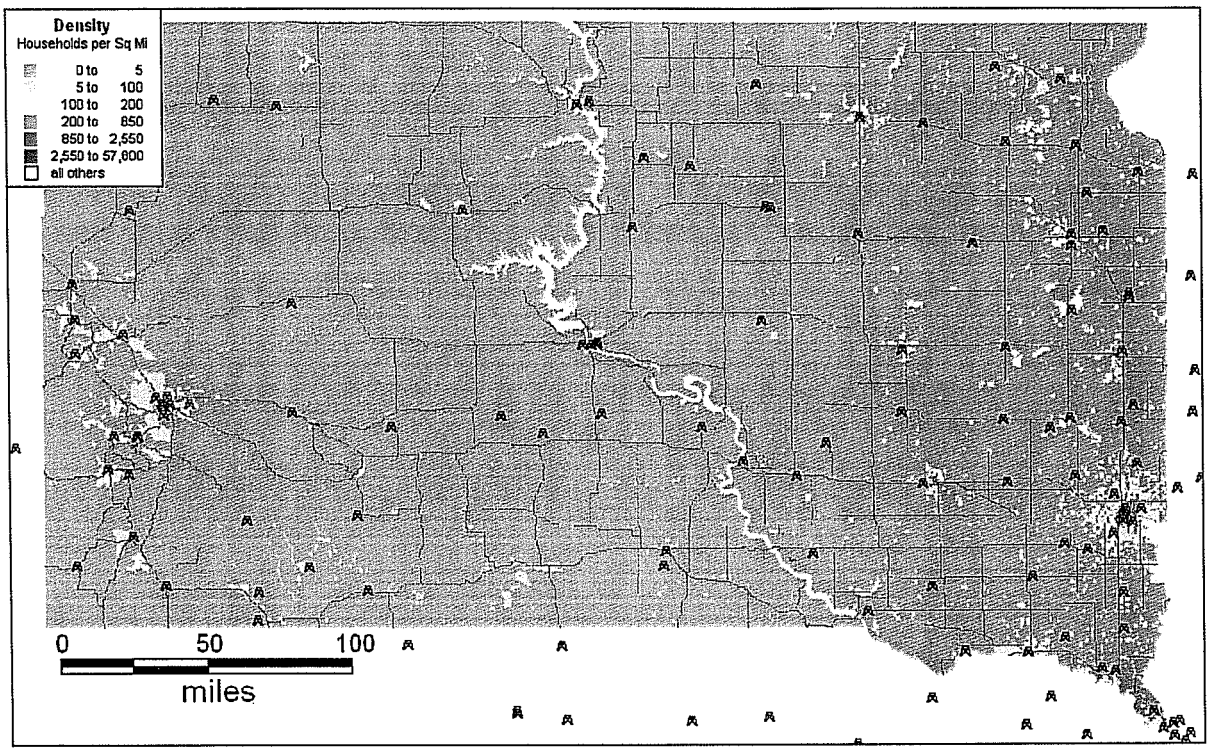
March 15, 2004

Estimated Western Wireless Support

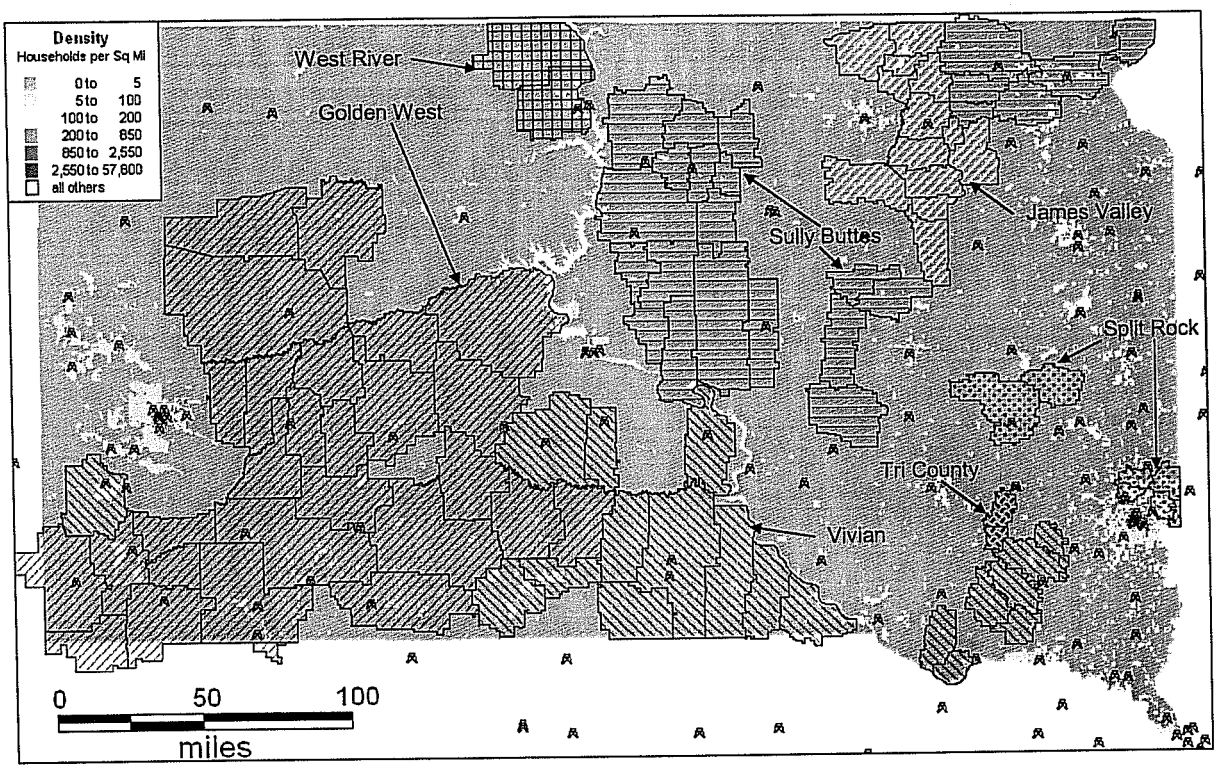
Company	Lines[2]	USF Per Month[2]	Annual USF Funds
Golden West	6,333	$28.61	$2,174,246
James Valley	2,740	$26.40	$868,032
Split Rock	189	$6.28	$14,243
Sully Buttes	4,990	$27.81	$1,665,263
Tri-County	240	$36.84	$106,099
Vivian	6,642	$20.53	$1,636,323
West River	1,051	$34.46	$434,610
	22,185		$6,898,815

1. Source USAC HC18 2Q2004
2. Source USAC HC01 2Q2004

Docket No. TC03-191
Exhibit GHB-2



Docket No. TC03-191
Exhibit GHB-3



Proximity of Western Wireless Towers									
				Percentage of Households			Percentage of Land Area		
Company	Wire Center	HHs	Area	5 miles	10 miles	25 miles	5 miles	10 miles	25 miles
Golden West	Ardmore	27	133.5			100%			100%
Golden West	Belvidere	148	573.9	2%	47%	100%	5%	28%	100%
Golden West	Buffalo Gap	191	305.2		65%	100%		25%	100%
Golden West	Creighton	86	400.6			94%			94%
Golden West	Edgemont	687	629.5	83%	93%	100%	11%	52%	100%
Golden West	Enning	445	1737.0	16%	47%	99%	8%	30%	94%
Golden West	Faith	388	632.2			4%			18%
Golden West	Hayes	167	1103.9			40%			48%
Golden West	Hot Springs	2822	363.0	78%	97%	100%	15%	66%	100%
Golden West	Interior	210	515.2	13%	19%	100%	22%	39%	100%
Golden West	Kyke	1060	987.0	20%	48%	100%	8%	50%	100%
Golden West	Long Valley	561	978.3		4%	65%	0%	9%	60%
Golden West	Martin	1090	721.1	5%	80%	99%	10%	37%	94%
Golden West	Maurine	119	695.0			27%			29%
Golden West	Midland	257	696.0	12%	23%	95%	14%	34%	89%
Golden West	Milesville	103	449.5			4%			7%
Golden West	New Underwood	411	338.9	81%	95%	100%	21%	59%	100%
Golden West	Oelrichs	221	493.0	49%	83%	100%	17%	58%	100%
Golden West	Oral	135	204.6	4%	52%	100%	3%	28%	100%
Golden West	Philip	682	720.3	20%	85%	100%	10%	31%	100%
Golden West	Pine Ridge	2035	998.9	62%	88%	100%	20%	60%	100%
Golden West	Quinn	113	284.0		4%	100%		2%	100%
Golden West	Wall	520	268.9	3%	97%	100%	14%	58%	100%
Golden West	Wasta	136	376.9	42%	49%	100%	8%	21%	100%
Golden West	White River	478	515.9			13%		0%	49%
Golden West	Wicksville	118	414.7		24%	100%		19%	100%
Golden West	Wood	144	401.3		10%	19%		6%	33%
James Valley	Andover	95	46.8	3%	96%	100%	11%	89%	100%
James Valley	Bristol	373	244.6		14%	100%		14%	100%
James Valley	Claremont	244	142.1		7%	100%		14%	100%
James Valley	Columbia	158	84.4			100%		0%	100%
James Valley	Conde	210	181.4			100%			100%
James Valley	Doland	320	220.2			100%			100%
James Valley	Ferney	230	179.6		33%	100%		34%	100%
James Valley	Frederick	376	277.3			70%			60%
James Valley	Groton	791	195.2	85%	99%	100%	47%	96%	100%
James Valley	Haughton	81	62.7			100%			100%
James Valley	Hecla	321	168.6			17%			41%
James Valley	Mellette	477	344.9			100%			100%
James Valley	Thurton	84	85.6			100%			100%
Split Rock	Baltic	639	58.8	64%	100%	100%	39%	100%	100%
Split Rock	Brandon	2526	59.1	91%	100%	100%	50%	100%	100%
Split Rock	Crooks	794	44.5	72%	100%	100%	79%	100%	100%
Split Rock	Gareston	813	83.5	7%	100%	100%	17%	100%	100%
Split Rock	Howard	1105	415.3	59%	73%	100%	19%	55%	100%

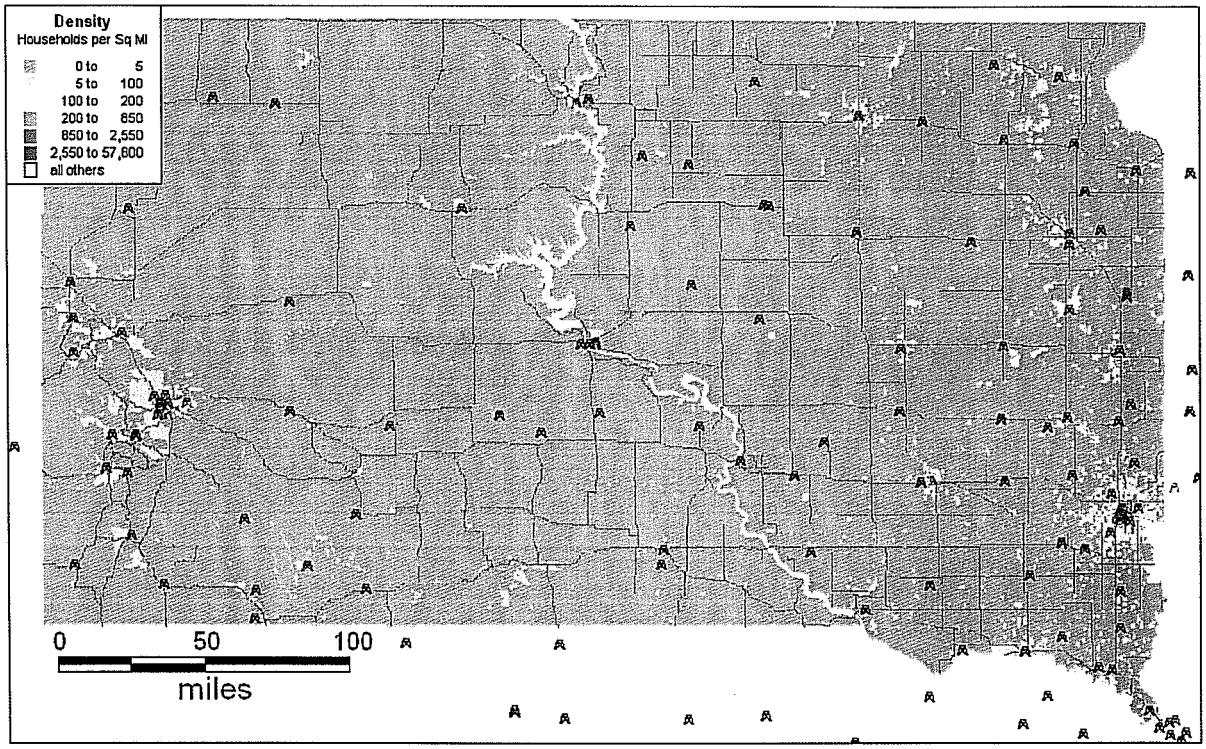
Proximity of Western Wireless Towers									
				Percentage of Households			Percentage of Land Area		
Company	Wire Center	HHs	Area	5 miles	10 miles	25 miles	5 miles	10 miles	25 miles
Split Rock	Oldham	452	185.0		34%	100%		16%	100%
Split Rock	Valley Springs	404	22.9		100%	100%	1%	100%	100%
Sully Buttes	Blunt	235	159.3			99%			96%
Sully Buttes	Bowdle	392	195.0			100%			100%
Sully Buttes	Britton	1567	451.0	4%	83%	100%	16%	46%	100%
Sully Buttes	East Onida	76	308.9		4%	99%		7%	93%
Sully Buttes	Gettysburg	1357	671.6	3%	60%	100%	13%	48%	100%
Sully Buttes	Harold	270	382.1			34%			43%
Sully Buttes	Highmore	756	830.4		2%	98%		4%	94%
Sully Buttes	Hitchcock	239	218.3			100%			100%
Sully Buttes	Hoven	366	146.9	10%	99%	100%	29%	99%	100%
Sully Buttes	Langford	301	156.2	0%	20%	100%	4%	41%	100%
Sully Buttes	Onaka	59	76.3		17%	100%		29%	100%
Sully Buttes	Onida	512	184.0	1%	17%	100%	5%	38%	100%
Sully Buttes	Pierpoint	161	84.3		14%	100%		29%	100%
Sully Buttes	Ree Heights	163	325.9	43%	68%	100%	19%	53%	100%
Sully Buttes	Roscoe	297	228.5		4%	100%		7%	100%
Sully Buttes	Rosholt	480	161.5			31%			48%
Sully Buttes	Roslyn	756	240.9		11%	100%		33%	100%
Sully Buttes	Selby	924	504.2	2%	29%	99%	8%	35%	99%
Sully Buttes	Seneca	114	221.1		2%	100%		2%	100%
Sully Buttes	Sisseton	1933	267.2	10%	96%	100%	31%	83%	100%
Sully Buttes	Tolstoy	120	145.9	62%	98%	100%	28%	90%	100%
Sully Buttes	Tulare	227	157.3		1%	100%		1%	100%
Sully Buttes	Wessington	311	300.2		31%	97%		28%	96%
Sully Buttes	Wessington Springs	917	410.2			100%			100%
Tri-County	Clayton	83	50.2			100%			100%
Tri-County	Emery	322	87.0	2%	85%	100%	14%	59%	100%
Vivian	Avon	593	182.3	0%	11%	100%	2%	28%	100%
Vivian	Bonesteel	500	290.4		1%	97%		3%	95%
Vivian	Burke	743	337.5			31%			64%
Vivian	Clearffield	258	475.6		14%	100%	0%	8%	100%
Vivian	Custer	2592	481.3	80%	93%	100%	22%	58%	100%
Vivian	Freeman	1060	205.1	8%	86%	100%	16%	55%	100%
Vivian	Gregory	1260	578.1			93%			84%
Vivian	Lesterville	356	122.0		21%	100%		12%	100%
Vivian	Marion	609	97.4	52%	86%	100%	10%	64%	100%
Vivian	Menno	658	173.7	3%	27%	100%	8%	45%	100%
Vivian	Mission	1066	206.3			4%			21%
Vivian	Murdo	575	746.1	61%	89%	100%	14%	62%	100%
Vivian	Reliance	561	404.8	6%	81%	100%	19%	68%	100%
Vivian	Rosebud	1400	444.5			22%			20%
Vivian	Scotland	797	184.8		2%	100%		4%	100%
Vivian	Springfield	642	96.8	76%	94%	100%	17%	76%	100%
Vivian	Vivian	110	218.1	14%	77%	100%	35%	56%	100%
Vivian	Winner	2593	925.4	70%	86%	100%	13%	40%	100%
Vivian	Witten	227	410.4			100%		0%	92%
West River	McLaughlin	807	559.7			29%			48%
West River	Mobridge	2147	350.4	92%	94%	100%	13%	43%	100%

Western Wireless Support - SD

Per USAC HC01

	Approved		Pending		Total
Quarter	Monthly	Quarterly	Monthly	Quarterly	
2Q04	$1,510,794	$4,532,382	$171,154	$513,462	$5,045,844
1Q04	$867,983	$2,603,949	$1,953	$5,859	$2,609,808
4Q03	$772,787	$2,318,361	$34,948	$104,844	$2,423,205
3Q03	$979,450	$2,938,350	$39,655	$118,965	$3,057,315
2Q03	$790,424	$2,371,272			$2,371,272
1Q03	$492,314	$1,476,942			$1,476,942
4Q02	$22,889	$68,667			$68,667
3Q02	$33,793	$101,379			$101,379
		$16,411,302		$743,130	$17,154,432

Docket No. TC03-191
Exhibit GHB-6



Red indicates tower additions since October 1, 2001

				Percentage of Households		
		Area	Density	By Density Band (HH/sq. mi.)		
Company	**Households**	**(sq. mi.)**	**HH/sq. mi.**	**0 - 5**	**5 - 100**	**100+**
Golden West	13,354	15,938.5	0.8	33%	16%	50%
James Valley	3,760	2,233.4	1.7	43%	7%	50%
Split Rock	6,733	869.0	7.7	15%	19%	65%
Sully Buttes	12,533	6,827.3	1.8	31%	9%	60%
Tri-County	405	137.2	3.0	41%	9%	50%
Vivian	16,600	6,580.6	2.5	30%	16%	54%
West River	2,954	910.1	3.2	10%	10%	80%
South Dakota						
	Rural		2.0	30%	13%	57%
	Non-Rural		14.7	6%	9%	85%
USA						
	Rural		8.0	6%	32%	62%
	Non-Rural		102.7	1%	7%	92%



OPASTCO

ORGANIZATION FOR THE PROMOTION AND ADVANCEMENT OF SMALL TELECOMMUNICATIONS COMPANIES

Robert Riordan,
2002 OPASTCO Chairman
Northeast Telephone Co., Wis.

John N. Rose,
OPASTCO President

UNIVERSAL SERVICE IN RURAL AMERICA: A CONGRESSIONAL MANDATE AT RISK

Written by: Stuart Polikoff,
Director of Government Relations, OPASTCO

January 2003

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H. Keith Oliver, Home Telephone Co. Inc., S.C.

Bob Orent, Hiawatha Communications Inc., Mich.

Al Pedersen, Sandwich Isles Communications Inc., Hawaii

Terrence Stapleton, Washington Independent Telephone Association, Wash.

Robert Williams, Oregon Farmers Mutual Telephone Co., Mo.

John Ricker, ex officio, *National Exchange Carrier Association Inc., N.J.*

The Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO) is a national trade association representing approximately 500 small incumbent local exchange carriers serving primarily rural areas throughout the United States. OPASTCO members provide a wide array of services, including local exchange service, Internet access, high-speed and advanced services, mobile wireless services, long distance resale, and cable television. Collectively, OPASTCO members serve over 2.6 million customers in 42 states.

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APPENDIX A: UNIVERSAL SERVICE FUNDING DATA A-1

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OPASTCO RURAL UNIVERSAL SERVICE FUND POLICY PRINCIPLES

1. Rural consumers should have affordable telecommunications services, comparable in quality and price to urban areas.

2. Funding should be sufficient to provide for critical infrastructure in rural areas.

3. The Universal Service Fund is a scarce national resource. Therefore, supporting multiple carriers is in the public interest only when benefits exceed costs.

4. The Universal Service Fund should not be used to create uneconomic competition.

5. All carriers receiving support should be held to the same service obligations and regulatory standards.

6. Funding should come from the broadest base of providers and services.

EXECUTIVE SUMMARY

The goal of universal service policy is to ensure that every American, regardless of location, has affordable, high-quality access to the public switched network and thereby benefits from a variety of telecommunications and information services. Rural incumbent local exchange carriers (ILECs) are the embodiment of the universal service concept, having built the infrastructure that provides ubiquitous, high-quality local telecommunications service to some of the country's most remote and difficult to serve areas. The provision of a robust infrastructure in these areas would never have been possible were it not for the nation's long-established policy of universal service and the federal Universal Service Fund (USF, the Fund). Sadly, the availability of high-quality, modern service to rural consumers is being threatened by state and federal policy decisions that have placed the future financial health of rural ILECs at risk.

In the Telecommunications Act of 1996 (1996 Act, the Act), Congress expanded the purpose of federal universal service funding beyond its historical purpose of cost recovery for carriers serving high-cost areas to include discounted services for schools, libraries and rural health care facilities. The Act also allowed for more than one carrier in a local service area to be eligible to receive universal service support. In addition, the reform of interstate access charges since the passage of the 1996 Act has shifted more of a LEC's costs to the USF for recovery. Collectively, these policy changes have caused the size of the Fund to grow significantly and have placed its sustainability in serious jeopardy. This paper focuses on the second of the aforementioned policy shifts: *the ability of state regulatory commissions and the Federal Communications Commission (FCC) to designate more than one carrier in a service area to be eligible to receive high-cost universal service support.*

THE 1996 ACT: BALANCING THE GOALS OF UNIVERSAL SERVICE AND COMPETITION

Under the 1996 Act, in order to be eligible to receive high-cost universal service support, a carrier must first be designated as an Eligible Telecommunications Carrier (ETC) by a state commission or, in limited circumstances, by the FCC. In areas served by a non-rural ILEC (*ex.*, Verizon, SBC, BellSouth, Qwest), the Act requires state commissions and the FCC to designate additional ETCs, so long as the applying carrier meets certain prerequisites. However, in areas served by a rural telephone company, the Act provides state commissions and the FCC with the discretion to determine whether or not providing more than one carrier with universal service support would be in the best interest of those communities. More specifically, it requires state commissions and the FCC to find that the designation of an additional ETC in a rural service area is *in the public interest* before such a designation is made. This additional requirement demonstrates Congress's recognition that supported competition would not always serve the public interest in the areas served by rural telephone companies. Unfortunately, in many instances, state commissions and the FCC have not been following the intent of Congress

and have been quick to designate additional ETCs in rural telephone company service areas without thoughtfully and thoroughly considering all of the factors that determine the public interest.

HIGH-COST UNIVERSAL SERVICE IS NOT A SUBSIDY PROGRAM; IT IS A COST RECOVERY PROGRAM DESIGNED TO ENCOURAGE INVESTMENT IN INFRASTRUCTURE

High-cost universal service support is not a subsidy program for end-user customers. It is a cost recovery program designed to promote infrastructure investment in areas where it would not otherwise be feasible for carriers to provide quality services at rates that are affordable and reasonably comparable to urban areas of the country. Without high-cost support, this investment would not have occurred in the past and cannot occur in the future. Therefore, encouragement of private infrastructure investment must continue to be the primary purpose of the High-Cost universal service program, and funding must remain sufficient to achieve this objective.

THE FUTURE OF HIGH-COST SUPPORT FOR RURAL CARRIERS IS IN JEOPARDY

Since 1996, the federal USF has nearly quadrupled in size, with funding for all programs projected to be approximately $6.3 billion in 2003. In addition, the high-cost support going to wireless competitive ETCs has grown from less than $500,000 in 1999, to a projection of more than $100 million in 2003. It is estimated that if all wireless providers nationwide were granted ETC status that the annual funding level of the USF would grow by approximately $2 billion. Clearly, an increase of this magnitude would not be sustainable. Carriers need sufficient funding to continue investing in infrastructure in high-cost rural areas. If the size of the USF reaches a point where further growth is prohibited, yet the number of carriers receiving support continues to grow, then no carrier will have the funding necessary to provide affordable, high-quality telecommunications services and rural consumers will be denied the benefits promised by the Act.

Rural ILECs are the only providers of ubiquitous, high-quality, facilities-based service throughout their respective service areas. Thus, if rural ILECs lose the ability or incentive to continue investing in their networks – or worse yet, if their existence is placed at risk – then some rural areas may be deprived of basic universal service, where high-quality, reliable telecommunications services are available and affordable for all. Insufficient funding also threatens these carriers' ongoing efforts to offer advanced services to greater numbers of consumers, as well as to schools, libraries and rural health care facilities. Such an outcome would be entirely at odds with the universal service principles Congress codified in the 1996 Act.

THE MARKET HAS SPOKEN: COMPETITION IS NOT ALWAYS IN THE PUBLIC INTEREST

The telecommunications industry has experienced a financial collapse as a result of the rush to competition and uneconomic investment in facilities for which there was not sufficient market demand. If this type of market failure can occur in the most urban areas of the country, where it seems logical that competition would be able to flourish, then funding competition in high-cost rural areas where the market cannot naturally support even one service provider clearly carries with it significant risks. FCC Commissioner Kevin Martin explained it best when he stated:

> I have some concerns with the Commission's policy...of using universal service support as a means of creating "competition" in high cost areas. I am hesitant to subsidize multiple competitors to serve areas in which costs are prohibitively expensive for even one carrier. This policy may make it difficult for any one carrier to achieve the economies of scale necessary to serve all of the customers in a rural area, leading to inefficient and/or stranded investment and a ballooning universal service fund.[1]

In today's uncertain environment, it is more important than ever for each and every American to have access to a proven telecommunications carrier that provides "critical infrastructure." This is a carrier that is capable of providing its customers with reliable, ubiquitous, facilities-based service of the highest quality. Such a carrier must have the ability to ensure that telecommunications services remain available in the event of an emergency. Rural ILECs have historically fulfilled this role and remain committed to doing so in the future. This is a role that most competitive carriers may be unable to fulfill due to a reliance on other carriers' networks, internal financial limitations and/or service quality issues.

Therefore, it is essential that the granting of ETC status to competitive carriers be properly managed in the areas served by rural telephone companies to ensure that the universal service goals of the 1996 Act are achieved. If the overall demand for funding grows to an unsustainable level, then support payments will need to be frozen or even curtailed, resulting in serious operating challenges for many rural carriers. Such a situation will ultimately lead to deteriorating service quality, substantially higher rates, or even the financial failure of the carrier that serves as the "lifeline" for the most remotely located consumers.

Regulators must learn from the disastrous implosion of the telecommunications industry and not further compound the situation by allowing it to spread to geographic areas with the most fragile markets. The proliferation of uneconomic competition within

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[1] *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, CC Docket No. 00-256, Second Report and Order and Further Notice of Proposed Rulemaking, *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Fifteenth Report and Order, *Access Charge Reform for Incumbent Local Exchange Carriers Subject to Rate-of-Return Regulation*, CC Docket No. 98-77, Report and Order, *Prescribing the Authorized Rate of Return for Interstate Services of Local Exchange Carriers*, CC Docket No. 98-166, Report and Order, Separate Statement of Commissioner Kevin J. Martin, 16 FCC Rcd 19613, 19770 (2001).

rural service areas could unintentionally jeopardize the ubiquity of the nation's telecommunications network.

STATE PUCS AND THE FCC HAVE GENERALLY FAILED TO PROPERLY EVALUATE THE PUBLIC INTEREST IN THEIR DECISIONS ON ETC APPLICATIONS FOR RURAL SERVICE AREAS

A substantial number of the decisions on ETC applications for rural service areas that have been made thus far have placed an over-emphasis on the perceived benefits of competition, and have equated the introduction of financially supported competition to serving the public interest. On the other hand, less attention has been paid to ensuring that all consumers in the area will retain, and gain, access to affordable, high-quality services, including advanced services, that are reasonably comparable to the services and rates offered in urban areas. These decisions have overlooked or ignored the often significant costs and detriment to rural consumers that Congress recognized could result from financially supporting competition in rural service areas. As a result of these designation decisions, it is clear that a set of principles must be developed to guide state commissions and the FCC in making the important public interest determinations that are at the core of considering ETC applications for rural service areas.

PUBLIC INTEREST PRINCIPLES TO GUIDE STATE PUCS AND THE FCC WHEN CONSIDERING ETC APPLICATIONS FOR RURAL SERVICE AREAS

State commissions and the FCC should adopt the following universal service public interest principles to guide them in their consideration of ETC applications for rural telephone company service areas:

1. Rural consumers should receive access to affordable, high-quality telecommunications and information services, including advanced services, that are reasonably comparable to those services provided in urban areas and at reasonably comparable rates.

2. The high-cost support mechanisms should not be used to incent uneconomic competition in the areas served by rural telephone companies.

3. The USF is a scarce national resource that must be carefully managed to serve the public interest.

4. Rural universal service support reflects the difference between the cost of serving high-cost rural areas and the rate levels mandated by policymakers.

5. The public interest is served only when the benefits from supporting multiple carriers exceed the costs of supporting multiple networks.

6. In areas where the costs of supporting multiple networks exceed the public benefits from supporting multiple carriers, the public interest dictates providing support to a single carrier that provides critical telecommunications infrastructure.

7. The cost of market failure in high-cost rural America could be severe.

THE FCC SHOULD ADOPT A STANDARDIZED SET OF MINIMUM QUALIFICATIONS, REQUIREMENTS AND POLICIES TO BE APPLIED TO POTENTIAL AND EXISTING ETCS IN RURAL SERVICE AREAS

Along with the adoption of public interest principles, a standardized set of minimum qualifications, requirements and policies should be adopted by the FCC. These federal criteria should be applied by state commissions and the FCC to potential and existing ETCs in rural telephone company service areas. Using these federal criteria as a template would assist states and the FCC in determining whether or not the public interest would be served by a particular carrier's designation as an ETC. It would also improve the long-term sustainability of the USF as only the most qualified carriers that are capable of, and committed to, being true providers of universal service would be able to receive and keep the ETC designation.

In order to be considered for ETC status in a rural telephone company service area, a carrier should be required to demonstrate to the state commission or FCC that it meets, and will abide by, all of the following qualifications and requirements:

1. A carrier must demonstrate its ability and willingness to provide all of the services supported by the federal High-Cost program throughout the service area.

2. In fulfilling the requirement to advertise its services and rates, an ETC must emphasize its universal service obligation to offer service to all consumers in the service area.

3. A carrier must have formal arrangements in place to serve customers where facilities have yet to be built out.

4. A carrier must have a plan for building out its network once it receives ETC designation and must make demonstrative progress toward achieving its build-out plan in order to retain ETC designation.

5. A carrier must demonstrate that it is financially stable.

State commissions and the FCC should also adopt the following policies regarding ETC designations in rural telephone company service areas:

1. ETC designations in rural telephone company service areas should be made at the study area level (an ILEC's entire service territory within one state).

2. State commissions and the FCC should ensure that competitive ETCs will be capable of providing high-quality service to all of the customers in the service area should the rural ILEC find it necessary to relinquish its own ETC designation.

3. Any service quality standards, reporting requirements and customer billing requirements established by the state commission should be applied equally to all ETCs in the state.

4. State commissions have the authority to decertify any ETC that is not meeting any of the qualifications or requirements enumerated above.

State commissions should be required to certify annually to the FCC that they are applying the established standardized list of minimum qualifications, requirements and policies to potential and existing ETCs in rural telephone company service areas. In addition, the FCC should direct the administrator of the USF support mechanisms to develop auditing procedures for reported lines.

CONCLUSION

It is essential that regulators treat the USF as the scarce national resource that it is, and take greater care when considering additional ETC designations in the areas served by rural telephone companies. At risk is the continued success of the nation's long-held policy of universal service and rural consumers' continued ability to participate in the telecommunications revolution.

UNIVERSAL SERVICE IN RURAL AMERICA: A CONGRESSIONAL MANDATE AT RISK

I. INTRODUCTION

Universal service has a long legacy in federal and state public policy. In fact, the concept of universal service was first stated in the Communications Act of 1934:

> ...to make available, so far as possible, to all the people of the United States...a rapid, efficient, Nation-wide and world-wide wire and radio communication service with adequate facilities at reasonable charges...[1]

The ultimate goal of universal service policy is to ensure that every citizen, regardless of location, has affordable, high-quality access to the public switched telecommunications network and thereby benefits from a myriad of telecommunications and information services. Public policy that seeks to maximize the level of subscribership to the network also maximizes the utility of the network for all who are connected to it.[2]

For more than 100 years, small independent local exchange carriers (LECs) have provided local telecommunications service throughout rural America. These carriers are the embodiment of the universal service concept, having built the infrastructure that provides ubiquitous, high-quality local exchange service and exchange access (as well as a variety of other services) to some of the country's most remote and difficult to serve areas. This would never have been possible were it not for the nation's policy of universal service. Unfortunately, these rural carriers now find their proud tradition of providing high-quality, modern service being jeopardized by state and federal policy decisions that have placed their future financial health at risk. To understand how we have gotten to this point necessitates a bit of background on how universal service policy has evolved over the years.[3]

In 1982, AT&T signed a Consent Decree with the U.S. Department of Justice, which stipulated that on January 1, 1984, AT&T would divest itself of the wholly owned Bell Operating Companies (BOCs) that provide local telephone service. Prior to divestiture, AT&T and independent LECs were partners to ensure universal service. More specifically, in the areas served by independent LECs, universal service was accomplished through "settlements," which were payments the BOCs made to the independent carriers

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[1] 47 U.S.C. §151.

[2] The value of telecommunications service grows with the number of subscribers. One phone is worthless, two phones allows one connection, three phones allows three connections, four phones allows six connections, etc. The more subscribers added to the network, the greater the value to each individual subscriber.

[3] For a more thorough treatment of the history of the high-cost universal service mechanisms, *see, National Exchange Carrier Association Guide to Telephone Regulation, FCC Rules Annotated.* For a broader overview of the entire history of independent LECs and the preservation of universal service in rural areas, *see,* the OPASTCO white paper *Rural America: Connections to the Future, A Historical Perspective of Public Policy, Independent Telephone Companies and Universal Service* by John N. Rose (Nov. 1998).

that interconnected with them. These settlements enabled the independents to recover the costs they incurred in the transmission of toll calls and also keep local rates affordable.

Coincident with the breakup of AT&T, the Federal Communications Commission (FCC, the Commission) implemented interstate access charges, which interexchange carriers (IXCs) pay to LECs to initiate and complete interstate toll calls on the local network. Since the inception of the access charge regime, competition in the market for long distance service has placed downward pressure on access rates. Shortly after their initial implementation, the FCC, through a series of rule changes, began gradually lowering the interstate access rates that LECs could charge IXCs. This was done to encourage IXCs to lower their long distance rates and to promote increased toll usage. Some of the LECs' interstate access costs were shifted into federally mandated Subscriber Line Charges (SLCs) assessed on end-user customers. But, due to maximum levels imposed on SLCs, many high-cost LECs serving rural areas were not able to recover all of their network costs and still maintain affordable local service rates.

Consequently, during the middle to late 1980s, the FCC established three new network cost recovery mechanisms for small, rural and high-cost LECs: the high cost assistance fund (also, at that time, referred to as the Universal Service Fund), the Dial Equipment Minute (DEM) weighting program and Long Term Support (LTS).[4] Collectively, these three mechanisms have allowed customers in high-cost rural areas to receive access to network connections and services that are affordable and reasonably comparable to the rates and services offered in urban areas. Today, these mechanisms are part of the High-Cost program within the larger federal Universal Service Fund (USF, the Fund).

It was not until the Telecommunications Act of 1996 (1996 Act, the Act) that Congress specifically provided for federal universal service support mechanisms in law.[5] With the 1996 Act, Congress greatly expanded the purposes of universal service funding beyond its historical purpose of cost recovery for high-cost carriers (and assistance for low-income subscribers) to include discounted services for schools, libraries and rural health care facilities. It also allowed for more than one carrier in a local service area to be eligible to receive universal service support and empowered the states (and in limited circumstances, the FCC) to make these eligibility determinations. In addition, further reform of the access charge regime since the passage of the 1996 Act has shifted an even greater portion of a LEC's costs from interstate access charges to the USF for recovery. Collectively, these three changes to universal service policy – discount funding for schools, libraries and rural health care facilities, support for multiple carriers within a service area, and the shift of additional access revenues into the USF – have caused significant growth in the size of the Fund since the passage of the Act. As a result, the USF's sustainability and thus, the provision of true universal service in rural areas, is in serious jeopardy.

[4] Around the same time, the FCC also implemented two low-income assistance programs, Lifeline and Link-up America. Lifeline reduces qualifying low-income consumers' monthly charges. Link-up America reduces the one-time installation charges associated with initiating telephone service.
[5] 47 U.S.C. §254.

The focus of this paper is on the second of the aforementioned policy shifts: *the ability of state public utility commissions (PUCs) and the FCC to designate more than one carrier in a service area to be eligible to receive universal service funding.* In many instances, state PUCs and the FCC have not been following the intent of Congress with regard to the service areas of rural telephone companies[6] and have been quick to make additional carriers eligible for support without thoughtfully and thoroughly considering all of the factors that determine the public interest. If the size of the USF reaches a point where further growth is no longer sustainable, yet the number of carriers receiving support continues to grow, then no carrier will have the funding necessary to provide affordable, high-quality telecommunications services and rural consumers will be denied the benefits promised by the Act. In other words, because this needless growth in the size of the Fund threatens its viability, the viability of the networks that serve rural consumers is also threatened.

Rural incumbent LECs (ILECs) are the only providers of ubiquitous, high-quality, facilities-based telecommunications service throughout their respective service areas. For these carriers, universal service support has always been, and continues to be, a critical means of genuine cost recovery that has made the provision of modern, affordable service possible in high-cost areas. Thus, if rural ILECs lose the ability or incentive to continue investing in their networks – or worse yet, if their existence is placed at risk – then some rural areas may be deprived of basic universal service where high-quality, reliable telecommunications services are available and affordable for all. Insufficient funding also threatens these carriers' ongoing efforts to offer advanced services to their customers, as well as to schools, libraries and rural health care facilities, for which the FCC has provided universal service discounts. Such an outcome would be completely at odds with our nation's historic commitment to universal service and with the universal service principles Congress codified in the 1996 Act.

This paper explores how we have arrived at this critical juncture and offers recommendations to better ensure that universal service, as envisioned by Congress, will be fully realized in the areas served by rural telephone companies. Section II of the paper provides some background on the universal service provisions of the 1996 Act, and state and federal regulators' implementation of those provisions. Section III dispels the notion

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[6] The 1996 Act defines the term "rural telephone company" to mean a local exchange carrier operating entity to the extent that such entity –

(A) provides common carrier service to any local exchange carrier study area that does not include either-

  (i) any incorporated place of 10,000 inhabitants or more, or any part thereof, based on the most recently available population statistics of the Bureau of the Census; or

  (ii) any territory, incorporated or unincorporated, included in an urbanized area, as defined by the Bureau of the Census as of August 10, 1993;

(B) provides telephone exchange service, including exchange access, to fewer than 50,000 access lines;

(C) provides telephone exchange service to any local exchange carrier study area with fewer than 100,000 access lines; or

(D) has less than 15 percent of its access lines in communities of more than 50,000 on the date of enactment of the Telecommunications Act of 1996. 47 U.S.C. §153(37).

that high-cost universal service support is a subsidy program. High-cost universal service funding has always been, and continues to be, a cost recovery program that provides the necessary means and incentive for network infrastructure investment in areas where it would not otherwise occur, while providing for affordable local rates. Section IV illustrates how the FCC's reform and augmentation of the USF since the passage of the Act has caused the size of the Fund to explode, placing the future of high-cost support for rural carriers in great peril. Section V examines the financial collapse that has occurred in the telecommunications industry as a result of the rush to competition and uneconomic investment in facilities for which there was not sufficient market demand. If this type of market failure can occur in the most urban areas of the country, then funding competition in rural areas where the market cannot naturally support even one service provider clearly carries with it significant risks. Section VI provides some examples of state PUC and FCC decisions on whether or not to make additional carriers eligible to receive universal service funding in rural service areas. These decisions, by and large, have focused almost entirely on the perceived benefits of competition and have failed to consider any other ramifications. To address this unfortunate and troubling trend, Section VII recommends a set of public interest principles to guide state PUCs and the FCC in their determinations on whether or not to support additional carriers in the areas served by rural telephone companies. Finally, Section VIII recommends a standardized set of minimum qualifications, requirements and policies to be applied by state PUCs and the FCC to all carriers seeking, and that already receive, universal service support in rural service areas.

II. THE 1996 ACT: BALANCING THE GOALS OF UNIVERSAL SERVICE AND COMPETITION

Prior to 1996, the market for local telecommunications service was generally regulated as a monopoly in all regions of the country and therefore only one carrier serving each local market could receive universal service support. When Congress passed the 1996 Act, it opened the local service market to competition. At the same time, however, Congress sought to preserve and, in some respects, even expand the nation's policy of universal service and make it work in an environment with multiple carriers. To accomplish this, the Act established the Eligible Telecommunications Carrier (ETC) designation.[7] In order to be eligible to receive universal service support, a common carrier must first be designated as an ETC. The Act generally confers on state PUCs the critical responsibility for deciding which common carriers will be designated as ETCs in the service areas within their states.[8] In those limited instances where a common carrier is not subject to the jurisdiction of a state commission, the FCC has the authority to make an ETC determination.[9]

In order to be designated as an ETC in any service area, the law establishes two requirements that every common carrier must fulfill. It must, throughout the service area

[7] 47 U.S.C. §214(e)(1).
[8] 47 U.S.C. §214(e)(2).
[9] 47 U.S.C. §214(e)(6).

for which the designation is received: (1) offer the services that are supported by the universal service mechanism, either using its own facilities or a combination of its own facilities and resale of another carrier's services, and (2) advertise the availability of the supported services and charges using media of general distribution.[10] However, for areas served by rural telephone companies,[11] the Act establishes a third critical requirement that must be satisfied before an additional ETC may be designated: The state commission must find that the designation is *in the public interest.*[12] Moreover, while the Act requires state commissions to designate more than one ETC in areas served by a non-rural ILEC, it invests PUCs with the discretion to determine whether or not supporting more than one carrier in areas served by a rural telephone company would be in the best interest of those communities.[13] Section 214(e)(2) states:

> ...the State commission may, in the case of an area served by a rural telephone company, and shall, in the case of all other areas, designate more than one common carrier as an eligible telecommunications carrier for a service area designated by the State commission, so long as each additional requesting carrier meets the requirements of paragraph (1). Before designating an additional eligible telecommunications carrier for an area served by a rural telephone company, the State commission shall find that the designation is in the public interest.

Congress directed the FCC, with the input of a Federal-State Joint Board on Universal Service (Joint Board), to reform the universal service mechanisms in order to conform with the new law. Section 254(b) of the Act provides six specific principles on which the FCC and the Joint Board must base its policies for the preservation and advancement of universal service. Those principles are:

1. QUALITY AND RATES. Quality services should be available at just, reasonable, and affordable rates.

2. ACCESS TO ADVANCED SERVICES. Access to advanced telecommunications and information services should be provided in all regions of the Nation.

3. ACCESS IN RURAL AND HIGH COST AREAS. Consumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications and informa-

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[10] 47 U.S.C. §214(e)(1).

[11] Collectively, rural telephone companies serve approximately nine percent of the nation's access lines but cover over 38 percent of the nation's land area. Thus, they typically serve sparsely populated areas with a widely dispersed customer base. Indeed, the average population density is only 13 persons per square mile for areas served by rural carriers, compared with 105 persons per square mile in areas served by non-rural carriers. Because of their lack of economies of scale and subscriber density, rural telephone companies face numerous operational challenges in the provision of service. For more information on what makes rural telephone companies substantially different than their non-rural counterparts, *see, The Rural Difference*, Rural Task Force White Paper 2 (Jan. 2000). www.wutc.wa.gov/rtf.

[12] 47 U.S.C. §214(e)(2).

[13] *Id.*

tion services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.

4. EQUITABLE AND NONDISCRIMINATORY CONTRIBUTIONS. All providers of telecommunications services should make an equitable and nondiscriminatory contribution to the preservation and advancement of universal service.

5. SPECIFIC AND PREDICTABLE SUPPORT MECHANISMS. There should be specific, predictable and sufficient Federal and State mechanisms to preserve and advance universal service.

6. ACCESS TO ADVANCED TELECOMMUNICATIONS SERVICES FOR SCHOOLS, HEALTH CARE, AND LIBRARIES. Elementary and secondary schools and classrooms, health care providers, and libraries should have access to advanced telecommunications services as described in subsection (h).

In addition to the six specific principles, Section 254(b) allows the Joint Board and the Commission to establish additional principles that they determine "are necessary and appropriate for the protection of the public interest, convenience, and necessity and are consistent with this Act." As a result of this provision, the Joint Board and FCC added a seventh principle:

7. COMPETITIVE NEUTRALITY. Universal service support mechanisms and rules should be competitively neutral. In this context, competitive neutrality means that universal service support mechanisms and rules should neither unfairly advantage nor disadvantage one provider over another, and neither unfairly favor nor disfavor one technology over another.[14]

On its surface, the added principle of competitive neutrality appears to be a reasonable one. Sadly, however, many FCC and state decisions have turned the concept on its head, resulting in policies that are decidedly biased in favor of the competitor and not at all competitively neutral. Some examples include:

- State PUCs and the FCC designating competitive ETCs (CETCs) for service areas that are smaller than the area the rural ILEC is required to serve. This makes it much easier for competitors to meet the requirements for ETC designation and to "creamskim" the best customers.

- State PUCs not holding CETCs to the same service quality standards and reporting and billing requirements as the ILEC.

[14] *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 8801, para. 47 (1997). (*Universal Service First Report and Order*)

- The FCC, thus far, not adding equal access to interexchange service to the list of supported services. This allows wireless carriers to become ETCs without being required to provide equal access, even though all LECs are required by law to provide it.

In the 1996 Act, Congress did not specifically address how to implement a universal service support mechanism that allows for more than one carrier in a service area to receive support. However, in implementing regulations, the FCC concluded that its principle of competitive neutrality requires that CETCs receive the same per-line support amount as the ILEC would receive for serving a particular customer.[15] This rule is commonly referred to as support "portability."

III. HIGH-COST UNIVERSAL SERVICE IS NOT A SUBSIDY PROGRAM; IT IS A COST RECOVERY PROGRAM DESIGNED TO ENCOURAGE INVESTMENT IN INFRASTRUCTURE

As the implementation of the 1996 Act's pronouncements on universal service have evolved, a key concept seems to have been eroded. Section 254(e) of the Act requires that high-cost universal service support be used "only for the provision, maintenance, and upgrading of facilities and services for which the support is intended." Section 254(b)(3) states, in part, that consumers in rural and high-cost areas should have access to telecommunications services that are reasonably comparable to those in urban areas and at reasonably comparable rates. Taken together, the two provisions indicate that support should be utilized for infrastructure investment in areas where it would not otherwise be economically feasible to provide services at rates that are affordable and reasonably comparable to urban areas of the country. Thus, affordable and reasonably comparable services and rates are the result of a federal high-cost universal service program that promotes investment by allocating a greater portion of a carrier's costs to the federal or interstate jurisdiction. High-cost support should never be confused with a program to simply reduce the rates for telecommunications service charged to an individual end user.[16]

This distinction seems to have even been lost on the administrator of the universal service support mechanisms. Specifically, the Universal Service Administrative Company (USAC)[17] describes the High-Cost program as a "telecommunications discount program" on its Web site.[18] The misperception that the high-cost mechanisms provide a discount or subsidy has led to a backlash against the program from some policymakers, particularly as the overall USF has grown significantly over the past several years. Clear understanding of the intended purpose of these mechanisms is essential to formulating

[15] 47 C.F.R. §54.307.
[16] This is the purpose of the Low Income program.
[17] USAC is the entity designated by the FCC to administer the universal service support mechanisms, including billing contributors, collecting contributions and disbursing universal service support funds.
[18] *See*, www.universalservice.org/hc/overview/.

policy that will truly maintain and enhance America's superior telecommunications systems.

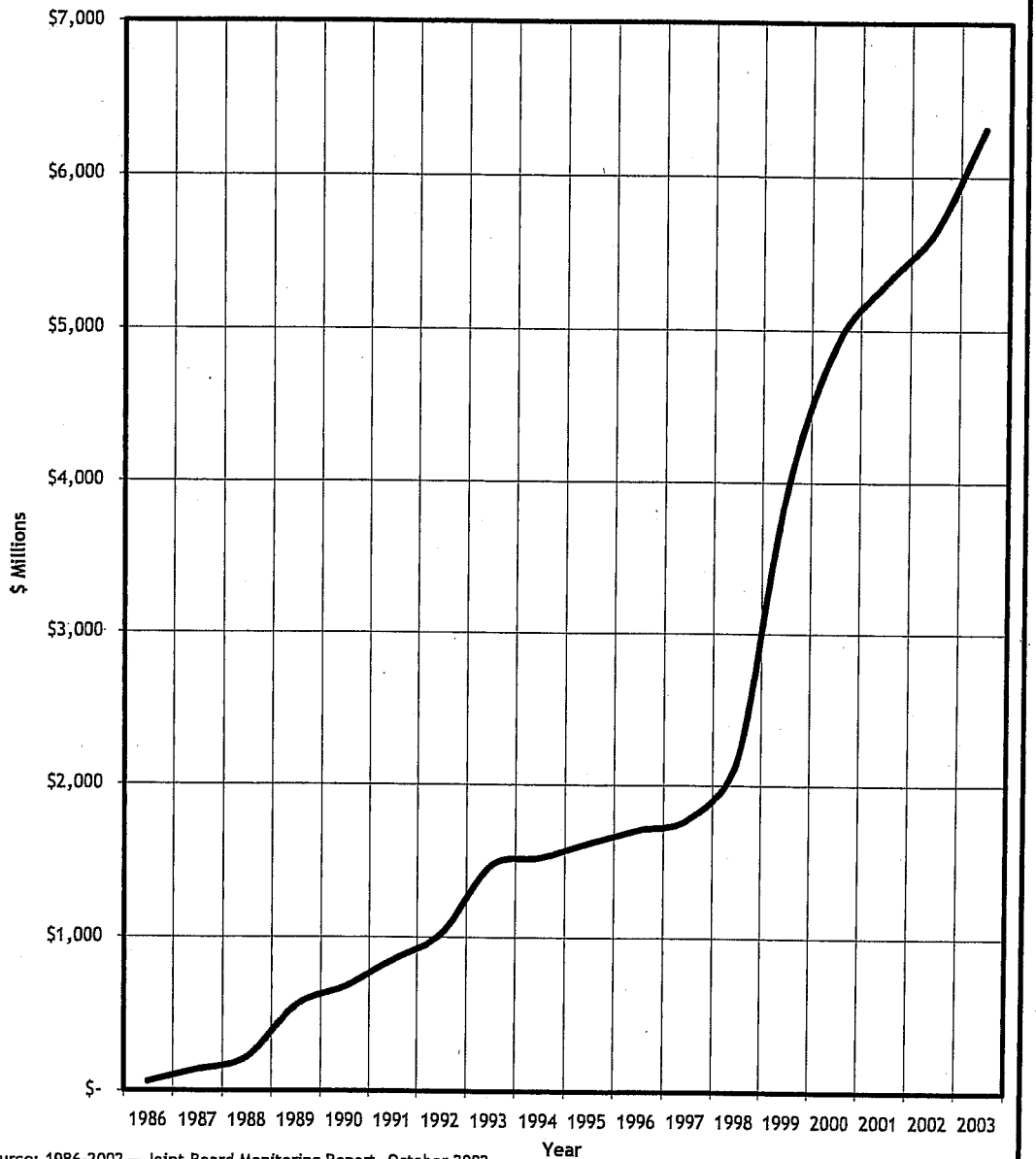
If the High-Cost program is considered simply a "telecommunications discount program," it will fail. Its ultimate success or failure should be judged by whether or not its existence results in continued investment in the high-quality infrastructure that provides universal service in high-cost areas. Without adequate high-cost support, this investment will not continue to occur, and rural subscribers will no longer have access to the affordable and reasonably comparable services and rates called for by the Act. Moreover, without high-cost support, schools, libraries and rural health care facilities will not have access to a high-quality network from which to obtain services. Encouragement of private sector infrastructure investment must therefore be the primary purpose of the High-Cost universal service program and funding must remain sufficient to achieve this objective.

IV. THE FUTURE OF HIGH-COST SUPPORT FOR RURAL CARRIERS IS IN JEOPARDY[19]

Based on the universal service provisions of the 1996 Act, the FCC both reformed and augmented the federal universal service support programs. As a result, the combined size of these programs has increased significantly since the Act's passage. Chart 1 shows the growth of all universal service support programs in the aggregate (what is now referred to as the USF) from 1986 to 2003. Note that in 1996, the year that the Act was passed, total funding for the support programs was $1.7 billion. By year end 2003, funding for all programs is projected to be approximately $6.3 billion. Thus, over seven years, the Fund will have nearly quadrupled in size.

[19] The data used to develop the charts in this section can be found in Appendix A.

Chart 1: Total Federal Universal Service Support Funding Levels 1986-2003



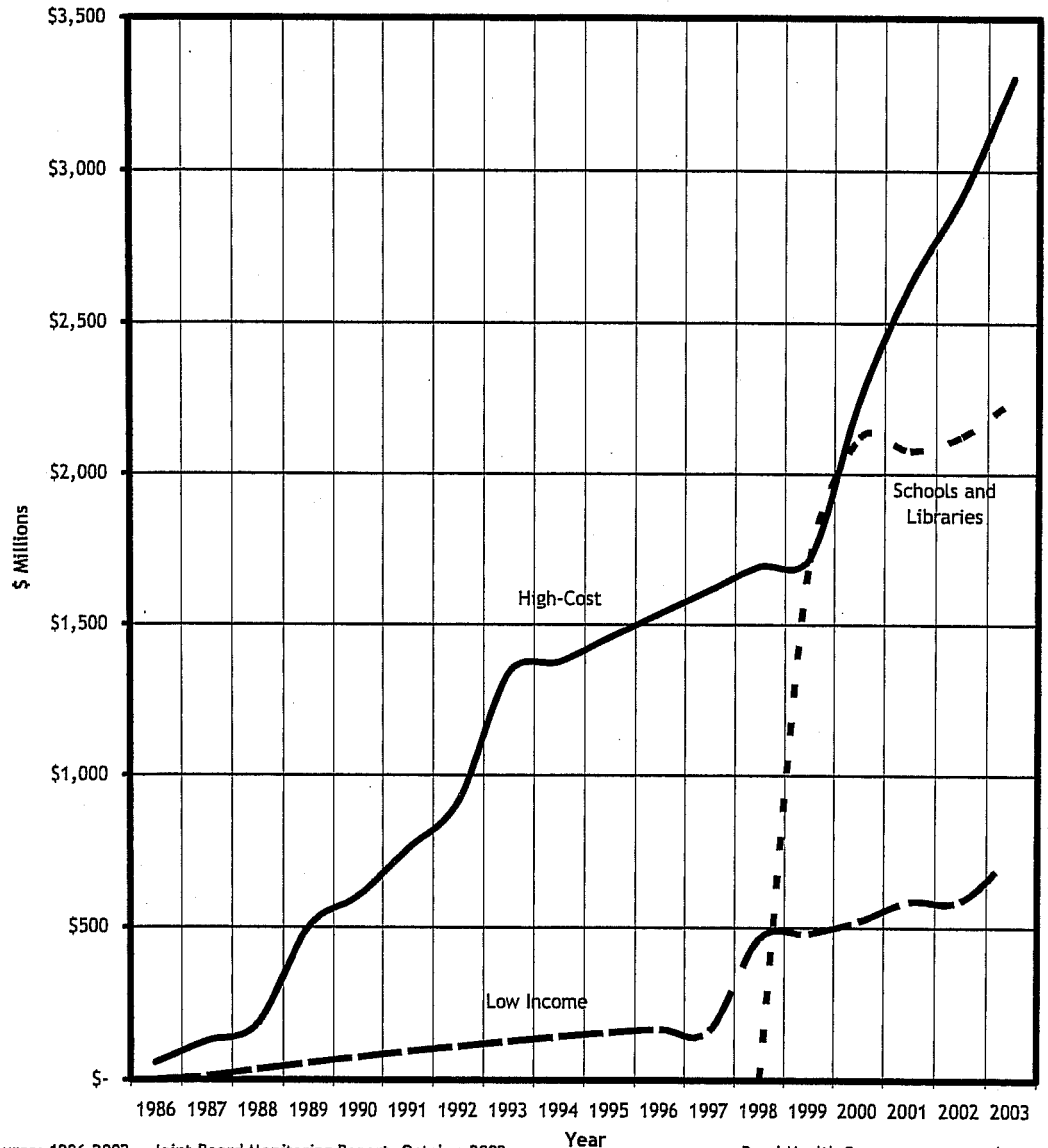
Source: 1986-2002 — Joint Board Monitoring Report, October 2002
2003 — Annualized 1Q:2003 USAC Projections

The rapid growth of the USF since the passage of the 1996 Act is clearly identified in the aggregate. However, this is only one view of the story. Today, the USF is divided into four major programs: High-Cost, Low Income, Schools and Libraries and Rural Health Care. Again, the High-Cost and Low Income programs are the historical programs that existed prior to the 1996 Act; the Schools and Libraries and Rural Health Care programs came into existence as part of the Commission's implementation of the new law.

The High-Cost program is directed at maximizing subscribership to a defined set of telecommunications services (presently voice-grade) by spreading the high cost of rural network infrastructure nationwide. On the other hand, the Schools and Libraries and Rural Health Care programs have nothing to do with nationwide cost recovery to achieve "universally" available services. Instead, these programs provide discounts to community institutions for access to telecommunications and information services. This includes discounts for some services – such as Internet access and internal connections – that extend well beyond the list of services supported by the High-Cost program.

Chart 2 illustrates the size and growth of the USF programs from 1986 to 2003.

Chart 2: Federal Universal Service Support Funding Levels by Program 1986-2003



Source: 1986-2002 — Joint Board Monitoring Report, October 2002
2003 — Annualized 1Q:2003 USAC Projections

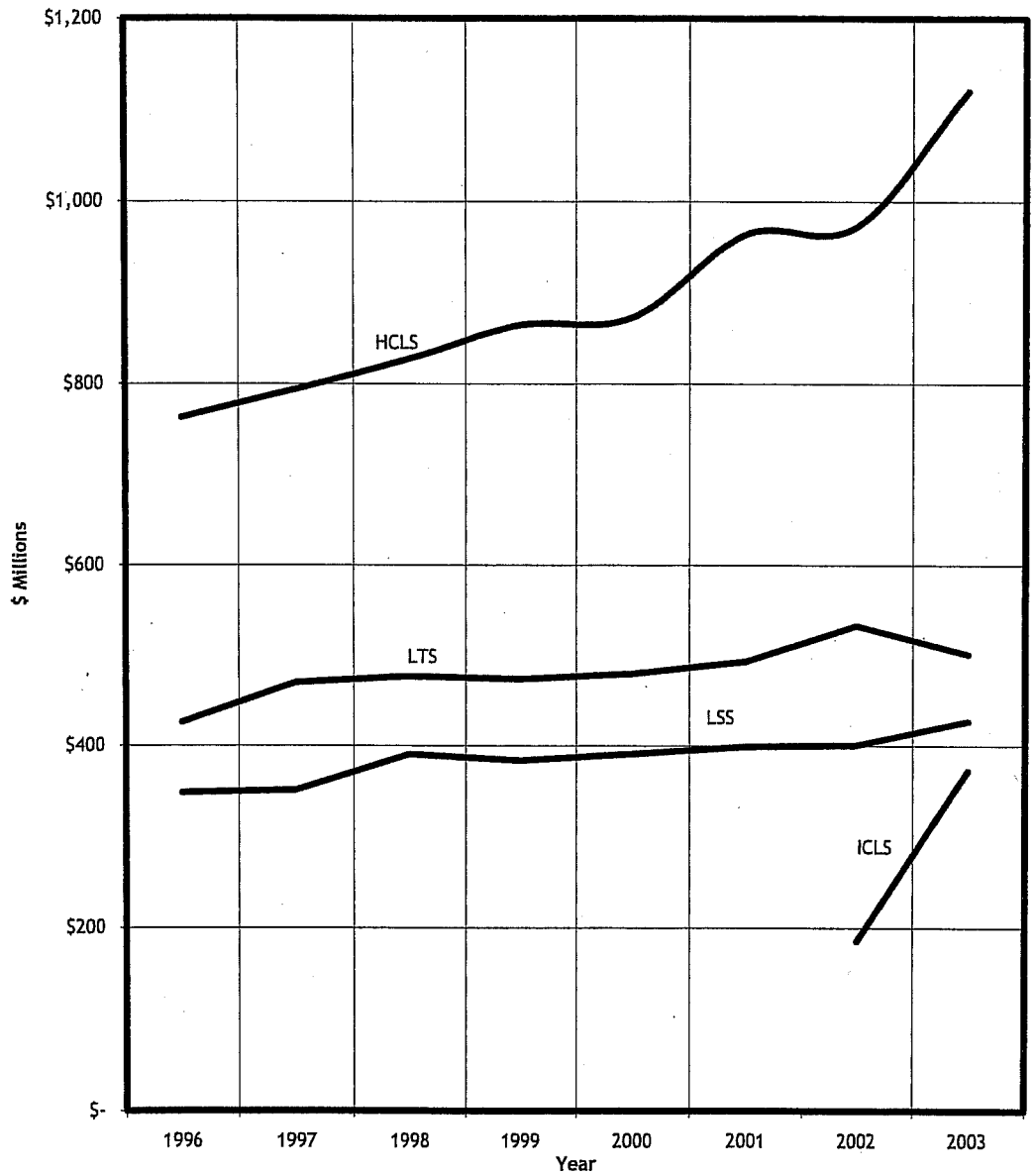
Rural Health Care program not shown due to very low funding level.

It is clear from Chart 2 that the large increase in the total USF since the passage of the 1996 Act is partially a result of implementing the Schools and Libraries program. Whereas prior to 1998 the program did not even exist, in 2002 more than $2.1 billion was collected for Schools and Libraries. This amount accounted for approximately 38 percent of the total USF in 2002. The increased burden of the federal USF is often blamed entirely on the High-Cost program, when in reality a large portion of the increase is attributable to the Commission's implementation of a Congressional mandate directed at schools and libraries.[20]

Charts 3.1 and 3.2 isolate the High-Cost program and break out the six high-cost support mechanisms contained within the program. The four mechanisms shown in Chart 3.1 provide support primarily to the areas served by rural telephone companies. These mechanisms are: High-Cost Loop Support (HCLS), Local Switching Support (LSS), Long Term Support (LTS) and Interstate Common Line Support (ICLS). The remaining two mechanisms shown in Chart 3.2 provide support primarily to the high-cost areas served by non-rural ILECs. They are: High-Cost Model Support (HCMS) and Interstate Access Support (IAS).

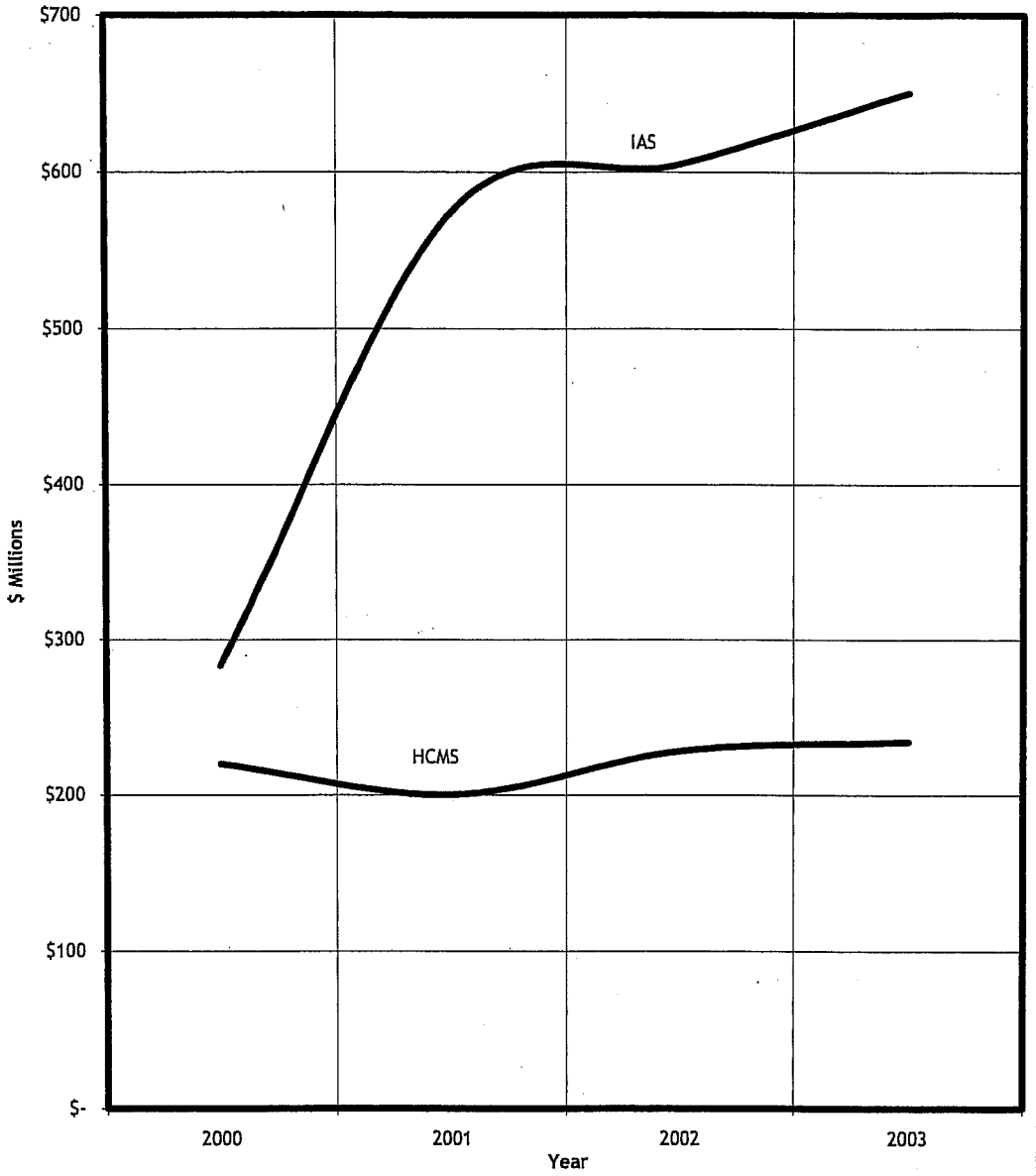
[20] While not the primary focus of this paper, the pressure the Schools and Libraries program places on the sufficiency of high-cost funding for rural carriers is a serious concern that will need to be addressed by policymakers.

Chart 3.1: Federal High-Cost Support Funding Levels by Mechanism 1996-2003



Source: 1996-2002 — Joint Board Monitoring Report, October 2002
2003 — Annualized 1Q:2003 USAC Projections

Chart 3.2: Federal High-Cost Support Funding Levels by Mechanism 2000-2003



Source: 2000-2002 — Joint Board Monitoring Report, October 2002
2003 — Annualized 1Q:2003 USAC Projections

What follows is a brief explanation of the purpose of each mechanism.

High-Cost Loop Support

The FCC's jurisdictional separations rules assign 25 percent of an ILEC's loop costs to the interstate jurisdiction for recovery.[21] Loop costs refer to the costs of cable, telephone wires, poles and other facilities that link each customer's premises to the public switched network, and provide subscribers with access to both intrastate and interstate telecommunications services. Rural ILECs often have high loop costs due to their service areas, which are geographically large and sparsely populated. This necessitates longer, more expensive loops and having to spread these fixed costs over fewer customers. The Commission itself has found that the cost of providing a local loop in a rural area may be approximately 100 times greater than the cost in an urban area.[22] The HCLS mechanism (previously known as the high cost assistance fund or Universal Service Fund)[23] allocates a higher percentage of a rural telephone company's actual loop costs to the interstate jurisdiction that are in excess of 115 percent of the national average cost per loop.[24] Permitting rural carriers with high loop costs to shift a greater portion of these costs to the interstate jurisdiction for recovery has assisted in providing for rates in rural areas that are reasonable and affordable.

Local Switching Support

The LSS mechanism (previously known as DEM weighting)[25] provides support to ILECs with fewer than 50,000 access lines to help defray their higher switching costs.[26] The LSS mechanism recognizes that providing interexchange access requires smaller carriers to buy switching features and functionalities over and above what would be required solely for local service. In addition, small carriers have a smaller base of customers over which to spread the costs of switch upgrades. Accordingly, LSS allows small ILECs to assign a greater proportion of their network switching costs to the interstate jurisdiction for recovery. The LSS mechanism has helped to encourage the deployment of digital switching and digital networks in rural service areas.

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[21] 47 C.F.R. §36.154(c).

[22] *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, CC Docket No. 00-256, Second Report and Order and Further Notice of Proposed Rulemaking, *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Fifteenth Report and Order, *Access Charge Reform for Incumbent Local Exchange Carriers Subject to Rate-of-Return Regulation*, CC Docket No. 98-77, Report and Order, *Prescribing the Authorized Rate of Return for Interstate Services of Local Exchange Carriers*, CC Docket No. 98-166, Report and Order, 16 FCC Rcd 19613, 19636, para. 45 (2001). (*MAG Plan Second Report and Order)*

[23] 47 C.F.R. Part 36, Subpart F.

[24] Prior to 2000, the HCLS mechanism provided high-cost loop support to both rural telephone companies and non-rural ILECs based on their actual embedded or historic costs. Beginning in 2000, non-rural ILECs began receiving support for their high-cost loops based on a mechanism that uses forward-looking costs.

[25] 47 C.F.R. §54.301.

[26] Prior to 1998, LSS was recovered through higher interstate access charges paid by IXCs. Today it is recovered through the USF.

Long Term Support

The LTS mechanism[27] provides support to the National Exchange Carrier Association (NECA) Common Line revenue pool.[28] It allows the ILEC members of the pool to charge a below-cost Carrier Common Line (CCL)[29] interstate access rate to IXCs that is uniform for all carriers in the pool. The CCL access charge is a per-minute charge that recovers a portion of an ILEC's loop costs that are assigned to the interstate jurisdiction. Reducing the amount of loop costs that high-cost ILECs have to recover from IXCs through the CCL charge was intended to facilitate the availability of long distance service in rural areas that is reasonably comparable to the service options and rates available in urban areas.

Interstate Common Line Support

The ICLS mechanism[30] became effective on July 1, 2002 for rate-of-return regulated ILECs (typically higher-cost, small ILECs).[31] Its purpose is to replace revenues that were recovered through the CCL access charge element. The FCC believes that the CCL charge is an inefficient cost recovery mechanism and implicit subsidy because it recovers fixed loop costs through a per-minute rate. Therefore, as of July 1, 2003, the CCL charge will be eliminated and the revenues that it generated will instead be recovered primarily through a combination of higher end-user SLCs[32] and ICLS. It is important to recognize that ICLS does not provide rate-of-return ILECs with any additional revenues than they received prior to its implementation. It is simply a revenue-neutral shift of cost recovery that previously occurred through interstate access charges.

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[27] 47 C.F.R. §69.612.

[28] Pooling is a payment system under which the access revenues collected by ILECs are not kept, but instead are combined and redistributed based on each ILEC's cost of providing service. Pooling allows participants to reduce the volatility of their individual company revenues by dissipating those risks among numerous carriers. Prior to 1989, all ILECs were required to be part of the NECA Common Line pool and Carrier Common Line access rates were uniform nationwide. In 1989, carriers were permitted to withdraw from the Common Line pool. As a result, the LTS mechanism was established to reduce disparities in Carrier Common Line rates among ILECs. LTS originally consisted of payments from those companies that withdrew from the pool. Since 1998, the funds for LTS have been recovered through the USF.

[29] 47 C.F.R. §69.105.

[30] 47 C.F.R. Part 54, Subpart K.

[31] Rate-of-return regulation is designed to limit the profits an ILEC may earn from interstate access service. ILECs governed by rate-of-return regulation calculate their access charge rates using projected costs and projected demand for access services. The ILECs are limited to recovering their costs plus a prescribed return on investment, and are potentially obligated to provide refunds if their interstate rate of return exceeds the authorized level. The current authorized rate of return is 11.25 percent. *See, generally,* 47 C.F.R. Part 65.

[32] 47 C.F.R. §69.104.

High-Cost Model Support

The HCMS mechanism[33] provides support to non-rural ILECs with high loop costs. HCMS bases non-rural ILECs' high-cost loop support on their forward-looking costs, as estimated by an FCC cost model. More specifically, it compares the statewide average cost per line for non-rural ILECs, as estimated by the Commission's cost model, to a nationwide cost benchmark to determine eligibility for support. The Joint Board has acknowledged that because rural carriers lack the economies of scale and scope of the generally larger non-rural carriers, statewide averaging may not be appropriate for the high-cost mechanism providing support to rural carriers.[34]

Interstate Access Support

On July 1, 2000, the FCC began implementation of the IAS mechanism[35] for price cap-regulated ILECs (typically lower-cost, large ILECs)[36] to replace certain revenues previously collected through interstate access charges. Similar to the LTS and ICLS mechanisms for rate-of-return regulated carriers, the purpose of IAS is to facilitate comparable long distance rates nationwide and promote long distance competition in the high-cost rural areas served by price cap carriers.

Chart 4 shows the aggregate amount of high-cost funding, from all of the high-cost support mechanisms, that has been received by ILECs from 1999 to 2003.

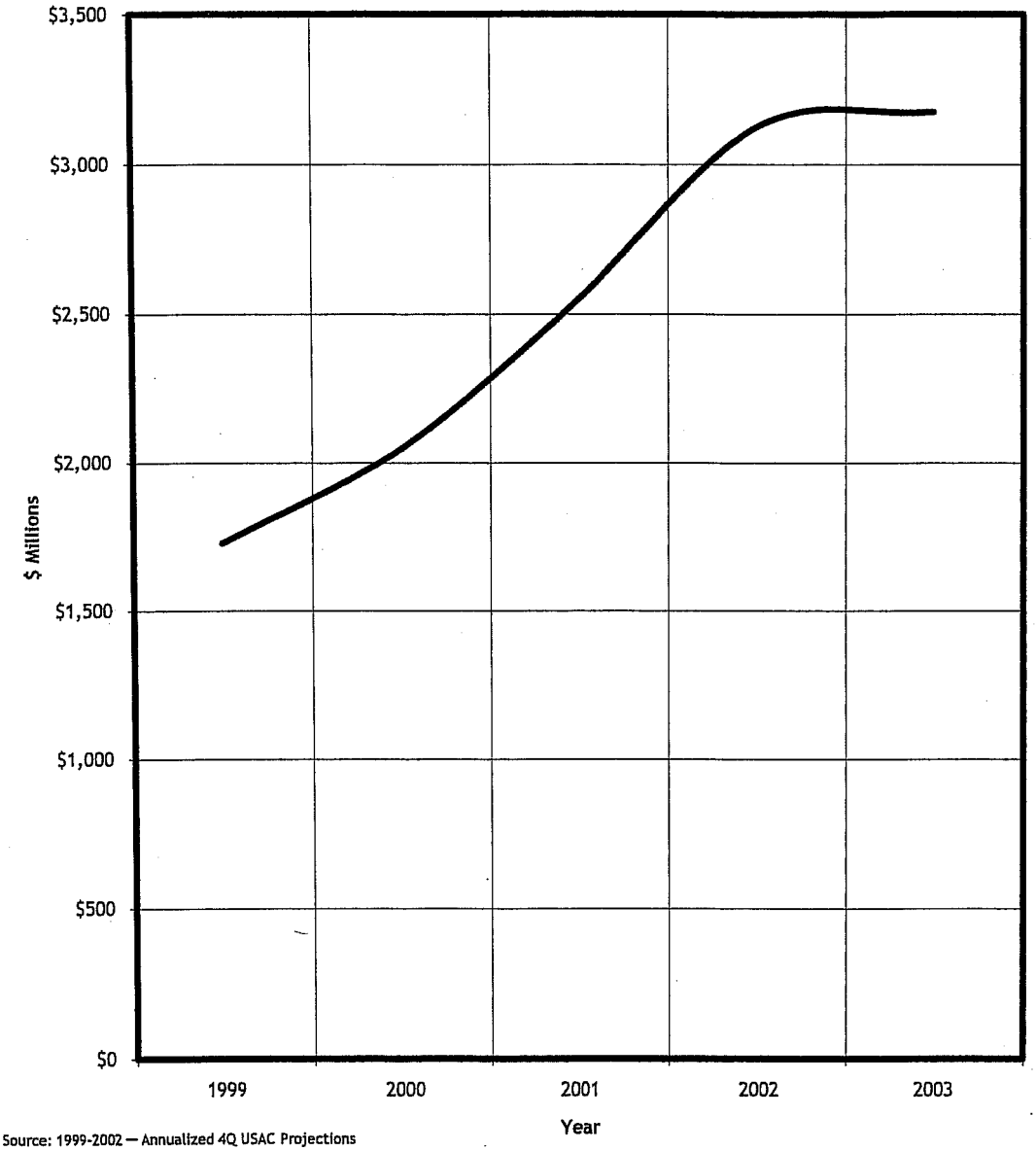
[33] 47 C.F.R. §54.309.

[34] *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Recommended Decision, FCC 02J-2, para. 28 (rel. Oct. 16, 2002).

[35] 47 C.F.R. Part 54, Subpart J.

[36] In the early 1990s, the largest ILECs were required to switch from rate-of-return regulation to a form of incentive regulation called price caps. The access charges of these carriers originally were set at the cost-of-service levels that existed when they initially entered price caps. Since that time, their access rates have been limited by price indices that are adjusted annually pursuant to a formula developed by the FCC. Price cap carriers are permitted to earn returns significantly higher than those ILECs that continue to be governed by rate-of-return regulation. *See*, 47 C.F.R. §§61.41-61.59.

Chart 4: Total Federal High-Cost Support Funding Levels for All ILECs
1999-2003



Source: 1999-2002 — Annualized 4Q USAC Projections
2003 — Annualized 1Q:2003 USAC Projections

There are two primary factors that have caused the recent growth in the high-cost funding being received by ILECs. First, there is the addition of the IAS mechanism for price cap-regulated carriers and the ICLS mechanism for rate-of-return regulated carriers. These mechanisms are a result of access charge reform efforts undertaken by the FCC.[37] These reforms have removed what the Commission believes to be implicit support built into interstate access charges and have shifted recovery of those revenues to explicit mechanisms within the High-Cost program. While there are legitimate reasons for these reforms, the introduction of the new mechanisms has nevertheless placed additional pressure on the size of the Fund. Projections indicate that IAS and ICLS combined will add more than $1 billion to the funding requirement for the High-Cost program in 2003.

Second, since 1993, caps have arbitrarily limited the amount of support available from the HCLS mechanism. From 1996 through the first half of 2001, the caps prevented ILECs serving high-cost areas from receiving $508.6 million in cost recovery.[38] In 2001, to ensure that rural ILECs continue to have appropriate incentives to maintain existing facilities and invest in network upgrades, the Commission decided that these caps should be increased or "re-based."[39] Certainly, the Commission's decision to re-base the caps was a welcome one. However, capping the Fund for rural ILECs fails to ensure that support remains sufficient to achieve the purposes of the universal service provisions of the 1996 Act.

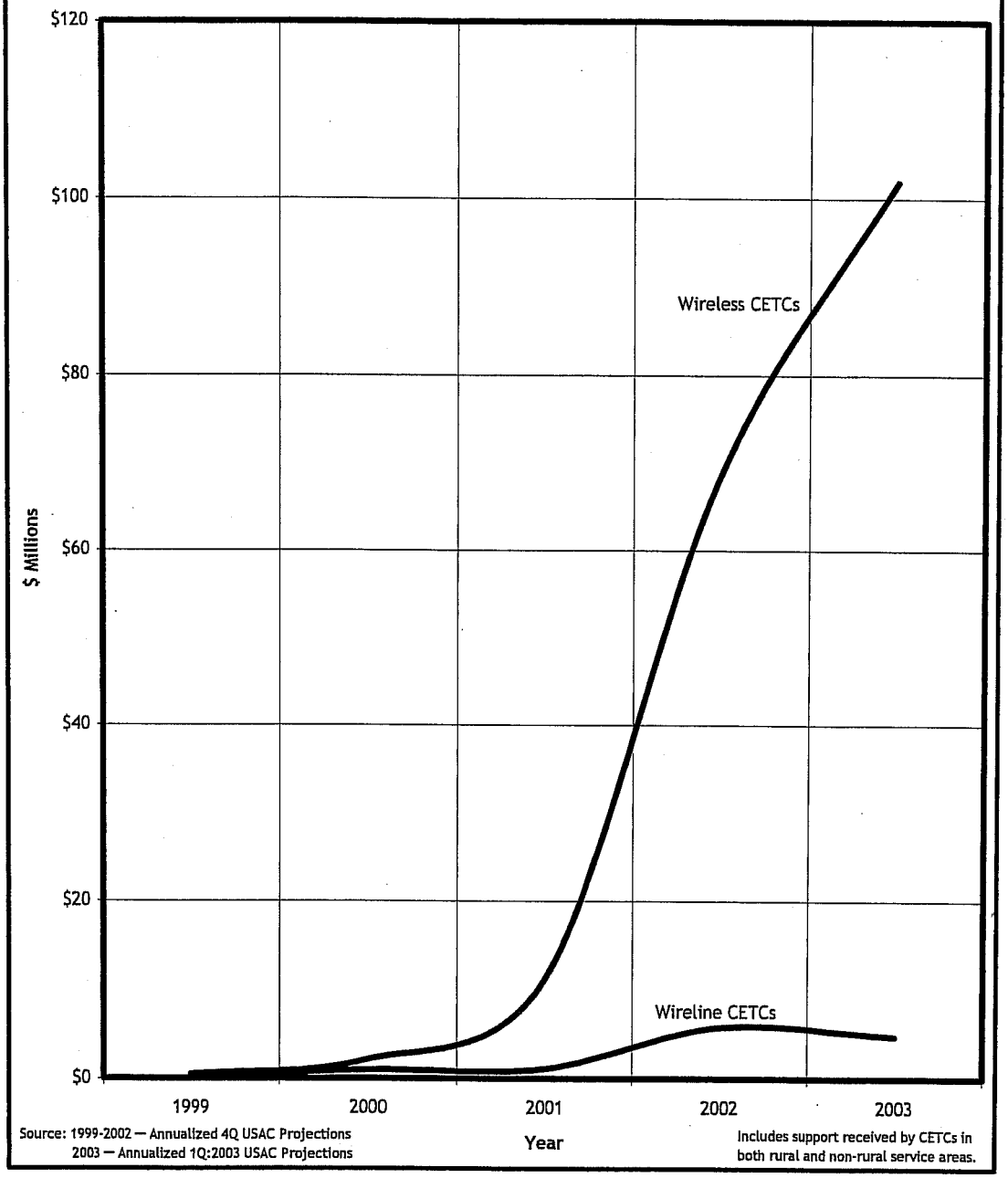
The distribution of federal high-cost support to CETCs is a relatively new phenomenon that began in earnest in 1999. Chart 5 shows the dramatic increase in support distributed to CETCs since that time.

[37] *See, generally, Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers*, CC Docket Nos. 96-262 and 94-1, Sixth Report and Order, *Low-Volume Long Distance Users*, CC Docket No. 99-249, Report and Order, *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Eleventh Report and Order, 15 FCC Rcd 12962 (2000). *See also, MAG Plan Second Report and Order*, 16 FCC Rcd 19613.

[38] *See*, Letter from Dorothy Attwood, Chief, Common Carrier Bureau, FCC, to the Honorable Max S. Baucus, United States Senate (Nov. 5, 2001). Prior to 2000, non-rural carriers also received support under the HCLS mechanism and were therefore also impacted by the caps.

[39] 47 C.F.R. §§36.603-36.604.

Chart 5: Total Federal High-Cost Support Funding Levels for All CETCs by Technology Type 1999-2003



Source: 1999-2002 — Annualized 4Q USAC Projections
2003 — Annualized 1Q:2003 USAC Projections

Includes support received by CETCs in both rural and non-rural service areas.

The data illustrated in Chart 5 indicates an alarming trend. The support going to wireless CETCs has grown from less than $500,000 in 1999 to a projection of more than $100 million in 2003. If state and federal regulators continue their liberal granting of ETC status to wireless carriers in high-cost rural service areas, this amount could grow significantly and rapidly. The wireless market is highly competitive, with multiple providers serving most markets. It is estimated that if all wireless carriers nationwide were granted ETC status that the annual funding level of the High-Cost program would grow by approximately $2 billion.[40] An increase of this magnitude would totally overwhelm the ability of the High-Cost program to continue supporting the provision of affordable, high-quality service – or in some cases, any service – to customers living in high-cost, remote areas of the nation. This would be an inefficient use of scarce universal service resources and is not in the public interest.

V. THE MARKET HAS SPOKEN: COMPETITION IS NOT ALWAYS IN THE PUBLIC INTEREST

Media headlines have been filled with poignant examples of the financial catastrophe that the telecommunications market has endured since 2000. Companies such as Williams Communications, Winstar, Northpoint Communications and Teligent have been driven into bankruptcy before being able to make competitive local telecommunications service a profitable venture.[41] According to Business Week, as much as $2 trillion in investor losses have occurred[42] as a result of a rush to competition in the telecommunications markets. In addition, FCC Chairman Michael Powell indicated at a hearing before the U.S. Senate in July 2002 that over 500,000 jobs in the telecommunications sector had been lost during the prior two years.[43]

Many of these now defunct carriers found that competitive markets do not guarantee future profitability, even in the most urban areas of the nation where it seems logical that the market could support multiple service providers. At the FCC's October 2002 *en banc* hearing on the financial state of the telecom sector, Lara Warner of Credit Suisse

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[40] This estimate was determined by taking the current 69 percent ratio of wireless to wireline lines and multiplying it by the projected $3.2 billion of portable ILEC high-cost funding for 2003. This estimate is considered to be conservative, since it assumes that wireless carriers will not increase the number of lines that they report in the service areas with the highest per-line support payments.

[41] In its ongoing analysis of global and domestic corporate defaults, Standard and Poor's has indicated that, from 1996 through the second quarter of 2002, nearly $90 billion in telecommunications debt has gone into default as a result of company bankruptcies. *See, "Telecommunications' Debt Debacle No Big Surprise,"* Standard and Poor's, May 27, 2001, pp 1-2. *See also,* Brooks Brady and Diane Vazza, *"Standard and Poor's Periodic Global Default Summaries,"* Standard and Poor's, May 2, 2002 and July 26, 2002, pp. 1-2.

[42] Charles Haddad, *"Inside the Telecom Game,"* Business Week, August 5, 2002, p. 34.

[43] Statement of FCC Chairman Michael K. Powell on *"Financial Turmoil in the Telecommunications Marketplace,"* Before the U.S. Senate Committee on Commerce, Science, and Transportation, July 30, 2002, p. 6.

First Boston agreed, noting that the market did not respond well to competition created by regulation.[44]

Even a carrier as large as WorldCom, with approximately $30 billion in annual revenues, is not immune to the harsh realities of an unforgiving market. WorldCom's bankruptcy is particularly worrisome when one considers that UUNet, the Internet backbone provider owned by WorldCom, carries an estimated 65 percent of the world's Internet traffic flow.[45] Were UUNet's operations to be disrupted, global communications would be severely hampered, with monumental ramifications worldwide.

Although not of the same magnitude as WorldCom, a similar market failure in rural America would have significant and profound impacts. Problems in the urban markets were created when potential competitors reacted to uneconomic signals by constructing more capacity than could reasonably be supported by market demand. Such an overcapacity situation could easily be created in rural markets, if regulators support multiple carriers in sparsely populated areas where sufficient demand does not exist.

Many rural ILECs rely on high-cost funding for a significant portion of their operating cash flow and competitive carriers are understandably lured by the prospect of receiving this portable support. If the overall funding requirement grows to an unsustainable level, then support payments will either need to be frozen or scaled back, resulting in serious operating challenges for many rural carriers. At greatest risk would be continued service to customers in the most remote and highest-cost areas.

In today's uncertain environment, it is more important than ever for each and every American to have access to a proven telecommunications carrier that provides "critical infrastructure." A Presidential Executive Order[46] defines critical infrastructures as systems whose incapacity or destruction would have a debilitating impact on the defense or economic security of the nation. Telecommunications is among the critical infrastructures listed in the Executive Order.

Looking at the definition another way, a provider of critical telecommunications infrastructure must be one that is capable of providing its customers with reliable, ubiquitous, facilities-based service of the highest quality. Such a carrier must have the ability to ensure that telecommunications services remain available in the event of a regional or national emergency. Rural ILECs have a proud history of fulfilling this role and remain committed to doing so in the future. This is a role that most competitive carriers may be unable to fulfill due to a reliance on other carriers' networks, internal financial limitations, and/or service quality issues.

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[44] Edie Herman, *"Analysts, Economists Give FCC Pessimistic Outlook on Telecom Health,"* Communications Daily, October 8, 2002, p. 1.

[45] Stacey Cowley, *"UUNet Backbone Problems Slow Down the 'Net,"* IDG News Service, Oct. 3, 2002. *See,* www.nwfusion.com/news/2002/1003uunet.html.

[46] *Executive Order 13010 – Critical Infrastructure Protection*, 61 Fed. Reg. 37347 (1996).

For example, customers of mobile wireless carriers inherently accept lower levels of service quality and reliability as a trade-off for mobility. Particularly in rural service areas, wireless calls are often unable to be completed or are dropped.[47] This is due to gaps in service coverage or "dead spots," some of which may be due to geographic roadblocks such as mountains and trees. Although this lower level of service quality and reliability may be acceptable for a service that complements wireline service, it is certainly not satisfactory to serve as the critical telecommunications infrastructure in rural areas.

Therefore, it is essential that the granting of ETC status to competitive carriers be properly managed in the areas served by rural telephone companies to ensure that the universal service goals spelled out in the 1996 Act are achieved. It is foolhardy to support multiple carriers merely for the sake of artificially creating competition in areas where there is not a natural market that can sustain even one telecommunications carrier without support. Ignoring the economic lessons learned from the turn of events in the telecommunications sector, and continuing the rapid proliferation of CETC designations in rural service areas, will further strain the USF and make it more difficult for the established provider of critical infrastructure to continue serving that role.

Wireline telecommunications service is a high fixed-cost business.[48] These fixed costs remain even when a competitor captures some of the incumbent's customers or network usage. Thus, with fewer customers or less revenue-producing network usage, the incumbent's cost of serving each remaining customer increases. In America's high-cost rural service areas, if finite universal service resources are divided among multiple providers, there may no longer be sufficient support to maintain even one critical infrastructure provider. Such a situation will ultimately lead to deteriorating service quality, substantially higher rates, or even the financial failure of the carrier that serves as a "lifeline" for the most remotely located consumers.

In addition, without the continued presence and strength of rural ILECs, alternative telecommunications networks would be unable to maximize the benefit of their services as they all rely in some fashion on the universal nature of the existing wireline network. For instance, it is common knowledge that in rural areas, most calls involving a wireless subscriber either originate or terminate on the wireline network. Thus, if a rural ILEC was unable to continue providing universal service, there would probably be fewer wireless minutes of use, and some calls from wireless customers would go uncompleted. In other words, if the foundation crumbles, the house cannot stand.

Regulators must learn from the disastrous implosion of the telecommunications industry and not further compound the situation by allowing it to spread to geographic

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[47] According to a study by J.D. Power & Associates, in 2001 about 30 percent of wireless subscribers' calls to customer service centers were complaints related to dropped calls, bad reception, or calls not going through. This percentage is up from 19 percent in 2000. Simon Romero, "*Cellphone Service Hurt By Success,*" New York Times, Nov. 18, 2002, p. A1.

[48] Indeed, William J. Rouhana, former chief executive of now defunct Winstar Communications Inc., has noted that because telecommunications infrastructure requires so much capital, "... to have more than one competitor who controls the physical network may just not be possible." Peter S. Goodman, "*Telecom Sector May Find Past is Its Future,*" The Washington Post, July 8, 2002, p. A1.

areas with the most fragile markets. The proliferation of uneconomic competition within rural service areas could unintentionally jeopardize the ubiquity of America's telecommunications network. The prosperity and safety of the nation is far too critical to allow this to occur.

VI. STATE PUCS AND THE FCC HAVE GENERALLY FAILED TO PROPERLY EVALUATE THE PUBLIC INTEREST IN THEIR DECISIONS ON ETC APPLICATIONS FOR RURAL SERVICE AREAS

Section 214(e)(2) of the Act provides for ETC designations to be treated differently in the areas served by rural telephone companies as opposed to non-rural ILECs. Specifically, before a competitive carrier can be designated as an ETC in these areas, the state PUC or FCC must determine that it is in the public interest. However, a number of the determinations that have been made by state commissions and the FCC thus far have placed an over-emphasis on the benefits of competition and have equated the introduction of financially supported competition to serving the public interest. These decisions have overlooked or ignored the often significant costs and detriment to rural consumers that Congress obviously recognized could result from financially supporting competition in rural service areas.

In addition, it is apparent that the driving principle in these designation decisions has been competitive neutrality, with less attention paid to ensuring that all consumers in the area will retain, and gain, access to affordable and reasonably comparable telecommunications and information services, including advanced services. Yet, the Act has no mention of any one of its universal service principles being more important than any other, and the FCC's *First Report and Order on Universal Service* could not be clearer that all of the principles must be applied in a balanced fashion:

> We agree with the Joint Board's recommendation that our universal service policies should strike a fair and reasonable balance among all of the principles identified in section 254(b) and the additional principle of competitive neutrality to preserve and advance universal service. Consistent with the recommendations of the Joint Board, we find that promotion of any one goal or principle should be tempered by a commitment to ensuring the advancement of each of the principles enumerated above.[49]

What follows are examples of state and federal decisions on applications for ETC status in rural telephone company service areas. The first three examples demonstrate this almost singular focus on competition and competitive neutrality as the guiding principles in the public interest determination. The final example, which occurred in Utah, illustrates a more balanced approach to evaluating the costs and benefits of designating a CETC in a rural service area. It is worth noting that in the Utah case, designation of the

[49] *Universal Service First Report and Order*, 12 FCC Rcd 8803, para. 52.

CETC would have also permitted the carrier to draw support from the state universal service fund.

WASHINGTON

The Washington Utilities and Transportation Commission was one of the first state commissions to approve ETC status for a wireless carrier. The following are several excerpts from the Washington commission's December 1999 Order[50] designating U S Cellular (USC) as a CETC in 72 exchanges served by rural telephone companies:

> In considering whether USC should be designated as an ETC, the Commission is mindful that USC now competes with wireline carriers that receive universal service support. The fact that its competitors receive universal service support puts USC at a disadvantage in its ability to make cellular technology more widely available at competitive prices.[51]
>
> While the Commission also is concerned about erosion of universal service support, we view as overly speculative...that designating USC as an ETC will result in such erosion...Indeed, we believe it advances universal service by increasing affordable access to more types of service.[52]

While the Washington state commission voted to designate USC as an ETC in the service areas of rural telephone companies, one commissioner, William Gillis, dissented. In a well-reasoned statement, Commissioner Gillis opined:

> Not only is it my view that the 1996 Act and federal policy support separate consideration and implementation of appropriate universal service mechanisms and policies for Rural Carriers, I believe it is good policy. Rural Telephone Companies are fundamentally different in both their operations and market opportunities from large, urban-oriented telecommunications companies. In general terms, Rural Telephone Companies lack the economies of scope and scale available to non-rural companies, putting the financial viability of these companies at greater risk when competitors enter. In fact, the potential for effective and sustainable competition that delivers service universally under these circumstances may be limited.[53]

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[50] Washington Utilities and Transportation Commission, *United States Cellular Corporation; USOC of Washington RSA-4, Inc.; Western Sub-RSA Ltd. Partnership; McDaniel Cellular Telephone Company; Oregon RSA No. 2 Limited partnership; United States Cellular Operating Co. of Richland; Yakima, Washington MSA Limited Partnership. For designation as Eligible Telecommunications Carriers*, Docket No. UT-97-0345, Third Supplemental Order Granting Petition For Designation As Eligible Telecommunications Carrier (rel. Dec. 29, 1999).

[51] *Id.*, para. 43.

[52] *Id.*, para. 46.

[53] *Id.*, para. 73.

NORTH DAKOTA

In October 2001, the North Dakota Public Service Commission issued an Order[54] approving the designation of Western Wireless Corp. as an ETC in the study areas of 11 rural telephone companies in North Dakota. In the Order, the North Dakota commission found that:

> ...designating Western as an additional ETC in the study area of each rural telephone company will facilitate competition, will provide choices for consumers of universal services, and will promote deployment of new technologies in rural areas. We find that effective competition is the surest incentive for carriers to provide quality telecommunications services in the most efficient and cost effective manner...We find that access to high cost subsidies on an equal footing with incumbents may facilitate competition for universal services in rural, high-cost areas that would not otherwise receive the benefits of competition.[55]

WYOMING

In August 1999, the Wyoming Public Service Commission dismissed an application for ETC status from Western Wireless Corp. on the grounds that the commission lacked jurisdiction to regulate cellular technology under state law. The following month, Western Wireless petitioned the FCC seeking ETC designation in the study areas of five rural telephone companies in Wyoming. Acting pursuant to Section 214(e)(6) of the Act, which provides the FCC with the authority to consider ETC designation requests that are not subject to the jurisdiction of a state commission, the FCC granted ETC status for Western Wireless in the requested areas. In the Order, the FCC noted that:

> ...an important goal of the Act is to open local telecommunications markets to competition. Designation of competitive ETCs promotes competition and benefits consumers in rural and high-cost areas by increasing customer choice, innovative services, and new technologies...In addition, we find that the provision of competitive services will facilitate universal service to the benefit of consumers in Wyoming by creating incentives to ensure that quality services are available at "just, reasonable and affordable rates."[56]

UTAH

An exception to the trend of perfunctorily designating a CETC on the premise that it would increase competition occurred in the state of Utah. In upholding a decision of

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[54] State of North Dakota Public Service Commission, *Western Wireless Corporation Designated Eligible Carrier Application*, Case No. PU-1564-98-428, Order on Remand (rel. Oct. 3, 2001).
[55] *Id.*, para. 19.
[56] *Federal-State Joint Board on Universal Service; Western Wireless Corporation Petition for Designation as an Eligible Telecommunications Carrier in the State of Wyoming*, CC Docket 96-45, Memorandum Opinion and Order, 16 FCC Rcd 48, 55, para. 17 (2000).

the Utah Public Service Commission that denied ETC status for Western Wireless Corp., the Utah Supreme Court[57] noted the cost/benefit analysis the Utah commission undertook as part of its deliberation:

> The PSC found that it would not be in the public interest to designate WWC as an additional ETC in rural areas served by incumbent carriers. It found that designation of WWC as an ETC in these areas would increase demands on the state universal service fund without any offsetting benefits and consequently declined to designate WWC as an ETC in these areas.[58]

The Utah Supreme Court went on to point out that:

> ...the [Utah Commission's] Order says that in the absence of corresponding public benefits, increasing the burdens on the State [universal service] Fund is not in the public interest...Thus, the [Utah Commission's] Order is not against competition per se, but, rather, merely recognizes that in some instances competition in rural areas by multiple ETCs receiving state universal service support may not be in the public interest.[59]

Based on the majority of the forgoing designation decisions, it is clear that an additional set of principles must be developed to guide state PUCs and the FCC in making the important public interest determinations that are at the core of considering ETC applications in rural telephone company service areas. In particular, for the public interest to be served, it will be necessary to demonstrate that the benefits to be derived from supporting multiple carriers will exceed the costs created by supporting multiple networks.

VII. PUBLIC INTEREST PRINCIPLES TO GUIDE STATE PUCS AND THE FCC WHEN CONSIDERING ETC APPLICATIONS FOR RURAL SERVICE AREAS

The current practice of liberally designating additional ETCs in the service areas of rural telephone companies is not sustainable, based on the current rate of growth of CETC support payments and the overall size of the USF. Just as important, however, is that in many cases, multiple ETC designations in a rural service area will not serve the public interest. This includes the interests of rural consumers – for whom access to critical telecommunications infrastructure and high-quality, ubiquitous service may be jeopardized – and consumers nationwide who are the ultimate contributors to the USF.

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[57] *WWC Holding Co. Inc. v. Public Service Commission of Utah, et al*, Case No. 20000835, 2002 UT 23 (fil. March 5, 2002).
[58] *Id.*, para. 5.
[59] *Id.*, para. 13.

Therefore, state PUCs and the FCC should adopt the following universal service public interest principles to guide them in their consideration of ETC applications for rural telephone company service areas:

1. **Rural consumers should receive access to affordable, high-quality telecommunications and information services, including advanced services, that are reasonably comparable to those services provided in urban areas and at reasonably comparable rates.**

This principle incorporates several of the universal service principles adopted by Congress in Section 254(b) of the 1996 Act. Section 254(b)(1) of the Act states that quality services should be available at just, reasonable and affordable rates. Section 254(b)(2) states that access to advanced telecommunications and information services should be provided in all regions of the nation. And, Section 254(b)(3) states that consumers living in rural and high-cost areas should have access to telecommunications and information services, including advanced services, that are reasonably comparable to those services provided in urban areas and at reasonably comparable rates. In sum, the designation of a CETC in a rural service area must not have the potential to degrade or inhibit rural consumers' access to affordable, high-quality telecommunications and information services, including advanced services, that are reasonably comparable to the services and rates offered to urban consumers.

2. **The high-cost support mechanisms should not be used to incent uneconomic competition in the areas served by rural telephone companies.**

Competitive entry that is motivated solely by the prospect of universal service support does not serve the public interest. Instead, it unnecessarily swells the Fund and weakens the ability of the incumbent carrier to continue providing high-quality and reasonably comparable services and rates – especially to the most remotely located, highest-cost customers. FCC Commissioner Kevin Martin succinctly explained the problem when he stated:

> ...I have some concerns with the Commission's policy...of using universal service support as a means of creating "competition" in high cost areas. I am hesitant to subsidize multiple competitors to serve areas in which costs are prohibitively expensive for even one carrier. This policy may make it difficult for any one carrier to achieve the economies of scale necessary to serve all of the customers in a rural area, leading to inefficient and/or stranded investment and a ballooning universal service fund.[60]

Rural ILECs have already made substantial investments in the high-cost rural portions of the nation based, at least in part, on a system of support that would allow full cost recovery. If these costs cannot continue to be recovered through universal service, other revenue sources will need to be pursued, including local rate increases that could quickly exceed levels that are reasonably comparable to rates in urban areas. If an alternative re-

[60] *MAG Plan Second Report and Order*, Separate Statement of Commissioner Kevin J. Martin, 16 FCC Rcd 19770.

covery method cannot be found or is not permitted by regulators, then these costs are "stranded," and the incumbent is unable to achieve full cost recovery. This hampers the incumbent's efforts to continue investing in the network, provide high-quality service throughout the service area, and deploy new and advanced services.

3. The USF is a scarce national resource that must be carefully managed to serve the public interest.

Political pressures and fiscal responsibility require that the USF be kept at the levels necessary to serve the purposes stated in the 1996 Act. The Act provides that consumers in all regions of the nation should have access to services that are reasonably comparable to those available in urban areas and at reasonably comparable rates. To accomplish this, investment in rural infrastructure needs to be encouraged, and funding must remain robust enough for this to occur.

Universal service funds should not be used, however, to create artificial competition. If ETC status continues to be granted with minimal restriction in rural service areas, then the size of the fund will grow to an unsustainable level[61] and ultimately leave no carrier with sufficient support to provide universal service. Moreover, consumers nationwide should not be unnecessarily burdened by excessive universal service surcharges. After all, end-user customers are the ones who ultimately fund universal service support and there is a limit to how much they reasonably can and should be expected to pay.

Generally, state commissions are the guardians of the high-cost portion of the federal USF. However, state PUCs often have made their ETC designations in rural service areas on the misguided assumption that competition needs to be jump-started using limited federal high-cost support. Moreover, since state commissions are not responsible for the funding of federal universal service support, it is tempting for them to designate CETCs in their states in order to receive additional federal dollars. State determinations must avoid these assumptions and temptations to ensure that scarce national resources are properly applied to serve the public interest.

4. Rural universal service support reflects the difference between the cost of serving high-cost rural areas and the rate levels mandated by policymakers.

High-cost universal service support reflects the legitimate costs of rural ILECs serving as the ubiquitous, facilities-based common carriers in high-cost rural areas. Absent this support, consumers in high-cost regions of the nation would not have access to affordable, high-quality telecommunications services that are reasonably comparable to the services and rates available in urban areas. Any attempts to artificially limit the size of the Fund or the amounts that individual carriers receive will affect the ability of rural ILECs to deliver universal service at the established local rates. However, universal service must not be a "creamskimmer's subsidy" to be doled out to carriers that only seek to serve the most lucrative customers.

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[61] As mentioned previously, if blanket ETC status was granted to all wireless service providers nationwide, it is estimated that the annual funding level of the federal High-Cost program would increase by approximately $2 billion. *See, supra,* p. 21.

5. The public interest is served only when the benefits from supporting multiple carriers exceed the costs of supporting multiple networks.

Competition alone is not a sufficient reason for designating additional ETCs in rural service areas. Both costs and benefits must be carefully weighed if limited federal funding is to be managed for the optimal public benefit. The costs of supporting multiple networks include both the increased funding requirements for any additional ETC, as well as the decreased network efficiency of all carriers that results when multiple carriers serve sparsely populated areas.

It is not in the public interest when high-cost support is provided to carriers that serve only low-cost or high-volume customers.[62] Moreover, the local presence and commitment to community economic development that is characteristic of many rural ILECs is an intangible that must be considered in applying the public interest test. The burden of proof must be on the petitioning competitive carrier to demonstrate that their designation as an ETC would be in the public interest.

6. In areas where the costs of supporting multiple networks exceed the public benefits from supporting multiple carriers, the public interest dictates providing support to a single carrier that provides critical telecommunications infrastructure.

The local telecommunications market is not a homogenous market nationwide. In many high-cost areas served by rural telephone companies, the costs of supporting multiple carriers exceed the public benefits from having multiple suppliers. Such areas exhibit the classic characteristics of a natural monopoly. The 1996 Act specifically provides for different ETC policies in these markets. If Congress had intended that additional ETCs be approved in all areas served by rural telephone companies, then it would not have made the explicit exception to the policy established for the markets of non-rural ILECs. This clearly indicates that Congress anticipated there would be some rural service areas in which the support of multiple ETCs would not be in the public interest because it would inhibit investment in critical infrastructure or cause local rates to increase to unreasonable levels. In these areas, there should only be one ETC that is capable of, and committed to, providing all customers with reliable, facilities-based service of the highest quality.

7. The cost of market failure in high-cost rural America could be severe.

Our nation has observed the inevitable market failures that occur when excessive investment is made in response to uneconomic market signals created by policymakers. These experiences have shown that the market can be cruel and unforgiving when well-intentioned policy collides head-on with actions and plans that do not also have sound economic underpinnings. In rural service areas, alternative carriers may not emerge to serve the most remote and highest-cost customers if the established provider of high-quality, facilities-based service is forced into bankruptcy or is no longer able to serve

[62] For example, in many cases mobile wireless service providers have constructed facilities only in town and along major highways where customer density is relatively high and support is not needed.

throughout the area. Our heightened awareness of the needs of a ubiquitous telecommunications infrastructure to serve the public safety and national security needs of the nation requires caution in pursuing unwarranted market experimentation.

VIII. The FCC Should Adopt A Standardized Set Of Minimum Qualifications, Requirements And Policies To Be Applied To Potential And Existing ETCs In Rural Service Areas

As previously demonstrated, state PUCs and the FCC are generally approaching ETC designations in rural service areas with a mindset that regards financially supported competition, in and of itself, as serving the public interest without thoroughly considering other factors. This approach to public interest determinations is problematic as Congress did not presume that supported competition would serve the public interest in all areas served by rural telephone companies. If it had, there would have been no need for the Act to say that state commissions "may" designate more than one carrier in rural telephone company service areas, as opposed to "shall" for all other service areas, or require a public interest determination just for these service areas. Thus, factors *other than* the promotion of competition in rural service areas must play the dominant role in state PUCs' and the FCC's public interest determinations.

If a carrier is going to be eligible to receive universal service funding, then regulators have a duty to ensure that the carrier can, and will, provide true universal service. Therefore, a standardized set of minimum qualifications, requirements and policies should be adopted by the FCC. These federal criteria should be applied by state PUCs and the Commission itself to potential and existing ETCs in rural telephone company service areas. Using these federal criteria as a template would assist state commissions and the FCC in determining whether or not the public interest would be served by a particular carrier's designation as an ETC. It would also improve the long-term sustainability of the USF as only the most qualified carriers that are capable of, and committed to, being true providers of universal service would be able to receive and keep the ETC designation. There must be a high degree of confidence that these obligations can and will be met prior to the granting of ETC status.

In order to be considered for ETC status in a rural telephone company service area, a carrier should be required to demonstrate to the state commission or FCC that it meets, and will abide by, all of the following qualifications and requirements:

1a. A carrier must demonstrate its ability and willingness to provide all of the services supported by the federal High-Cost program throughout the service area.

Presently, there are nine services supported by the federal High-Cost program. They are: (1) voice grade access to the public switched network; (2) local usage; (3) dual tone multi-frequency signaling or its functional equivalent; (4) single-party service or its functional equivalent; (5) access to emergency services; (6) access to operator services;

(7) access to interexchange service; (8) access to directory assistance; and (9) toll limitation for qualifying low-income consumers.[63] A carrier must demonstrate to the state PUC or FCC that upon designation as an ETC, it will be capable of, and committed to, providing all of the supported services to all consumers in the service area upon reasonable request. To the extent that additional services may be added to the universal service definition in the future, all potential and existing ETCs must demonstrate that they are capable of, and committed to, providing them as well.

1b. A carrier's local usage offering should be evaluated as part of the public interest determination.

Local usage is one of the services presently supported by the USF. Under the FCC's rules, local usage is defined as "an amount of minutes of use of exchange service, prescribed by the Commission, provided free of charge to end users."[64] This definition is ambiguous due to the fact that the FCC has never prescribed an actual number of minutes that is necessary to fulfill the local usage requirement. It is therefore incumbent on each state PUC and the FCC to determine whether or not a carrier seeking ETC status is offering a reasonable amount of local usage. Part of this determination should focus on whether or not the offering contains sufficient "free" local minutes to result in rates that are comparable to the rates available in urban areas. ETC status should not be granted to carriers that provide less local usage than is required of the ILEC by the state PUC.

1c. In addition, equal access to interexchange service should be added to the list of supported services.

Equal access to interexchange service is providing consumers with the ability to access the toll service providers to which they are presubscribed by dialing 1+ number; that is, without having to dial an access code. Congress believed that this capability was so important that it required all LECs – both ILECs and competitive LECs (CLECs) – to provide it.[65] The 1996 Act does not require mobile service providers to provide equal access. However, pursuing an ETC designation is a *choice*, not a requirement. And with that designation comes the responsibility to provide rural consumers with a baseline level of service. If a mobile service provider *chooses* to seek ETC status, receive universal service funds, and offer services that are designed to substitute for a LEC's services, then it too should be capable of offering equal access to interexchange service. The FCC's universal service principle of competitive neutrality demands it. Moreover, equal access facilitates comparable access to interexchange services in all regions of the nation, as required by Section 254(b) of the Act.

[63] 47 C.F.R. §54.101.
[64] 47 C.F.R. §54.101(a)(2).
[65] 47 U.S.C. §251(b)(3).

2a. In fulfilling the requirement to advertise its services and rates, an ETC must emphasize its universal service obligation to offer service to all consumers in the service area.

A competitor's ability to limit its advertising to only those customers and portions of the ILEC's service area that provide the greatest revenue and profit potential (*ex.*, high-volume business customers, "downtown" areas) gives the competitor an unfair advantage over the incumbent that continues to function as the ubiquitous, facilities-based common carrier. Thus, it is essential that all consumers in the service area, including those residing in the most remote regions, are made aware that the CETC is obligated to offer the supported services to everyone. As an ETC, a carrier cannot target its advertising only to the most desirable customers and segments of the service area. ETC designation is a commitment to serve all, and this commitment must be vigorously enforced.

2b. An ETC must actively advertise to Lifeline-qualifying (low-income) consumers.

The FCC's rules state that all ETCs must publicize the availability of Lifeline service in a manner reasonably designed to reach those likely to qualify for the service.[66] State commissions should make sure that this rule is adhered to so that low-income consumers are aware of the carrier and service choices they have available to them. As an ETC, a carrier cannot advertise only to those consumers that provide the greatest revenue potential.

3. A carrier must have formal arrangements in place to serve customers where facilities have yet to be built out.

The 1996 Act requires that in order to be designated as an ETC, a carrier must be able to provide all of the services included in the universal service definition "throughout the service area for which the designation is received."[67] This means to the extent that a carrier is not capable of providing service entirely through its own facilities, it will need to enter into formal arrangements with the ILEC or other carriers to purchase unbundled network elements (UNEs) and/or resell services.[68] The FCC has stated that although the law does not require the provision of service throughout the service area prior to ETC designation, a new entrant does need to make a "reasonable demonstration" to the state commission of its capability and commitment to provide universal service upon designa-

[66] 47 C.F.R. §54.405(b).
[67] 47 U.S.C. §214(e)(1).
[68] It should be noted that Section 251(f) of the Act exempts rural telephone companies from, *inter alia*, the duty to provide requesting carriers with unbundled access to network elements and the duty to offer its services to other carriers for resale at wholesale rates. This exemption remains in place until (1) the rural telephone company has received a bona fide request for interconnection, services, or network elements, and (2) the state commission determines that the request is not unduly economically burdensome, is technically feasible, and is consistent with Section 254 (the universal service provisions) of the Act. However, resale of a rural ILEC's services at retail rates is always an option under Section 251(b)(1) of the Act.

tion.[69] The Commission cautions that "a demonstration of the capability and commitment to provide service must encompass something more than a vague assertion of intent on the part of the carrier to provide service."[70] One of the methods the FCC lists for demonstrating an ability to provide service throughout the service area is "a description of the extent to which the carrier has entered into interconnection and resale agreements."[71] It is essential for state commissions and the FCC to carefully review such agreements to ensure that the competitor is capable of serving all of the consumers in the rural service area upon designation as an ETC.

4a. A carrier must have a plan for building out its network once it receives ETC designation and must make demonstrative progress toward achieving its build-out plan in order to retain ETC designation.

Granting ETC status to a carrier whose long-term business plan assumes that facilities and services will always be available from the ILEC in a rural service area is not in the public interest. The economics of providing high-quality, facilities-based telecommunications service in sparsely populated, high-cost rural areas is tenuous at best. A competitor's long-term reliance on a rural ILEC's unbundled facilities and/or the resale of its services may reduce the capability or incentive of the ILEC to continue investing in infrastructure. This is exactly the concern that led Congress to establish an exemption for rural telephone companies from the UNE and resale requirements that the Act otherwise imposes on incumbents.[72]

Granting ETC status to a carrier that has no plans or ability to build out its network throughout the service area indefinitely maintains its dependence on the viability of the ILEC's network. Congress did not intend for ETCs to rely on another carrier's network as a long-term strategy as the Act affords any carrier, including the incumbent, the right to relinquish its ETC designation in areas with multiple ETCs.[73] Therefore, ETC status should only be granted to carriers who can demonstrate the ability and commitment to invest in infrastructure and build out their networks to serve all of the consumers in the service area. Progress should be monitored to ensure that infrastructure build-out commitments are being fulfilled in a timely manner.

4b. A carrier should be evaluated on the ability of its network to remain functional in times of emergency and the extent of its dependence on other carriers' networks to remain functional.

This need has never been so apparent as it is today. Surveys of infrastructure users show that a major failure of telecommunications would have a significant impact on

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[69] *Federal-State Joint Board on Universal Service, Western Wireless Corporation Petition for Preemption of an Order of the South Dakota Public Utilities Commission*, CC Docket No. 96-45, Declaratory Ruling, 15 FCC Rcd 15168, 15178, para. 24 (2000).
[70] *Id.*
[71] *Id.*
[72] 47 U.S.C. §251(f).
[73] 47 U.S.C. §214(e)(4).

business operations.[74] In Spring 2002, Howard Schmidt, vice chairman of the President's Critical Infrastructure Protection Board, stated that "private-sector participation is vital to efforts to devise the plan to protect critical assets because for the first time in the nation's history the military alone cannot protect the country from an attack to critical assets."[75] The security of a carrier's network and the ability to protect critical telecommunications infrastructure should be a major consideration in evaluating the public interest before granting ETC status.

5. A carrier must demonstrate that it is financially stable.

A carrier should be required to provide sufficient evidence that it has the expectation of long-term financial stability. In light of the recent spate of investor losses, unemployment and local economic disruptions caused by telecommunications company bankruptcies, it will not serve the public interest if a financially unsound carrier is provided universal service support and is still unable to achieve long-term profitability that is sufficient to sustain its operations. It makes no sense to disrupt a rural service area by designating a carrier that does not have the financial strength to make a long-term commitment.

In addition, state PUCs and the FCC should adopt the following policies regarding ETC designations in rural telephone company service areas:

1. ETC designations in rural telephone company service areas should be made at the study area level.

A study area is generally defined as an ILEC's entire service territory within one state.[76] In the 1996 Act, Congress specifically recognized the unique challenges faced by rural telephone companies when defining the area in which a competitor would be required to offer service as a prerequisite to receiving ETC designation. Specifically, Section 214(e)(5) of the Act states:

> The term "service area" means a geographic area established by a State commission for the purpose of determining universal service obligations and support mechanisms. In the case of an area served by a rural telephone company, "service area" means such company's "study area" unless and until the Commission and the States, after taking into account recommendations of a Federal-State Joint Board instituted under section 410(c), establish a different definition of service area for such company.

Thus, Congress established a presumption that a rural telephone company's entire study area would be the area that a competitor would have to agree to serve before it

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[74] *Public Confidence*, Report of the President's Commission on Critical Infrastructure Protection, p. 6 (1997). *See*, www.ciao.gov/resource/pccip/PublicConfidence.pdf.

[75] Heather Harreld, *"Bush Urges Private Sector to Shore Up Networks,"* InfoWorld, June 19, 2002. *See*, www.infoworld.com/articles/hn/xml/02/06/19/020619hnbushinfra.xml.

[76] Holding companies may own multiple operating companies and thus have multiple study areas within a state.

could become eligible for universal service support. If ETC designation is granted for sections of a rural telephone company's study area, competitors will be incented to seek designation only in those sections where the profit potential is greatest and the cost to serve is lowest, while ignoring the less lucrative, higher-cost areas. This impedes the rural ILEC's ability to offer services throughout the study area that are reasonably comparable to those offered in urban areas and at reasonably comparable rates, and therefore is not in the public interest.

It is critical for state commissions and the FCC to recognize that the primary purpose of the High-Cost program is not to promote competition. It is to ensure that all consumers – particularly those living in the most remote and highest-cost areas – have access to high-quality telecommunications services that are affordable and reasonably comparable to the services and rates offered in urban areas. The ability of competitors to cream-skim through the adoption of more narrowly defined service areas does nothing to promote true universal service. It only increases the cost of providing service to the remaining customers that only the incumbent has the obligation to serve. This, in turn, places at risk the incumbent's ability and incentive to continue investing in the infrastructure that brings high-quality services to these customers.

In addition, when a rural ILEC loses a customer, it loses the revenue earned from access charges and vertical services. These revenues are critical to funding the network upgrades that extend new and advanced services to greater numbers of consumers. Thus, designation of CETCs for service areas that are smaller than the ILEC's study area obstructs the availability of advanced services in high-cost rural areas, contrary to the universal service objectives of the Act.

Furthermore, CETCs that are designated for smaller service areas are able to target their marketing to a smaller group of customers than the ILEC, giving them an unfair competitive advantage to attract the best customers. This is inconsistent with the Commission's principle of competitive neutrality.

Some state commissions have begun to take the mistaken position that now that rural telephone companies have been permitted to target or "disaggregate" their universal service support to below the study area level,[77] this justifies designating CETCs for smaller service areas. However, disaggregation addresses only one component of the arbitrage opportunities an essentially unregulated competitor has in comparison to a rate-regulated incumbent. With access charges and local rates generally averaged throughout their study areas, incumbents continue to be disadvantaged targets for competitors whose rates can reflect cost differences with greater granularity.

Clearly, the implications of adopting a different service area definition for a CETC are great and, therefore, CETCs should only be designated for a rural telephone

[77] *See, Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Fourteenth Report and Order, Twenty-Second Order on Reconsideration, and Further Notice of Proposed Rulemaking, *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers*, CC Docket No. 00-256, Report and Order, 16 FCC Rcd 11244, 11299-11309, paras. 136-164 (2001). *See also*, 47 C.F.R. §54.315.

company's entire study area. Nevertheless, if a state commission decides to designate a CETC for a service area other than the rural telephone company's study area, the Act requires that it seek the concurrence of the FCC. Under FCC rules, if the Commission does not act on a state's petition to redefine a rural telephone company service area within 90 days of issuing a Public Notice, it is deemed approved.[78] This rule should be modified to require the FCC to fully review the petition and issue an order before it can take effect. The decision to designate a CETC for a service area other than the rural telephone company's study area is far too consequential to be permitted to take effect by the default of the Commission's non-action.

2. State PUCs and the FCC should ensure that CETCs will be capable of providing high-quality service to all of the customers in the service area should the rural ILEC find it necessary to relinquish its own ETC designation.

In any area served by more than one ETC, the Act permits an ETC to relinquish its designation by giving advance notice to the state commission. Within one year after the PUC approves the relinquishment of ETC status, the remaining ETCs must be capable of serving all of the customers served by the relinquishing carrier.[79] This flexibility to withdraw as an ETC has the potential result of the incumbent carrier discontinuing service in areas where it is no longer economically feasible or sufficiently profitable. By allowing any ETC – including the ILEC – to relinquish its designation in areas with multiple ETCs, it is clear that Congress intended for state commissions and the FCC to make such designations prudently and with the knowledge that a carrier, once designated, may be required to serve all of the customers in the service area. The FCC recognized this in a 2002 ETC designation Order:

> ...Congress expressed a specific intent to preserve and advance universal service in rural areas as competition emerges. Specifically, we believe that Congress sought to ensure that consumers in areas served by rural telephone companies continue to be adequately served should the incumbent telephone company seek to relinquish its ETC designation under section 214(e)(4).[80]

The possibility of a rural ILEC relinquishing its ETC designation is not as remote as it once seemed. Recent bankruptcies demonstrate that rapidly changing business and economic conditions could place existing ETCs at risk. It is therefore essential that state commissions and the FCC fully evaluate a carrier's capability and commitment to serve as the sole provider of ubiquitous, high-quality service prior to granting ETC status. As previously discussed, this includes making sure that the carrier has a network build-out plan, is financially sound and is able to remain functional in times of emergency.

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[78] 47 C.F.R. §54.207(c).

[79] 47 U.S.C. §214(e)(4).

[80] *Federal-Sate Joint Board on Universal Service, Guam Cellular and Paging, Inc. d/b/a/ Guamcell Communications Petition for Designation as an Eligible Telecommunications Carrier In the Territory of Guam*, CC Docket No. 96-45, Memorandum Opinion and Order, 17 FCC Rcd 1502, 1508-1509, para. 16 (2002).

3. Any service quality standards, reporting requirements and customer billing requirements established by the state PUC should be applied equally to all ETCs in the state.

State commissions have a public interest obligation to impose the same service quality standards,[81] reporting requirements[82] and customer billing requirements on all ETCs that it imposes on the ILEC. Because an ETC designation connotes an ability to serve as the sole service provider throughout the designated area, states should ensure that every carrier it designates is capable of meeting whatever minimum levels of service quality that it expects from the ILEC. The Fifth U.S. Circuit Court of Appeals determined that states are free to impose their own ETC eligibility requirements in addition to those in the 1996 Act,[83] and states may wish to make the ability to meet certain service quality standards a prerequisite to ETC status.

Once designated, all CETCs should be required to meet the same service quality standards and adhere to the same reporting and billing requirements imposed on the ILEC in order to retain ETC status. Certainly, state PUCs should continue to have the autonomy to decide what service quality standards, reporting requirements and customer billing requirements are appropriate for the carriers in their state. But, whatever it decides on should be applied equally to all ETCs, not just the ILEC. In addition to serving the public interest, evenly applied service quality standards, and reporting and billing requirements is competitively neutral and promotes a more level playing field among ETCs.

4. State PUCs have the authority to decertify any ETC that is not meeting any of the qualifications or requirements enumerated above.

An ETC that ceases to meet any of the recommended qualifications and requirements may no longer be serving the public interest. If the PUC makes that determination, it has a duty to decertify that carrier.

State PUCs should be required to certify annually to the FCC that they are applying the established standardized list of minimum qualifications, requirements and policies to potential and existing ETCs in rural telephone company service areas.

Under FCC rules, states are required to file annual certifications with the Commission stating that all federal high-cost support provided to carriers within the state will be used only for the provision, maintenance and upgrading of facilities and services for which the support is intended.[84] This rule recognizes the need for accountability and good stewardship by state commissions in their administration of limited federal high-cost funding.

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[81] *Ex.*, emergency operation provisions, completion of called numbers, voice quality specifications.
[82] *Ex.*, reports on customer troubles, reports on quality of service, traffic studies.
[83] *Texas Office of Public Utility Counsel v. FCC*, 183 F.3d 393, 418 (5th Cir. 1999).
[84] 47 C.F.R. §§54.313(a), 54.314(a).

For the same reason, states should be required to certify annually to the FCC that they are applying the established standardized list of minimum qualifications, requirements and policies to potential and existing ETCs in rural service areas. This would ensure that ETC applications for rural telephone company service areas were being evaluated in a relatively consistent manner using the same set of criteria. More importantly, it would help to ensure that the carriers designated as ETCs in rural service areas will truly serve the public interest. Because ETC designation allows for the receipt of scarce federal universal service resources, it is critical that states are held accountable for their designation decisions in rural service areas.

Finally, the FCC should direct USAC to develop auditing procedures for reported lines.

Auditing procedures for reported lines are necessary to minimize the waste, fraud and abuse that may occur within the High-Cost program. This, in turn, helps to: (1) minimize the contribution obligations imposed on carriers and customers, (2) maintain a favorable public perception of the program, and (3) improve the long-term sustainability of the Fund.

For example, the Commission's rules allow mobile wireless service providers to use customer "billing addresses" to identify the service location of their mobile customers.[85] This rule provides wireless carriers with the opportunity to encourage customers to establish a billing presence in high-cost areas where support is available, even if this is not where the customer lives or even uses the service. If this were to occur, it would waste limited universal service resources that are ultimately collected from the nation's ratepayers and further endanger the sustainability of the Fund. The public should have the utmost confidence that the USF that they pay for is being used judiciously, for the purposes for which it is intended, and is not being abused. If the public's faith in the program is compromised, so too is the future of a fund that has played a significant role in ensuring the ubiquity of the nation's high-quality telecommunications network, and making it accessible and affordable for all.

IX. CONCLUSION

The future of universal service in high-cost rural America is in jeopardy. The size of the federal USF has experienced tremendous growth in recent years, raising the concern that funding may, at some point, no longer be permitted to grow or even be curtailed. If the liberal designation of CETCs in rural service areas continues unabated, then funding may not be sufficient in some high-cost areas for any carrier to offer quality services at rates that are affordable and that are reasonably comparable to the services and rates offered in urban areas, as required by the 1996 Act. Moreover, in many instances, financially supported competition in the areas served by rural telephone companies will not further the goals of universal service. Just the opposite, it will only make it more dif-

[85] 47 C.F.R. §54.307(b).

ficult for the sole provider of ubiquitous, high-quality, facilities-based service to continue serving the most remote customers and may even threaten their viability. It will also weaken rural carriers' ability and incentive to continue making the upgrades to their critical infrastructure that would extend advanced services to greater numbers of consumers.

Congress clearly recognized the unique challenges faced by rural telephone companies in their provision of service when it required state PUCs and the FCC to make a public interest determination prior to designating additional ETCs in these service areas. It is therefore of paramount importance that regulators treat the USF as the scarce national resource that it is, and take greater care when contemplating additional ETC designations in the areas served by rural telephone companies. In particular, state PUCs and the FCC should adopt the public interest principles recommended herein to guide them in their consideration of ETC applications for rural service areas. The FCC should also adopt the recommended standardized set of minimum qualifications, requirements and policies for state PUCs and the Commission to apply to potential and existing ETCs in rural service areas.

To be sure, these recommendations are not the panacea for all that ails the High-Cost universal service program. There is more that needs to be done. Nonetheless, they are an important and essential first step to ensuring that the success of the nation's nearly 70-year-old policy of universal service is continued, and that rural consumers can continue to participate in the telecommunications revolution.

Appendix A:
Universal Service Funding Data

Table 1
Total Federal Universal Service Support Funding Levels and Federal Universal Service Support Funding Levels by Program 1986-2003 ($ Millions)

		Universal Service Programs			
Year	Total Federal Universal Service Support Funding Levels	High-Cost Support	Low Income Support	Schools and Libraries	Rural Health Care
1986	$ 55.63	$ 55.63	$ -	$ -	$ -
1987	$ 137.29	$ 125.69	$ 11.60	$ -	$ -
1988	$ 217.27	$ 183.27	$ 34.00	$ -	$ -
1989	$ 555.65	$ 500.25	$ 55.40	$ -	$ -
1990	$ 675.64	$ 601.74	$ 73.90	$ -	$ -
1991	$ 849.34	$ 756.54	$ 92.80	$ -	$ -
1992	$ 1,024.20	$ 915.10	$ 109.10	$ -	$ -
1993	$ 1,464.87	$ 1,338.77	$ 126.10	$ -	$ -
1994	$ 1,517.88	$ 1,375.98	$ 141.90	$ -	$ -
1995	$ 1,612.80	$ 1,457.10	$ 155.70	$ -	$ -
1996	$ 1,702.72	$ 1,536.32	$ 166.40	$ -	$ -
1997	$ 1,774.98	$ 1,613.68	$ 161.30	$ -	$ -
1998	$ 2,158.35	$ 1,693.85	$ 464.50	$ -	$ -
1999	$ 3,915.68	$ 1,720.38	$ 480.20	$ 1,711.70	$ 3.40
2000	$ 4,892.80	$ 2,245.20	$ 519.00	$ 2,121.50	$ 7.10
2001	$ 5,302.53	$ 2,629.43	$ 584.00	$ 2,078.30	$ 10.80
2002	$ 5,646.13	$ 2,922.15	$ 586.98	$ 2,125.00	$ 12.00
2003	$ 6,308.98	$ 3,303.98	$ 740.00	$ 2,250.00	$ 15.00

Source: 1986-2002 – Joint Board Monitoring Report, October 2002
2003 – Annualized 1Q:2003 USAC Projections

Table 2
Total Federal High-Cost Support Funding Levels and Federal High-Cost Support Funding Levels by Mechanism 1986-2003 ($ Millions)

		High-Cost Support Mechanisms					
Year	Total High-Cost Support	High-Cost Loop Support	Long Term Support	Local Switching Support	Interstate Access Support	High-Cost Model Support	Interstate Common Line Support
1986	$ 55.63	$ 55.63	$ -	$ -	$ -	$ -	$ -
1987	$ 125.69	$ 125.69	$ -	$ -	$ -	$ -	$ -
1988	$ 183.27	$ 183.27	$ -	$ -	$ -	$ -	$ -
1989	$ 500.25	$ 264.55	$ 235.70	$ -	$ -	$ -	$ -
1990	$ 601.74	$ 339.18	$ 262.56	$ -	$ -	$ -	$ -
1991	$ 756.54	$ 484.81	$ 271.73	$ -	$ -	$ -	$ -
1992	$ 915.10	$ 609.36	$ 305.74	$ -	$ -	$ -	$ -
1993	$ 1,338.77	$ 705.12	$ 322.65	$ 311.00	$ -	$ -	$ -
1994	$ 1,375.98	$ 725.43	$ 346.64	$ 303.90	$ -	$ -	$ -
1995	$ 1,457.10	$ 749.55	$ 382.26	$ 325.30	$ -	$ -	$ -
1996	$ 1,536.32	$ 762.70	$ 425.62	$ 348.00	$ -	$ -	$ -
1997	$ 1,613.68	$ 793.56	$ 469.52	$ 350.60	$ -	$ -	$ -
1998	$ 1,693.85	$ 827.29	$ 476.32	$ 390.25	$ -	$ -	$ -
1999	$ 1,720.38	$ 864.18	$ 473.07	$ 383.13	$ -	$ -	$ -
2000	$ 2,245.20	$ 872.48	$ 479.13	$ 390.83	$ 283.14	$ 219.61	$ -
2001	$ 2,629.43	$ 963.63	$ 492.97	$ 398.60	$ 574.39	$ 199.85	$ -
2002	$ 2,922.15	$ 972.48	$ 532.37	$ 400.22	$ 604.49	$ 227.85	$ 184.73
2003	$ 3,303.98	$ 1,120.25	$ 500.86	$ 426.72	$ 650.00	$ 233.81	$ 372.34

Source: 1986-2002 – Joint Board Monitoring Report, October 2002
2003 – Annualized 1Q:2003 USAC Projections

Table 3
Total Federal High-Cost Support Funding Levels for All ILECs and for All CETCs by Technology Type 1999-2003 ($ Millions)

		CETC	
Year	ILEC	Wireline	Wireless
1999	$1,727.83	$0.10	$0.44
2000	$2,049.90	$0.95	$2.13
2001	$2,548.36	$1.10	$11.27
2002	$3,125.06	$5.77	$68.68
2003	$3,173.74	$4.78	$101.85

Source: 1999-2002 — Annualized 4Q USAC Projections
2003 — Annualized 1Q:2003 USAC Projections

Note: The division of CETC funding levels between wireline and wireless carriers was determined by the presence or absence of words such as "wireless" or "cellular" in each company's name (with the exception of wireless carrier Smith Bagley, Inc.).

Appendix B:
Glossary

GLOSSARY

A

Access charges – An **incumbent local exchange carrier's (ILECs)** customers, both end-user subscribers and **interexchange carriers (IXCs)**, pay access charges for connection to the ILEC's network. End-user subscribers pay a federally mandated flat-rated **Subscriber Line Charge (SLC)**, while IXCs pay both flat-rated and usage-based access charges.

Access line – The circuit connecting the subscriber's premises to the **local exchange carrier's (LECs) switching** center. Generally, a LEC's number of access lines is approximately the same as its number of subscribers. Access lines may also be referred to as **"loops."**

B

Bell Operating Companies (BOCs) – The local telephone companies that used to be wholly owned by AT&T prior to its **divestiture** in 1984, which separated the BOCs from AT&T's long distance operations.

C

Carrier Common Line (CCL) charge – A usage-based **access charge** that **interexchange carriers (IXCs)** pay to **incumbent local exchange carriers (ILECs)**. The CCL charge recovers a portion of an ILEC's fixed **loop** costs that are allocated to the interstate jurisdiction. The **National Exchange Carrier Association (NECA)** files a CCL tariff on behalf of those ILECs participating in its Common Line **pool**. The **Federal Communications Commission (FCC)** has determined that for **rate-of-return regulated** ILECs, the CCL charge will be eliminated by July 1, 2003. The revenue generated by the CCL charge will instead be recovered through higher **Subscriber Line Charges (SLCs)** and a new high-cost **universal service** mechanism, **Interstate Common Line Support (ICLS)**.

Common carrier – A company that furnishes communications services indiscriminately to the general public. Typically, a state or federal government agency licenses common carriers.

Competitive eligible telecommunications carrier (CETC) – The Telecommunications Act of 1996 provided for the possibility of more than one carrier in a service area being eligible to receive **universal service** support. A CETC refers to any carrier, other than the **incumbent local exchange carrier (ILEC)**, that a state public utility commission or the **Federal Communications Commission (FCC)** designates as eligible to receive universal service support for a particular service territory.

Competitive local exchange carrier (CLEC) – A **local exchange carrier (LEC)** that competes with the already established **incumbent local exchange carrier (ILEC).** A CLEC may offer service through the resale of the ILEC's services, the leasing of **unbundled network elements (UNEs)** from the ILEC, the CLEC's construction of its own facilities, or some combination of all of these strategies.

Creamskimming – The practice of targeting only the customers that are the least expensive to serve, thereby undercutting an **incumbent local exchange carrier's (ILECs)** ability to provide service throughout the area.

Critical infrastructure – A term defined in a 1996 Presidential Executive Order as a system whose incapacity or destruction would have a debilitating impact on the defense or the economic security of the United States. Telecommunications networks are among the systems that fall under this designation.

Critical infrastructure provider – A company which is responsible for the operation and management of a portion of the domestic critical infrastructure. Rural **incumbent local exchange carriers (ILECs)** are examples of critical infrastructure providers.

D

Dial equipment minute (DEM) weighting – DEM is a measurement of how long a **local exchange carrier's (LECs) switch** is in use to complete a call. DEM weighting was a mechanism that provided support to small **incumbent local exchange carriers (ILECs)** to help defray their higher switching costs. This was accomplished by allowing ILECs with fewer than 50,000 **access lines** to apply a weighting factor to their interstate DEM. This resulted in more local switching investment being allocated to the interstate jurisdiction. DEM weighting was recovered through higher **access charges** paid by **interexchange carriers (IXCs).** Since 1998, the costs recovered through DEM weighting have been recovered through **Local Switching Support (LSS),** an explicit high-cost **universal service** mechanism.

Disaggregation – The process by which a **rural telephone company** is permitted to calculate its **portable** per-line high-cost **universal service** support using the costs of serving more narrowly defined geographic areas within its **study area.** Consequently, a rural telephone company that disaggregates will have per-line universal service support amounts that vary within its study area to reflect the different cost levels of providing service in more narrowly defined geographic zones. Disaggregation helps to limit uneconomic incentives for competitive entry and to reduce opportunities for **creamskimming.**

Divestiture – Prior to 1984, AT&T owned both long distance and local telephone operations. In January 1982, AT&T signed a Consent Decree with the United States Department of Justice, which stipulated that AT&T would dispossess or divest itself of its local telephone operations, the **Bell Operating Companies (BOCs),** on January 1, 1984.

E

Eligible telecommunications carrier (ETC) – A **common carrier** that has been designated as eligible to receive **universal service** funding. This designation is typically made by a state public utility commission or, in limited circumstances, by the **Federal Communications Commission (FCC)**. In order to be designated as an ETC in any service area, a common carrier must, throughout the area for which the designation is received: 1) offer the services that are supported by the federal **Universal Service Fund**, and 2) advertise the availability of the supported services and charges using media of general distribution. Before designating an additional ETC in an area served by a **rural telephone company**, the state commission or FCC must find that the designation is in the public interest.

Equal access – A technology that provides consumers with the ability to access the toll service providers to which they are presubscribed by dialing 1 + number; that is, without having to dial an access code.

Exchange – Generally the area served by one **local exchange carrier (LEC)** central office. A central office is the building or location that houses the equipment that the LEC uses to **switch** calls.

Exchange access – The offering of local telephone **exchange** services or facilities for the purpose of origination or termination of toll services.

F

Federal Communications Commission (FCC) – An independent U.S. government agency, responsible directly to Congress, established by the Communications Act of 1934, and charged with regulating interstate and international communications by radio, television, wire, satellite and cable. The regulation of intrastate services falls under the jurisdiction of state public utility commissions.

Federal-State Joint Board – A body formed when regulatory issues have implications for both the inter- and intrastate jurisdictions. A joint board usually consists of three **Federal Communications Commission (FCC)** commissioners and four state public utility commissioners. The Telecommunications Act of 1996 calls for a Federal-State Joint Board on Universal Service to assist the FCC in resolving **universal service** issues.

H

High cost assistance fund – Prior to the enactment of the Telecommunications Act of 1996, the High Cost Assistance Fund (also, at the time, referred to as the **Universal Service Fund**) provided support to **incumbent local exchange carriers (ILECs)** with high **loop** costs by allocating a higher than normal percentage of those costs to the interstate jurisdiction that were in excess of the national average cost per loop. This mechanism is now referred to as **High-Cost Loop Support (HCLS)** for **rural telephone companies**.

High-Cost Loop Support (HCLS) – A high-cost **universal service** mechanism (previously known as the **high cost assistance fund** or **Universal Service Fund**) that provides support to **rural telephone companies** with high **loop** costs. HCLS allocates a higher than normal percentage of a rural telephone company's actual loop costs to the interstate jurisdiction that are in excess of 115 percent of the national average cost per loop. Allowing high-cost rural telephone companies to recover additional loop costs from the interstate jurisdiction reduces the portion of their costs allocated to the intrastate jurisdiction, thereby helping to keep end-user rates at reasonable and affordable levels.

High-Cost Model Support (HCMS) – A high-cost **universal service** mechanism that provides support to non-rural **incumbent local exchange carriers (ILECs)** with high **loop** costs. HCMS is calculated using a non-rural ILEC's forward-looking costs, as estimated by a **Federal Communications Commission (FCC)** cost model. It compares the statewide average cost per line for non-rural ILECs, as estimated by the FCC's cost model, to a nationwide cost benchmark to determine eligibility for support.

High-Cost program – One of the four components of the federal **Universal Service Fund (USF)**. The purpose of the High-Cost program is to maximize subscribership to a defined set of telecommunications services by spreading the high costs of rural network infrastructure nationwide. There are six support mechanisms contained within the High-Cost program. Four of the mechanisms, **High-Cost Loop Support (HCLS), Local Switching Support (LSS), Long Term Support (LTS)** and **Interstate Common Line Support (ICLS)**, provide support primarily to areas served by **rural telephone companies**. The remaining two mechanisms, **High-Cost Model Support (HCMS)** and **Interstate Access Support (IAS)**, provide support primarily to the high-cost areas served by non-rural **incumbent local exchange carriers (ILECs)**.

Holding company – A parent company that owns one or more **local exchange carriers (LECs)**.

I

Incumbent local exchange carrier (ILEC) – The **common carrier** that provided local telephone service to a particular service area at the date of the enactment of the Telecommunications Act of 1996 (February 8, 1996).

Independent local exchange carrier – A **local exchange carrier (LEC)** that was never affiliated with the former Bell System.

Interexchange carrier (IXC) – A carrier providing inter- and/or intrastate toll service.

Interstate Access Support (IAS) – A high-cost **universal service** mechanism for **incumbent local exchange carriers (ILECs)** governed by **price cap regulation**. IAS recovers certain revenues previously collected through interstate **access charges**. IAS is

intended to facilitate comparable long distance rates nationwide and promote long distance competition in the high-cost rural areas served by price cap-regulated carriers.

Interstate Common Line Support (ICLS) – A high-cost **universal service** mechanism for **incumbent local exchange carriers (ILECs)** governed by **rate-of-return regulation.** ICLS recovers a portion of a rate-of-return regulated ILEC's **loop** costs assigned to the interstate jurisdiction that were previously recovered through the **Carrier Common Line (CCL) charge.** ICLS is intended to facilitate comparable long distance rates nationwide and promote long distance competition in the high-cost rural areas served by rate-of-return regulated carriers.

J

Jurisdictional separations – Incumbent local exchange carriers (ILECs) use the same telecommunications plant and equipment for providing both interstate access to **interexchange carriers (IXCs)** and local telecommunications services to end-user subscribers. ILECs use jurisdictional separations procedures contained in the **Federal Communications Commission's (FCC)** rules to determine what portion of their costs for jointly used plant and equipment must be recovered from the interstate jurisdiction via interstate **access charges,** and what portion must be recovered from the revenues they receive from providing local telecommunications services to end-user subscribers. Separations procedures have been performed by ILECs since the Supreme Court found in 1930 that the "separation of intrastate and interstate property, revenues, and expenses" was "essential to the appropriate recognition of the governmental authority in each field of regulation."

L

Local exchange carrier (LEC) – A local telephone company. LECs include both **Bell Operating Companies (BOCs)** and **independent local exchange carriers.**

Local exchange service – Those telecommunications services which allow customers living within the service territory of a **local exchange carrier (LEC)** to communicate with each other.

Local Switching Support (LSS) – A high-cost **universal service** mechanism that provides support to **incumbent local exchange carriers (ILECs)** with fewer than 50,000 **access lines** to help defray their higher **switching** costs. The LSS mechanism has helped to encourage the deployment of digital switching and digital networks in rural service areas. LSS was previously known as **Dial Equipment Minute (DEM) weighting.**

Long Term Support (LTS) – A high-cost **universal service** mechanism that provides support to the **National Exchange Carrier Association (NECA)** Common Line revenue **pool.** LTS allows the **incumbent local exchange carrier (ILEC)** members of the pool to charge a below-cost **Common Carrier Line (CCL)** access rate to **interexchange carriers (IXCs)** that is uniform for all carriers in the pool. Reducing the amount of **loop** costs that high-cost ILECs have to recover from IXCs through the CCL charge was in-

tended to facilitate the availability of long distance service in rural areas that is reasonably comparable to the service options and rates available in urban areas.

Loop – The cable, telephone wires, poles and other facilities that link each customer's premises to the public switched network and provide subscribers with access to both intra- and interstate telecommunications services. Loops may also be referred to as **"access lines."**

Low Income program – One of the four components of the federal **Universal Service Fund (USF)**. This program consists of two mechanisms: 1) Lifeline, which reduces qualifying low-income consumers' monthly telephone charges, and 2) Link-Up America, which reduces the one-time installation charges associated with initiating telephone service.

N

National Exchange Carrier Association (NECA) – An organization created by the **Federal Communications Commission (FCC)** in 1984 to file interstate access tariffs on behalf of **incumbent local exchange carriers (ILECs)** and to manage the various access revenue **pools**.

P

Pool(s)/pooling – A payment system under which revenues collected by **incumbent local exchange carriers (ILECs)** are not kept, but instead are combined and redistributed based on factors such as an ILEC's cost of providing service. Interstate pools are administered by the **National Exchange Carrier Association (NECA)**. At the end of the monthly pooling process, each participating ILEC either owes monies to the pool or is due monies from the pool. NECA collects the monies due and distributes it to members who are recipients. Pooling allows participants to reduce the volatility of their individual company revenues by dissipating those risks among numerous carriers.

Portability – The term used for the **Federal Communications Commission's (FCC)** rule that allows a **competitive eligible telecommunications carrier (CETC)** to receive the same per-line amount of **universal service** support that the **incumbent local exchange carrier (ILEC)** would receive for serving a particular end-user subscriber.

Price cap regulation – A form of federal regulation of **incumbent local exchange carrier (ILEC)** earnings that basically sets a ceiling or cap on the prices ILECs can charge for their interstate access services and provides incentives for ILECs to be more efficient. Price cap regulation is mandatory for the **Bell Operating Companies (BOCs)**, but is optional for other ILECs.

R

Rate-of-return regulation – A form of federal regulation of **incumbent local exchange carrier (ILEC)** earnings that establishes the percentage of net profit that an ILEC is allowed to earn on its rate base (its total invested capital). Currently, ILECs are permitted to earn an 11.25 percent interstate rate-of-return. Most rural ILECs operate under rate-of-return regulation.

Rural Health Care program – One of the four components of the federal **Universal Service Fund (USF)**. The Rural Health Care program provides reduced rates to rural health care providers for telecommunications services related to the use of telemedicine and telehealth.

Rural telephone company – The Telecommunications Act of 1996 defines a rural telephone company as a **local exchange carrier (LEC)** operating entity to the extent that such entity:

A) provides **common carrier** service to any LEC **study area** that does not include either-
   1) any incorporated place of 10,000 inhabitants or more, or any part thereof, based on the most recently available population statistics of the Bureau of the Census; or
   2) any territory, incorporated or unincorporated, included in an urbanized area, as defined by the Bureau of the Census as of August 10, 1993;

B) provides telephone **exchange** service, including **exchange access,** to fewer than 50,000 **access lines**;

C) provides telephone exchange service to any LEC study area with fewer than 100,000 access lines; or

D) has less than 15 percent of its access lines in communities of more than 50,000 on the date of enactment of the Telecommunications Act of 1996.

S

Schools and Libraries program – One of the four components of the federal **Universal Service Fund (USF)**. The Schools and Libraries program provides discounts to schools and libraries in the United States for telecommunications services, Internet access and internal connections.

Settlements – Prior to AT&T's **divestiture,** settlements were payments made by the local telephone companies owned by AT&T to the **independent local exchange carriers (LECs)** who interconnected with AT&T's local operations. Settlements enabled the independent LECs to recover the costs incurred in the transmission of toll calls and also keep local rates affordable.

Study area – Generally, an **incumbent local exchange carrier's (ILECs)** entire service territory within a state. Thus, an ILEC that operates in a single state has one study area, while an ILEC operating in more than one state typically has a study area for each state.

However, a holding company may own multiple ILECs, and thus have multiple study areas within a state.

Subscriber Line Charge (SLC) – A federally mandated flat-rated interstate **access charge** imposed on the end-user customers of **incumbent local exchange carriers (ILECs)**. The SLC recovers a portion of an ILEC's **loop** costs that are allocated to the interstate jurisdiction.

Switch – A network device that selects a path or circuit for sending a unit of voice or data to its next destination.

U

Unbundled Network Elements (UNEs) – The discrete portions of an **incumbent local exchange carrier's (ILECs)** network, which the Telecommunications Act of 1996 requires ILECs to lease to competitive carriers for their provision of service. Examples of the UNEs that ILECs presently are required to make available to competitive carriers include: **loops**, network interface devices, local circuit **switching**, interoffice transmission facilities, signaling networks and call-related databases, and operation support systems. The **Federal Communications Commission's (FCC)** rules require that the rates an ILEC may charge for a UNE be based on its incremental cost. The 1996 Act exempts **rural telephone companies** from the requirement to lease UNEs to competitors which is otherwise imposed on ILECs.

Universal service – The basic concept, first stated in the Communications Act of 1934, that all Americans – both urban and rural – should have access to quality telecommunications services at affordable rates. Specifically, the Act says "...to make available, so far as possible, to all the people of the United States...a rapid, efficient, Nation-wide and world-wide wire and radio communication service with adequate facilities at reasonable charges..." The concept of universal service was further refined and expanded in the Telecommunications Act of 1996.

Universal Service Administrative Company (USAC) – The entity designated by the **Federal Communications Commission (FCC)** to administer the **universal service** support mechanisms. USAC's duties include billing contributors, collecting contributions and disbursing universal service support funds.

Universal Service Fund (USF) – A group of federal support programs that promote the **universal service** principles set forth in the Telecommunications Act of 1996. The four components of the USF are: the **High-Cost program**, the **Low Income program**, the **Schools and Libraries program** and the **Rural Health Care program.** The 1996 Act requires every telecommunications carrier that provides interstate telecommunications services to contribute to the USF on an equitable and nondiscriminatory basis. Prior to the Telecommunications Act of 1996, the USF was another name for the **high cost assistance fund.**

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SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUITH DAKOTA

In the Matter of the Filing by	)	
WWC Holding Co., Inc, d/b/a	)	
Cellular One® for Designation as	)	Docket No.TC03-191
An Eligible Telecommunications	)	
Carrier in Other Rural Areas	)	

SURREBUTTAL TESTIMONY OF

GLENN H. BROWN

ON BEHALF OF

SOUTH DAKOTA TELEPHONE ASSOCIATION

April 16, 2004

EXHIBIT
Int. 2

Q: Please state your name and business address.

A: My name is Glenn H. Brown, and my business address is 9011 East Cedar Waxwing Drive, Chandler, Arizona 85248.

Q: Have you previously filed testimony in this proceeding>

A: Yes. On March 15, 2004 I filed direct testimony on behalf of the South Dakota Telephone Association (SDTA) and its member companies affected by this Application -- Golden West Telecommunications Cooperative, Inc., James Valley Cooperative Telephone Company, Splitrock Properties, Inc., Venture Communications Cooperative, Inc., Tri-County Telecom, Inc., Vivian Telephone Company, and West River Telecommunications Cooperative. Collectively I will be referring to these companies as the South Dakota Rural LECs.

Q: What is the purpose of your surrebuttal testimony?

A: The purpose of my surrebuttal testimony is to comment on the rebuttal testimony filed in this proceeding on April 5, 2004 by Mr. James H. Blundell and Mr. Don J. Wood on behalf of WW License, LLC (Western Wireless).

Q: Could you summarize your reaction to the rebuttal testimony of the Western Wireless witnesses.

A: My initial reaction to the rebuttal testimony of Messrs. Blundell and Wood is that in 98 pages of testimony they provide startlingly few, if any, facts that indicate why the designation of the Western Wireless as an ETC in the rural South Dakota study areas will be in the public interest of South Dakota consumers. They do make a number of misrepresentations and mischaracterizations of portions of my testimony and of the other SDTA witnesses that I will be addressing later in my testimony.

What is even more striking, however, is what their testimony does not say:

- The witnesses do not dispute that, as documented in my direct testimony (Exhibit GHB-5), since Western Wireless was approved as an ETC in South Dakota on October 1, 2001 through the second quarter of 2004, USAC reports indicate that Western Wireless will have received over $16 million in federal high-cost support.
- The witnesses likewise do not dispute that over this same time period, as documented in my direct testimony (Exhibit GHB-6), Western Wireless has added few, if any, new towers to improve the quality of its signal coverage in rural areas of South Dakota.
- Despite the clear requirements articulated in the Virginia Cellular decision[1], nowhere in the testimony of Mr. Blundell or Mr. Wood does Western Wireless commit to any plans to build out its network to deliver high-quality signal coverage throughout the rural study areas for which it seeks ETC designation.

The consumers of rural South Dakota have a right to question what benefit they have received in the form of improved wireless service coverage in return for the $16 million of their money that Western Wireless has received. The South Dakota rural LECs have documented the significant public costs and harms that will occur if scarce federal universal service funding resources are spread too thin. It is important that the Commission ask Western Wireless what service improvements it can point to to justify the over $16 million that it has already received, or the over $20 million per year in annual high-cost support that it will be receiving if its current request is approved. In the opinion of SDTA, the question that the Commission needs to be asking in this proceeding is – to borrow a phrase – **"Where's the beef?"**

[1] On April 12, 2004, the FCC released an ETC order regarding Highland Cellular. This order is very similar to the Virginia Cellular order and adds further confirmation that the FCC is adopting significantly more rigorous standards for ETC designation.

Q: Mr. Blundell has testified that Western Wireless already does serve throughout these rural service areas[2], and that ETC designation will bring additional competition. Why does this not create enough public benefit to justify the public funding costs that you have just described?

A: As described in the testimony of Mr. Blundell, Western Wireless justifies its ability to serve throughout the rural service areas[3] upon the use of high-powered customer equipment and external antennas.[4] Western Wireless initially built its network in cities and towns and along major highways where customer density is high, and costs are low. As Mr. Wood points out in his testimony[5] this made absolutely perfect sense, and for this network Western Wireless neither needed nor received high-cost support. The rules change, however, when a carrier seeks public money through an ETC designation. When Western Wireless began to apply for high-cost support, there were two ways in which they could have chosen to serve "throughout the service area" as required by both prior and current FCC rules. The first way would have been to construct towers throughout the service area so that consumers statewide could enjoy expanded mobile calling areas, and consumers in rural areas could enjoy wireless coverage comparable to their more urban neighbors. The second way, which Western Wireless has apparently chosen, is to meet the technical requirements to "serve" throughout the area" by offering consumers the opportunity to obtain high-powered customer equipment and external antennas that would allow them to pick up weak signals from their existing tower network. While this would meet the technical requirements of providing the nine supported services, it would not provide the same

[2] Blundell rebuttal at page 5, line 19.
[3] As I will document later in my testimony, even using Mr. Blundell's very liberal standards for service, Western Wireless does not serve throughout significant portions of the rural study areas where it seeks ETC designation.
[4] Blundell rebuttal at page 7, lines 13 – 23.
[5] Wood testimony at page 42, line 8.

level of public benefits as an offset to the public costs that it would create. It also would not be consistent with the concepts of universal service articulated in the 1996 Act.

Q: How would the provision of service in rural areas through the use of high-powered equipment and roof-mounted antennas as described by Mr. Blundell, be inconsistent with the universal service principles of the Act?

A: Section 254(b)(3) describes universal service as follows:

> ACCESS IN RURAL AND HIGH COST AREAS. – Consumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high-cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.

As the Commission seeks to define the public interest, the quality of the signal coverage provided by a perspective ETC applicant should play an important part in assessing the public benefits that consumers would experience. Throughout its Application and testimony, Western Wireless stresses mobility as a key benefit.[6] In rural areas with weak signal strength where consumers receive service through high-powered equipment and roof-mounted antennas, mobility is not the same as in the more urban areas. Likewise, urban consumers traveling through such areas would not have the convenience of using their wireless handsets, nor would they experience the health and safety benefits that Western Wireless claims are important public interest benefits.

Q: Why would a wireless carrier seek ETC qualification through a high-power CPE and roof-mounted antennas strategy rather than constructing tower facilities in rural areas?

[6] For example, Application at page 20, line 19, Blundell testimony at page 5, line 1 and Wood testimony at page 21, line 10.

A: The answer is simple – money. If a prospective ETC applicant can meet the minimal qualifying criteria without having to expend the financial resources that it would take to build tower facilities throughout the remote, rural areas, then it stands to gain a significant financial windfall. The benefit to the carrier is even greater under such a strategy since generally it is the consumer that pays for the high-power equipment and/or antenna.[7] Once a wireless carrier obtains approval for ETC status, it then qualifies for immediate "high-cost" support for each of its existing low-cost customers. In essence, each of these existing customers becomes a "cash cow", without the need to invest in costly tower facilities in remote rural areas. As documented in my testimony, this appears to be exactly what Western Wireless has done in South Dakota. As shown on Exhibit GHB-5, Western Wireless stands to receive slightly over $5 million of high-cost support in the second quarter of 2004, or an annual run-rate of about $20 million per year. As I have shown on Exhibit GHB-6, publicly available data from the FCC's web site indicates that from October of 2001 when it was first granted ETC status through January of 2004, few, if any, towers have been added in the rural areas where Western Wireless currently has, or now seeks, ETC designation. Neither Mr. Blundell nor Mr. Wood dispute this.

Q: Mr. Blundell states on page 9 that the Commission has previously found designating Western Wireless as an ETC to be in the public interest. How does this proceeding differ from the prior proceeding, and how should the Commission view the public interest in this proceeding?

A: The Commission must assure that whatever federal high-cost funding is available to ETCs in the state of South Dakota is used for the optimal benefit of South Dakota consumers. The clear message from the Joint Board Recommended Decision is that the amount of funding for high-cost rural areas cannot and will not grow indefinitely. Mr Blundell states that the

[7] Blundell rebuttal at page 7, line s 13 - 23

Commission has previously found the designation of Western Wireless as an ETC to be in the public interest, however that was at a time and under a set of federal rules and guidelines that provided funding for all lines of all ETCs.[8] Whether it is through the eventual application of a "primary line" concept or some other means to control fund growth, there will not be sufficient federal funding to provide "high-cost support" for all "lines" of all potential ETC carriers.

The primary objective of the Commission must be to assure that consumers in rural and high-cost areas have access to affordable and advancing telecommunications services. It is critical that at least one carrier have the financial resources to continue to serve as a carrier of last resort, and also be able to invest to bring access to broadband and other advancing services to rural areas of South Dakota. As documented in the testimony of Messrs. Groft, Houdek and Strandell, the South Dakota Rural LECs perform this function today, and look forward to the opportunity to continue to do so in the future. As documented in my testimony (Exhibit GHB-1) this currently requires between $20.53 and $28.61 per line per month of federal high-cost support for their respective companies.

If the Commission determines that it is in the public interest to divert some portion of this funding to a wireless carrier such as Western Wireless, it is critical that the Commission assures itself that the public is receiving enough additional value to offset the significant public costs that will be created. The 1996 Act clearly states that the purpose of universal service is to provide consumers in high-cost rural areas with services "that are reasonably comparable to those services provided in urban areas". I believe that it is reasonable for the Commission to conclude that this means something more than giving the rural consumer the opportunity to purchase a "signal amplifier" or "external high-gain antenna"[9]. Where a wireless ETC accepts federal

[8] Order in TC98-146, issued October 18, 2001, at paragraph 16.
[9] Blundell rebuttal at page 7, lines 16 – 19.

universal service funds, the quality of the signal coverage provided to rural consumers should be an essential part of the Commission's public interest analysis.

Q: In commenting on the portion of your direct testimony where you describe the various types of customer equipment, Mr. Blundell states (page 8, line 12) "Mr. Brown misses the point. It is not the device used to access the network that is at issue in this ETC proceeding, it is the network itself." What is your reaction to this statement?

A: I absolutely agree, it is the network that is important. If a wireless carrier is to accept federal universal service funding for serving high-cost rural areas, then it should be required to invest that money in a network that provides signal quality reasonably comparable to that experienced in urban areas. If it is not willing to make that level of commitment, then it should not be receiving universal service support.

Q: Could you place the amount of federal high-cost support that Western Wireless will be receiving if the application in this proceeding is granted in perspective with what Western Wireless has stated it will do to expand its signal quality I rural areas?

A: As shown on Exhibit GHB-5, in the second quarter of 2004, Western Wireless will be receiving approximately $5 million of high-cost support, or approximately $20 million per year. Earlier this week, The Yankton Press and Dakotan ran an article in which Commission Chairman Bob Sahr was quoted as saying that the cost of a cellular tower was "up to $200,000."[10] Dividing this per tower amount into the $20 million that Western Wireless would be receiving on an annual basis yields a total of 100 towers. Yet on page 4 (line 19) of his rebuttal testimony Mr. Blundell states "we are currently planning construction of **several** cell sites during 2004, and have projected even greater construction if designated as an ETC in the requested service areas." (emphasis added) Something does not add up here. Where's the beef?

[10] *Sahr Claims a Cellular Mission*, Yankton Press and Dakotan, April 12, 2004.

Q: How should the Commission decide if granting ETC status to Western Wireless would serve the public interest?

A: The FCC in the Virginia Cellular and Highland Cellular orders, as well as the Joint Board in its Recommended Decision have stated that as a precondition of granting ETC status, a wireless carrier must serve throughout the service area, ~~and~~ GR that the carrier must provide a build-out plan that can be tracked over time to assure that the high-cost funds are being used for the purposes for which they were intended. The FCC orders also make clear that the public interest is to be a "fact-specific" exercise, and that the burden of proof is on the ETC applicant. Nowhere in their Application, direct testimony or rebuttal testimony has Western Wireless provided any plan, let alone a detailed build-out plan, or indicated how the universal service funds that they receive in the state of South Dakota have been or will be used to improve their network signal coverage consistent with the universal service goals articulated in the 1996 Act. If the Commission is to consider the grant of ETC status in the instant proceeding, it should clearly articulate its expectations regarding signal quality and coverage, and require Western Wireless to submit a detailed plan for how it will use the universal service funding that it seeks to build-out its network to provide quality service throughout the affected service territories. As it conducts its annual ETC certification reviews it should track progress towards meeting these build-out commitments, and rescind ETC status if build-out commitments are not met. It is important that the criteria, expectations and commitment be clearly stated and understood before ETC status is granted so that these obligations are clearly understood by all parties. This would be consistent with the policy directives in the Virginia Cellular and Highland Cellular orders and the Joint Board recommended decision, and would avoid recreating the situation we face now, where

significant sums have been paid to Western Wireless, with questionable returns in the form of improved rural signal quality.

Q: Both Mr. Blundel[11] and Mr. Wood[12] claim that the Virginia Cellular Order and the Joint Board Recommended Decision have no impact on this proceeding. Do you agree with their conclusions?

A: No. In its initial application that began this proceeding, Western Wireless itself stated:

> The Commission must also apply the public interest factor in a way that advances universal service as contemplated by the Act. Congress gave the FCC responsibility to create rules and policies "for the preservation and advancement of universal service." 47 U.S.C. §254(b). States must respect and defer to those FCC determinations. States cannot use a public interest standard to affect a result contrary to FCC directives.[13]

While Western Wireless may wish otherwise, based upon experiences under the more liberal ETC designation processes articulated in prior FCC standards, and current threats to the sustainability of the universal service fund, the FCC has significantly tightened the ETC qualification criteria in the Virginia Cellular decision. In a speech at the recent NARUC Winter Meetings, FCC Commissioner and Joint Board Chairman Kathleen Abernathy described for state Commissioners what these new standards entailed:

> In a decision involving an application by Virginia Cellular, the [FCC] made clear that any carrier that wants to be an ETC must offer quality services at affordable rates throughout the designated service area. The ETC also must be ready, willing, and able to serve as a carrier of last resort and otherwise be prepared to fulfill the goals set forth in section 254 of the Act. To this end, the FCC required Virginia Cellular to submit build-out plans to document its proposed use of federal universal service funding for infrastructure investment. The Commission also considered the carrier's commitment to provide high-quality service. Moreover, for the first time we considered the increasing demands on the universal service fund.

[11] Blundell rebuttal at page 17, line 10.
[12] Wood testimony at page 4, line 18, and pages 9 – 13.
[13] Verified Petition for Designation as an Eligible Telecommunications Carrier and Request to Expedite Proceedings, filed November 4, 2003, at page 9.

Later in her remarks, Commissioner Abernathy elaborated on the requirement of carriers to provide services throughout the designated service area:

> To this end, states may choose to require formal build-out commitments, backed by regular progress reports. This requirement is critical, because universal service support is designed to fund investments in networks; it should not be used to pad the bottom line.

Regarding the Joint Board's Recommended Decision she stated:

> [S]everal of the Joint Board's recommendations overlap with the FCC's requirements in Virginia Cellular. But the Joint Board also recommended additional standards that go beyond the FCC's provisional framework. Even though the recommendations have not yet been formally adopted by the FCC, I expect that they will be of immediate use to state commissions. They represent the best thinking of a diverse group of federal and state regulators, and, given the discretion afforded to states under section 214, nothing prevents state commissions from following these guidelines right away.[14]

Q: Have other FCC Commissioners commented on the applicability of the Virginia Cellular Order and issues contained in the Joint Board Recommended Decision?

A: Yes. Just this week, the FCC issued another decision in an ETC case involving Highland Cellular. In his separate statement accompanying this decision, FCC Commissioner and Joint Board member Jonathan Adelstein said:

> I have been pleased to hear reports that state commissions and other parties are using the new *Virginia Cellular Order* template in many state ETC proceedings. I am also encouraging the FCC and state commissions to embrace the Joint Board's approach as soon as possible.

Q: Mr. Wood states (pages 29 – 30) that ETC applications by other carriers should not be a factor in this proceeding. Are there other ETC applications currently pending for these rural study areas, and how do you believe these applications may be relevant to this proceeding?

A: The Commission currently has an application on file from RCC Minnesota, Inc. and Wireless Alliance d/b/a Unicel seeking ETC status in a number of South Dakota study areas,

[14] The full text of Commissioner Abernathy's remarks can be found at http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-244915A1.doc

including James Valley and Venture which are part of the Western Wireless application. This application has been set for hearing in Docket TC03-193. Given the sparsely populated nature of these areas, it is questionable whether multiple wireless networks could economically built to provide high-quality service throughout these rural service areas. It is also unlikely, given the indications from the Joint Board, that there will be sufficient funding to fund multiple ETC providers. Thus, the Commission, in addition to having to decide whether to grant ETC status to any wireless provider in these areas, may also be faced with the decision of which wireless provider should be given ETC status and access to federal support dollars. Among the factors that the Commission may want to consider in making such a decision would likely be the signal coverage provided by each carrier, and each respective carrier's plans and proposals to build its network out to provide high-quality signal coverage throughout the service area.

Q: On Page 32 of his testimony, Mr. Wood states "Growth in the fund was explicitly anticipated and considered by the FCC when developing the rural universal service mechanism." Is there evidence that the FCC may be having second thoughts on this?

A: Yes. In paragraph 31 of the Virginia Cellular the FCC states "we are increasingly concerned about the impact on the universal service fund due to the rapid growth in high-cost support to competitive ETCs." Also, on March 22, 2004, Commissioner Jonathan Adelstein gave a speech in which he addressed the public interest issues regarding the designation of multiple ETCs. In his remarks he stated:

> [T]here is widespread agreement that we need to reform the ETC designation process. Reading the Act, it's clear Congress intended that multiple carriers would have access to universal service. Otherwise, it wouldn't have given us the authority to make additional carriers eligible. But it's not clear that Congress fully contemplated the impact of this growing competition on the ability of the universal service fund to keep up with demand, and eventually to support advanced services. The amount of funding new entrants receive is growing quickly. It may come down to a choice Congress never envisioned –

between financing competition, or financing network development that will give people in Rural America access to advanced services like broadband.[15]

Also, in his separate statement attached to the most recent ETC decision regarding Highland Cellular, Commissioner Adelstein said:

> Establishing a more meaningful public interest test is a critical first step in a larger effort to manage responsibly the growth of the universal service fund overall. I believe there are constructive actions we can take to make sure our universal service mandate is upheld while still ensuring that the fund does not grow dramatically. First, reforming the process for designating ETCs is essential. Second, funding new entrants based on their own costs, rather than the costs of the incumbent, would more correctly align our rules with the statutory requirement that funds be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. And third, the Commission should explore frameworks to identify those very high-cost areas where it may be prohibitive to fund more than one ETC. These three key reforms, if carried out together, would measurably reduce fund growth without shortchanging Rural America.

Q: On page 4 lines 8 – 15 Mr. Blundell states that that you have a "fundamental misunderstanding of how wireless technology works", and that to properly analyze Western Wireless' network would require an "RF propagation analysis". What is your reaction to his statement?

A: Mr. Blundell is referring to pages 38 – 39 of my testimony where I discuss a "proximity" analysis of the percentage of the population and land area that are within given distances from an existing Western Wireless tower. What Mr. Blundell fails to mention is that on pages 33 – 38 I describe in some detail how a wireless network functions, and what is involved in analyzing coverage areas and in conducting a propagation analysis. I also describe the frustrations that we were having in getting sufficient discovery information to allow us to conduct an independent analysis of the propagation characteristics of Western Wireless' network in the state of South Dakota. In my direct testimony I presented what I called the "rule-of-thumb" analysis indicating

[15] Remarks of Jonathan S. Adelstein before the NTCA Legislative and Policy Conference, March 22, 2004. The full text of these remarks can be found at: http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-245498A1.doc.

the proximity of Western Wireless' towers. I also provided the following explicit caveat regarding this methodology on page 39 of my direct testimony:

> **Q: Does your rule-of-thumb analysis predict actual coverage levels?**
>
> A: Not exactly. It only provides a rough approximation that should be further validated through an actual propagation analysis that takes many real-world factors into account. Nonetheless, it does provide a basic analytical framework to analyze the existing Western Wireless network, and to identify what type of additional tower facilities may be necessary to expand coverage to currently unserved or underserved areas. At a minimum, it allows an analysis of what percentage of the population and land area of South Dakota are within reasonable proximity of existing Western Wireless towers.

I think it is a real stretch to say that I have a fundamental misunderstanding of how wireless technology works.

Q: Does Mr. Blundell present a propagation analysis of Western Wireless' network?

A: Yes, although I find it not particularly useful, Mr. Blundell does present a propagation analysis on Exhibit JHB-1. I have several concerns with Mr. Blundell's exhibit.

1. With a few exceptions, it shows signal coverage virtually throughout the entire state. This is due, no doubt, to Western Wireless' belief that an area can be considered to be "covered" even if it requires high-power equipment and/or an external antenna to receive a wireless signal. From my conversations with people that live and work in South Dakota, and from my reading of numerous South Dakota newspaper articles on wireless service, I doubt that many South Dakotans would agree with Mr. Blundell's depiction of the Western Wireless coverage area.
2. The manner is which the map is cross-hatched to indicate the RLEC serving each particular wire center makes it difficult to clearly see the coverage area. Nonetheless, it would appear that in parts of the West River, Golden West and Vivian study areas that

there are significant areas that lack "signal coverage" even given Mr. Blundell's liberal assumptions.

3. The wire center boundaries shown on Mr. Blundell's map appear to be inaccurate. On Exhibit GHB-3 to my direct testimony I provided a map showing the actual wire center boundaries. I believe that Mr. Blundell has used boundary information from a data vendor that in many cases is significantly off in terms of the actual wire center boundary. This can cause problems in analyzing Western Wireless' coverage area, and would also create problems and inaccuracies when Western Wireless reports line count data to USAC. Later in my testimony I will provide maps illustrating these inaccuracies.

Q: Have you been able to produce a propagation analysis that provides a more realistic picture of Western Wireless' coverage in South Dakota?

A: Yes. Exhibit GHB-8 is a map that was constructed using publicly available data from the FCC's ULS data base. From this data base I am able to obtain information regarding:

- Tower location (latitude and longitude)
- Antenna Height
- Effective Radiated Power

I have also used topographic data obtained from the US Geological Survey. I have had an opportunity to compare this information with some of the actual data provided by Western Wireless under a protective agreement in response to discovery request, and I can say that it offers a reasonable approximation of the Western Wireless network that allows me to illustrate why many new towers will need to be added to provide urban-quality signal coverage throughout the requested service areas.

Q: Could you please describe what is shown on Exhibit GHB-8?

A: The area shown in gray represents the outer limits of signal coverage using high power customer premises equipment. I have computed this level at -100 dBm, which is listed as the minimal operating signal strength in the Technical Manual for the wireless local loop unit described on page 13 of Mr. Blundell's direct testimony. The area shown in gold represents a reasonable approximation of the area where a customer would experience a more "urban quality" of service, with a reasonable probability of good "5-bars"signal quality, and a relatively low incidence of dropped calls. I computed this level at -75 dBm, although there is no fixed standard for what constitutes "urban quality" service. If a higher signal quality were desired, the coverage area would get smaller, if a lower quality were acceptable, the coverage area would get larger. The quality of service that a customer would experience is also affected by a number of environmental factors such as where the phone is located (pocket, purse, car, building, etc.), as well as natural obstacles such as foliage and terrain, man-made obstacles such as buildings, and channel loading on the wireless system. I have also shown on the map the boundaries of the wire centers of each of the study areas for which Western Wireless has requested ETC status in this proceeding.

Q: What conclusions do you draw from this propagation analysis?

A: It would appear that there are many wire centers where significant areas do not have signal coverage even at the -100 dBm level, and an even larger number of wire centers that have significant areas where there is no coverage at the -75 dBm level or better. It would appear that a large number of additional towers would be needed to provide urban quality signal coverage throughout these study areas. As I have mentioned previously, neither Mr. Blundell nor Mr. Wood provide any detailed build-out plans to serve throughout the service area as required by the Virginia Cellular order.

Q: You mentioned that the wire center boundaries used on Exhibit JHB-1 are inaccurate. Why is this, and can you provide some examples of the type of errors that exist.

A: It would appear that Mr. Blundell obtained this boundary information from a company named MapInfo. I am familiar with the MapInfo data base, which is assembled from publicly available data. It is my understanding that among the ways in which this data base was compiled was to correlate telephone numbers (which indicate the serving wire center) with mailing addressed (which can indicate a particular geographic location). In cities, towns and other more densely populated areas where a street address can be associated with a specific geographic location, the boundary information is quite good. In many rural areas where addresses are expressed as Post Office Boxes or Rural Routes, however, the ability to accurately identify specific customer locations and boundaries is much less precise.

Exhibits GHB-9 and GHB-10 show two examples of MapInfo wire center boundaries compared to actual wire center boundaries. On both Exhibits, the actual wire center boundary is shown and labeled in black, and the MapInfo boundary is shown and labeled in red. Exhibit GHB-9 shows the Custer wire center of the Vivian Telephone Company, while GHB-10 shows several wire centers in the Golden West service area.

As can be seen on these Exhibits, the differences between the MapInfo and actual boundaries are significant, and could lead to inaccurate conclusions regarding coverage areas and the amount of support that an ETC serving these areas would be eligible for. The actual boundary locations are on file and publicly available at the SDPUC. In light of the many millions of dollars of annual support that Western Wireless is requesting, and the fact that these boundaries will form the basis for their reporting to USAC, I am somewhat surprised that

Western Wireless has not invested the modest amount of time and effort that would be required to geocode the actual wire center boundaries into their analysis process.

Q: Both Mr. Blundell and Mr. Wood are very critical of your reference to a statement attributed to Western Wireless' CEO John Stanton that large amounts of newly found USF support were "almost all margin". What is your response to their statements?

A: I have two responses to their statements. The first has to do with the term "margin". Mr. Blundell claims at page 26, line 24that I have erroneously equated "margin" with "profit". Mr. Wood claims at page 26, line 19 that I "either managed to receive an MBA without gaining an understanding of basic finance or [I am] willing to knowingly make misleading statements to this Commission." Both of them are incorrect. Webster's New Collegiate Dictionary defines margin as "The difference that exists between net sales and the cost of merchandise sold and from which expenses are usually met or profit derived." The accounting text that I used in my MBA studies contains the following definition "The difference between sales revenue and its related variable cost is usually called marginal income."[16]

Q: What is the second issue?

A: To fully understand the reason that I characterized Mr. Stanton's statement the way that I did it is also helpful to understand the manner in which Western Wireless was able to generate the significant increase in universal service revenue that caught the attention of the Smith Barney Analysts. Prior to November of 2002, Western Wireless had applied in many states, including South Dakota, for ETC status for a fixed wireless product. I personally think that this was an interesting idea, because Western Wireless would only be receiving high-cost support for serving the remote high-cost customers that they actually served using the higher-power unit, and would avoid the "cash cow" scenario that I described earlier from receiving high-cost support for

[16] *Managerial Accounting*, Rossell & Frasure, Copyright 1964, Charles E. Merrill Books, Inc. at page 463.

serving low-cost customers. On November 21, 2002, however Western Wireless had a series of ex-parte meetings with various individuals at the FCC to discuss universal service issues. The letter that was filed to document this meeting concludes with the following statement:

> Western Wireless also discussed the company's business activities and challenges relating to competitive eligible telecommunications carriers' provision of universal service, including its own plans to expand its provision of federally supported universal service, and to bring customers in high-cost and rural areas the benefits of wireless-wireline competition using the full range of evolving wireless technologies. [Footnote] In this regard, and for purposes of updating the record in connection with two eligible telecommunications carrier decisions issued in this docket, Western Wireless intends to apply the federal universal service that it receives to the full range of its offerings that satisfy the eligible telecommunications carrier criteria, including rate plans provided to customers using conventional cellular handsets, as well as the "Wireless Residential Service" rate plan provided to customers using special terminal equipment.[17]

In essence, Western Wireless unilaterally declared itself eligible for high-cost support for all of its wireless services, even in cases where its initial application and the subsequent commission approval had only provided ETC status for the fixed wireless product. As a result of this unilateral declaration, Western Wireless' universal service fund receipts soared. In the fourth quarter of 2002, Western Wireless' reported 4,504 USF lines nationwide and received annualized federal universal service support of $1.3 million. One quarter later, the first quarter 2003 USAC reports show Western Wireless reporting 176,675 lines nationally, and receiving $33.1 million of annualized federal universal service support. (In South Dakota Western Wireless' reported line count went from 1,440, to 30,108, and annualized support increased from $508 thousand to $5.9 million.) It is this windfall of support, and Western Wireless' statements about it, that resulted in the Smith Barney report that I quote in my testimony.

But the story doesn't stop here. If Western Wireless had taken this new found good fortune and invested it in constructing towers and other facilities to expand the quality of its

[17] Letter from David L. Sieradzki, Counsel for Western Wireless Corp. to Marlene H. Dortch, Secretary, Federal Communications Commission, November 21, 2002.

signal coverage in rural areas, I might be more inclined to consider Mr. Wood's view that the funds resulted in incremental investment to serve rural customers. However the facts speak otherwise. I have examined Western Wireless' tower additions in South Dakota and other western states from November of 2002 to the present and found the same pattern – virtually no construction of new tower facilities in remote rural areas. It would thus appear that this new "incremental revenue" came with at no "incremental cost", and thus has been observed to be "almost all margin.".

Q: Mr. Wood is quite critical about your analysis of the relationship between the cost of a telecommunications network and subscriber density. Would you care to comment on this?

A: Mr. Wood devotes 18 pages of his rebuttal testimony (pages 46 – 63) discussing a concept that I think we both agree on – that costs go up as density decreases. The only real question is how much. Mr. Wood criticizes my analysis on three fundamental points:

1. That I have somehow misled the Commission by ignoring the effect of the clustering and/or dispersion of customers on the cost of a telecommunications network,
2. That I have misused the cost models by assuming that plant is engineered at the study area level, and
3. That the cost model that I have used to conduct my analysis, BCPM 3.0, is somehow flawed in a way that overstates costs in rural areas.

All three of these observations are wrong.

Q: Could you address the issue of clustering?

A: Exhibit GHB-7 to my direct testimony provides statistics on housing density by company area. The exhibit does show the *average* density for the study area, which is a fairly common

statistic. What Mr. Wood fails to recognize, however, is that this Exhibit also shows the percentage of households within each study area that are in the two lowest density zones – 0 to 5, and 5 to 100 households per square mile – as well as the percentage of households that are in density zones of greater than 100 households per square mile. As shown on Chart I on page 27 of my direct testimony, these two lowest density zones have significantly higher costs that density zones of over 100 households per square mile. On Exhiibit GHB-7 I provide the percentage of households in these zones for each company as well as South Dakota and USA averages for both rural and non-rural companies. The higher the percentage in the over 100 zone, the more clustering there is. The higher the percentage in the 5 to 100 and, more importantly, the under 5 household per square mile zone, the more dispersed the customers are, and the higher the cost will be. As can be clearly seen, these companies have dispersed customer bases both by rural South Dakota and by national standards. Thus, contrary to Mr. Woods assertions, clustering is an important part of my analysis.

Q: What about the use of the models?

A: Mr. Wood states on page 55 that that I somehow "assume that all telephone plant is engineered at the level of the wire center." This is not true, and I fail to see its relevance to the issues in this case. The data on chart I shows the cost, averaged across all South Dakota telephone companies for each of the nine density zones defined by the FCC. In computing these costs, the model looked at the actual customer locations, and computed the costs based upon those locations and the network design parameters built into the model.

Q: Mr. Wood claims that the BCPM systematically overstates costs in rural areas. Is this the case?

A: I do not believe this to be the case. For comparison purposes I have shown on Exhibit GHB-11 the two cost proxy models that emerged from the FCC proceedings in the late 1990s. The BCPM was developed by a consortium of RBOCs. The HAI model was developed by AT&T and MCI. In my 30 years in this business I have never known AT&T or MCI to ever systematically overstate the costs of a regulated telephone company. What is interesting from this Exhibit is that the HAI model shows that the cost in the most rural density zone is even higher than the results produced by the BCPM. Thus I believe that Mr. Wood's statements about the model are wrong.

Q: Mr. Wood states on pages 39 – 41 that you claim that "because Western Wireless is already providing service in the rural ILEC areas in question" that ETC status should be denied, and then on pages 41 – 44 that you claim ETC status should be denied "because WWC is not providing service in the rural ILEC areas in question." Could you explain the difference?

A: Mr. Wood has confused several important concepts here. The Virginia Cellular order clearly states that the public interest test must include a reasonable balancing of benefits and costs. In its application, direct testimony and rebuttal testimony Western Wireless relies heavily on the public interest benefits of competition. If Western Wireless were not competing in these markets, and if the grant of ETC status would cause them to decide to enter, then the benefits this competition might bring would be a valid factor in the cost/benefit equation. However Western Wireless is already in these markets and competing. As shown on Exhibit GHB-1, USAC reports indicate that Western Wireless serves 22,185 "lines" in the seven rural study areas for which it is requesting ETC designation. The real question in this proceeding is what *incremental* competition would the grant of ETC status bring in return for the new public costs that it would

create. If the results of what Western Wireless has done (or more realistically not done) with the universal service support it has received since its initial ETC grant in 2001 are any guide, it would appear that there would be very little competitive impact. Thus the cost/benefit test would tilt towards the cost side, and ETC status should be denied.

I have also demonstrated that there are significant portions of the requested service areas where Western Wireless' signal coverage is far below urban standards. The Virginia Cellular order clearly states that an ETC applicant must present build-out plans that indicate how it proposes to serve throughout the service territory. Western Wireless has presented no such plans, and claims that it currently serves throughout the service territory. Indeed, Mr. Blundell testifies "our ability to meet the obligation of an ETC in these areas is beyond question"[18], even if doing so requires customers to purchase high-powered equipment and roof-mounted antennas. The amount of territory that remains to be covered, and Western Wireless' refusal to commit to specific build-out plans to provide quality signal coverage throughout the service territories for which it seeks ETC designation, clearly falls short of the standards articulated in the Virginia Cellular order, which would also suggest denial of the ETC application.

Q: On page 40 of his testimony, Mr. Wood claims that the South Dakota Rural LECs expanded their facilities over time "while receiving implicit or explicit universal service support." Is this true?

A: No, and this brings up an important point regarding the current universal service portability regime. As the Rural LECs built out their networks they only received support *after* they had made the investment to serve the high-cost rural territory. (Actually, due to the mechanics of the USF process they did not begin receiving the high-cost support until two years after the investment was made.) Because competitive ETCs receive the same "per-line" support

[18] Blundell testimony at page 5, line 19.

as rural ILECs, they receive "high-cost" support *as if* they were providing high-quality signal coverage throughout the entire service area even if they serve no farther than their original low-cost network in cities and along major highways. Indeed, as I mentioned on page 48 of my direct testimony, the current system contains negative incentives – if a carrier can get the high cost support without having to make the high-cost investment, then there is little incentive to build into these areas. It is precisely for this reason that the FCC Virginia Cellular guidelines require that prospective ETC applicants make specific and enforceable commitments to build to deliver high quality signal coverage throughout the service area as a pre-condition for ETC status. Otherwise we are likely to witness a repeat of the current situation, where Western Wireless is receiving high-cost support at an annual run-rate of approximately $20 million, with rural South Dakota consumers having little or nothing to show for it.

Q: Could you summarize your conclusions?

A: The Commission faces a very different situation than it did in its earlier Western Wireless ETC decision in 2001. The Joint Board has made it abundantly clear that it will no longer be possible to expect all prospective ETCs to receive high-cost support for all of their lines, as had been the case when the Commission made its initial decision. The Commission must assure that whatever federal high-cost support is available to ETCs in the state of South Dakota is used for the optimal benefit of South Dakota consumers, including the ability for at least one carrier to have the financial resources to serve as carrier of last resort and be able to invest to bring access to broadband services to rural areas of South Dakota. The Commission should also look critically at how Western Wireless has used the universal service funding that it has received to date. Above all, the Commission should recognize that the Virginia Cellular guidelines place the burden of proof on the ETC applicant to prove that their application is in the public interest.

This must be a fact-specific exercise, and must include detailed and enforceable build-out plans to provide quality service throughout the entire service area. Western Wireless has failed to meet this burden of proof, and unless and until they do so, their request for ETC status should be denied.

Q: Does this conclude your testimony at this time?

A: Yes.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUITH DAKOTA

In the Matter of the Filing by WWC Holding Co., Inc, d/b/a Cellular One® for Designation as An Eligible Telecommunications Carrier in Other Rural Areas	)))))	Docket No.TC03-191

EXHIBITS FOR THE SURREBUTTAL TESTIMONY OF

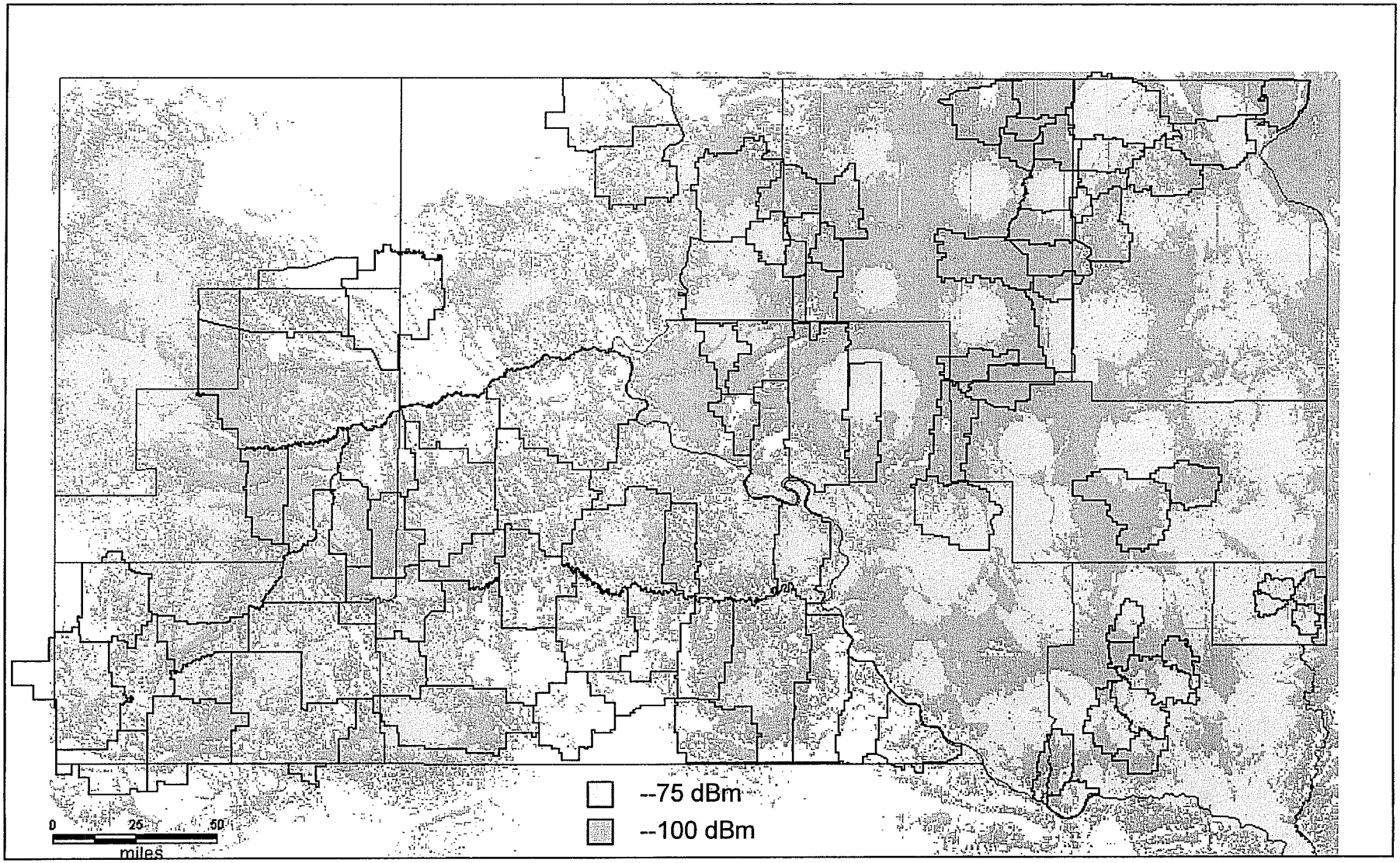
GLENN H. BROWN

ON BEHALF OF

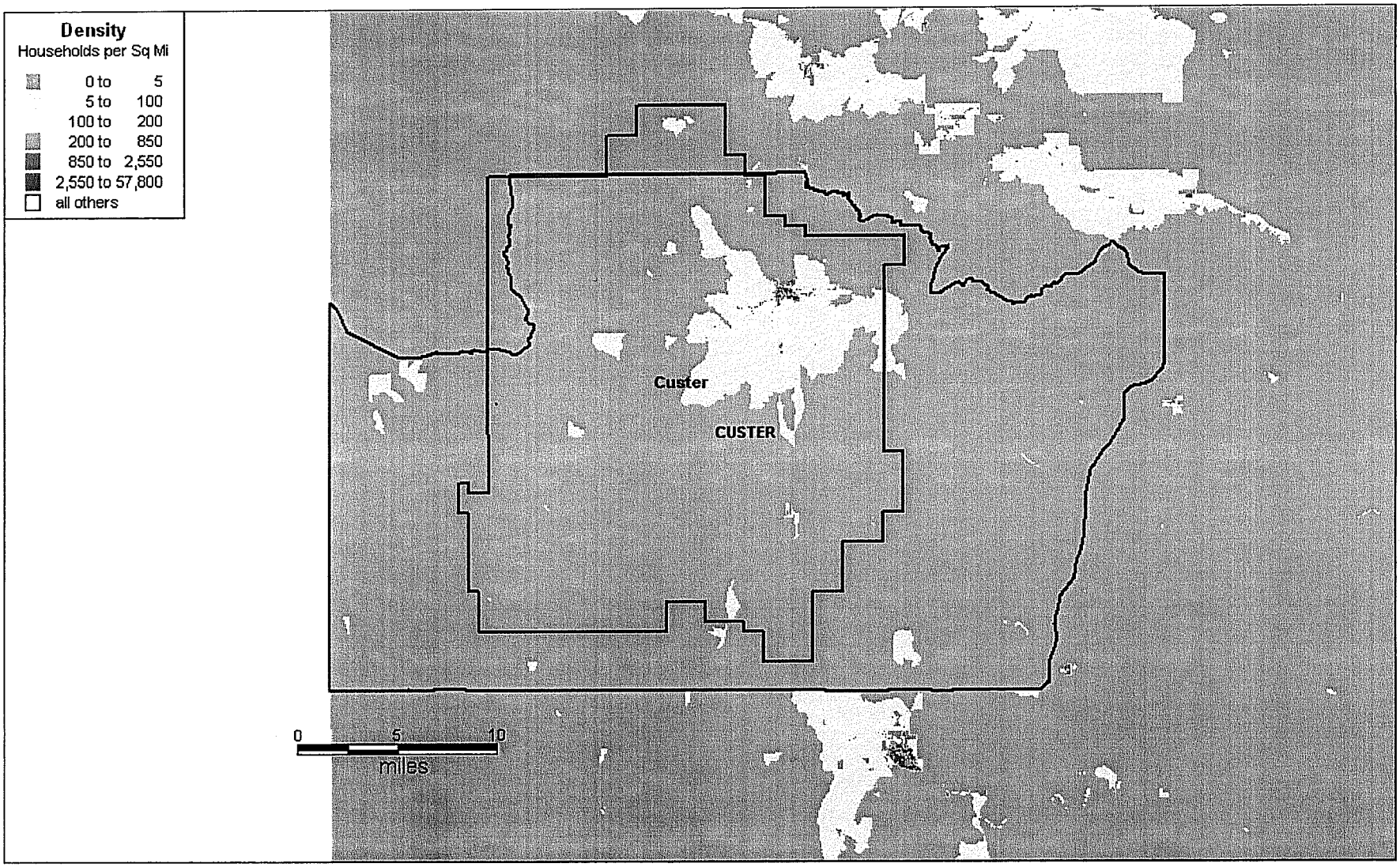
SOUTH DAKOTA TELEPHONE ASSOCIATION

April 16, 2004

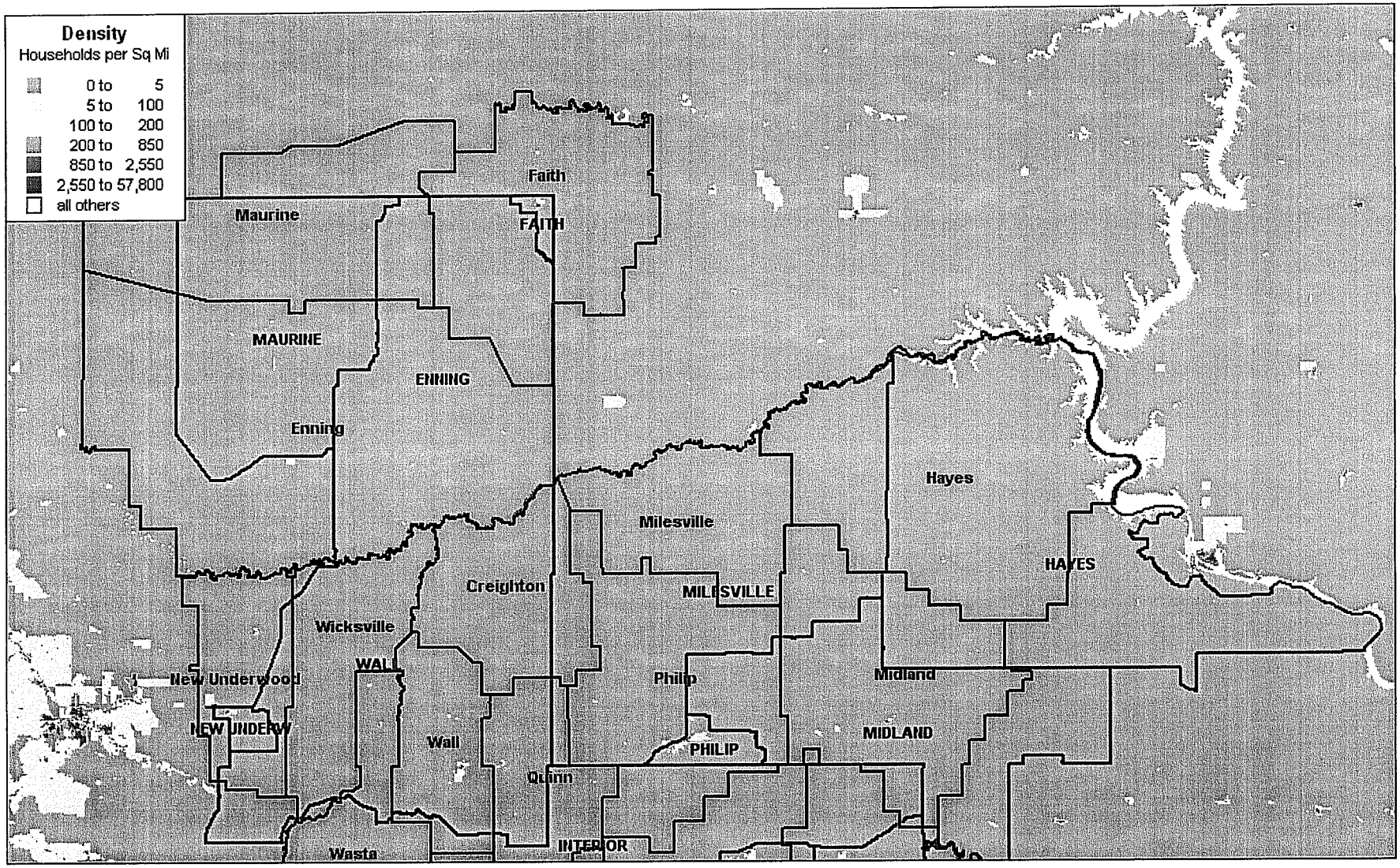
Docket No. TC-191
Exhibit GHB-8



Docket No. TC-191
Exhibit GHB-9



Docket No. TC-191
Exhibit GHB-10



Households per Square Mile	BCPM 3.0	HAI 5.0a
0 to 5	$152.63	$205.41
5 to 100	$50.02	$49.90
100 to 200	$32.25	$30.75
200 to 650	$27.12	$19.80
650 to 850	$25.72	$14.15
850 to 2550	$24.25	$17.29
2550 to 5000	$22.89	$14.44
5000 to 10,000	$21.29	$11.37
> 10,000	$18.79	$9.23

BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF SOUTH DAKOTA

RECEIVED
MAR 16 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

In the Matter of the Filing by	)	
WWC Holding Co., Inc, d/b/a	)	
Cellular One® for Designation as	)	Docket No.TC03-191
An Eligible Telecommunications	)	
Carrier in Other Rural Areas	)	

DIRECT TESTIMONY OF

SUE VANICEK

March 15, 2004

EXHIBIT
Int. 3

DIRECT TESTIMONY OF SUE VANICEK

IDENTIFICATION OF WITNESS, FACTUAL BACKGROUND, AND PURPOSE OF TESTIMONY

Q: Please state your name and business address.

A: My name is Sue Vanicek, and my business address is 233 South 13th Street, Suite 1225, Lincoln, NE 68508.

Q. What is your current position?

A. I am a Senior Consultant at TELEC Consulting Resources, which assists local exchange telephone companies in regulatory analysis and representation, as well as evaluation of financial and operational decisions.

Q. What are your duties and responsibilities at TELEC Consulting Resources?

A. I monitor and analyze state and federal regulatory proposals that could affect our clients' operations, and advise them of potential impacts. I work with our clients to develop responses to regulatory proposals, including comments and testimony. The most common issues I work with are universal service and a host of regulations that have resulted as the Telecommunications Act of 1996 has been implemented.

Q. What was your experience prior to your current position?

A. For 14 years I was employed by Lincoln Telephone/Aliant Communications. I held a variety of positions specializing in regulatory and legislative analysis and strategic planning. My most recent position at Aliant Communications was Economic Costs and Analysis Manager. In that position I was responsible for managing the development of cost information, both forward-looking and

historical, and for analyzing and developing responses to state and federal regulatory proposals on issues such as universal service.

Q. What is your educational background?

A. I have a Master of Arts degree in Economics and a Bachelor of Science degree in Business Administration, both from the University of Nebraska-Lincoln.

Q: On whose behalf are you presenting testimony?

A: I am presenting testimony on behalf of the South Dakota Telephone Association and its member companies affected by this Application -- Golden West Telephone Cooperative, Inc., James Valley Cooperative Telephone Company, Splitrock Properties, Inc., Sully Buttes Telephone Cooperative, Inc., Tri-County Telecom, Inc., Vivian Telephone Company, and West River Telecommunications Coop. Collectively I will be referring to these companies as the South Dakota Rural incumbent local exchange carriers ("ILECs").

Q: What are the purposes of your testimony?

A: The purposes of my testimony are:

1. To discuss the public interest test, which under the Telecommunications Act of 1996 (the "Act") the South Dakota Public Utilities Commission ("Commission") must consider when deciding whether or not to grant Eligible Telecommunications Carrier ("ETC") status to a carrier requesting such status in an area served by a rural telephone company.

2. To describe clarifications recently issued by the Federal Communications Commission ("FCC")[1] and the Federal-State Joint Board on Universal Service ("Joint Board")[2] on elements that should be considered as part of the public interest test.

3. To explain how the Commission conducted the public interest test in a previous proceeding in which WWC Holding Co., Inc, d/b/a Cellular One® ("Western Wireless") was seeking ETC status in South Dakota, and why the clarifications on the public interest test issued by the FCC and the Joint Board indicate that a more rigorous, fact-based inquiry examining whether designating Western Wireless as an ETC is in the public interest is necessary in this proceeding.

4. To examine factors that have been recommended for study in public interest determinations, including the amount of universal service support received per line, the possible impact of proposals by the Joint Board to limit federal universal service support to a single "primary line" for each household and business, and the affordability of the universal service offerings proposed by Western Wireless, in order to determine whether the designation of Western Wireless as an ETC for the rural study areas in South Dakota is in the public interest.

Q. Please summarize the conclusions of your testimony.

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[1] *See Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Virginia Cellular, LLC Petition for Designation as an Eligible Telecommunications Carrier in the Commonwealth of Virginia, Memorandum Opinion and Order, FCC 03-338 (*"Virginia Cellular Order"*) (rel. Jan. 22, 2004).

[2] *See Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Recommended Decision, FCC 04J-1 (*"Recommended Decision"*) (rel. Feb. 27, 2004).

A. The conclusions of my testimony are:

1. The FCC and the Joint Board have recently indicated that a rigorous, fact-based examination should be made in determining whether the granting of ETC designation in areas served by rural companies is in the public interest. Therefore, a more detailed examination of whether it is in the public interest to grant ETC designation to Western Wireless for areas served by the South Dakota Rural ILECs should be performed than was undertaken for Western Wireless' first application for ETC designation in South Dakota.

2. The per-line universal service support amounts received by the South Dakota Rural ILECs are relatively high, indicating that the areas served by these companies are among the most costly areas to serve in the nation. The Joint Board indicated that the level of per-line support provided to an area should be considered in determining the public interest, because if the level of support is high enough, designating multiple ETCs in such areas could impose strains on the universal service fund.

3. The Joint Board has recommended that the FCC limit universal service support to a single connection per household or business. If consumers receive service from more than one carrier, the consumer would then be required to declare only one carrier as his "primary" carrier, and that carrier would receive support for one line to serve that consumer. This method of distributing universal service support could greatly reduce the amount of support paid to the South Dakota Rural ILECs if Western

Wireless were granted ETC designation for the areas served by such companies and the Joint Board recommendation was adopted by the FCC. It could also dilute the amount of support available to each ETC to the point that each carrier's ability to provide universal service might be jeopardized.

4. One of the universal service principles requires that services be offered at affordable rates. It appears that many of Western Wireless' offerings for which it is currently receiving support in South Dakota (for areas other than those served by the South Dakota Rural ILECs) are priced above the national average rate for basic local exchange service, with rates for service ranging to $110.00 per month. The Joint Board has indicated that it is appropriate to consider universal service principles in determining the public interest. Therefore, the affordability of Western Wireless' rates for its universal service offerings, as well as the impact that the designation of Western Wireless as an ETC would have on the ability of the South Dakota Rural ILECs to offer affordable service, should be considered in determining whether it is in the public interest to grant Western Wireless ETC designation.

5. Based upon the combination of high per-line universal service support amounts, the greater potential for harm to rural ILECs and their customers if a CETC is designated within their service areas due to the "primary" carrier support methodology recommended by the Joint Board, and questions regarding affordability of some of Western Wireless' universal

service offerings, I do not believe it is in the public interest to grant Western Wireless ETC designation for areas served by the South Dakota Rural ILECs.

THE PUBLIC INTEREST TEST

Q. Please cite the public interest test contained in the Act.

A. Section 214(e)(2) of the Act states that consistent with the public interest, convenience, and necessity, a state commission *may*, in the case of a rural telephone company, designate more than one common carrier as an ETC. This section further states that "[b]efore designating an additional eligible telecommunications carrier for an area served by a rural telephone company, the State commission shall find that the designation is in the public interest."

Q. Does the South Dakota have a similar provision in its rules?

A. Yes. Rule 20:10:32:42 states that "[t]he commission may not, in an area served by a rural telephone company, designate more than one eligible telecommunications carrier absent a finding that the additional designation is in the public interest."

Q. How have public interest tests been conducted in the past?

A. Because the Act only states that the public interest must be considered in deciding whether to grant ETC status to more than one carrier in an area served by a rural telephone company, many state commissions and the FCC have used different standards to determine the public interest.

CLARIFICATIONS REGARDING THE PUBLIC INTEREST TEST

Q. Has there been any guidance issued at the federal level to clarify how public interest tests should be conducted?

A. Yes. The primary sources of guidance, both of which have been recently issued, are the *Virginia Cellular Order*, which is an order granting ETC status to a wireless carrier issued by the FCC, and the Joint Board *Recommended Decision*, which addresses issues referred to the Joint Board by the FCC, including the ETC designation process.

Q. What guidance regarding the public interest test is contained in the *Virginia Cellular Order*?

A. When the *Virginia Cellular Order* was issued, the FCC noted that it was awaiting a recommended decision from the Joint Board regarding the ETC designation process.[3] While the FCC was awaiting the recommended decision, it acknowledged the need for a more stringent public interest analysis for ETC designations in rural telephone company service areas.[4] The FCC concluded that the value of increased competition, by itself, is not sufficient to satisfy the public interest test in rural areas.[5] Instead, the FCC decided to weigh numerous factors, including:

- The benefits of increased competitive choice,
- The impact of multiple designations on the universal service fund,

[3] *See Virginia Cellular Order* at para. 4.

[4] Ibid.

[5] Ibid.

- The unique advantages and disadvantages of the competitor's service offering,
- Any commitment made regarding quality of service by the competing provider, and
- The competitive ETC's ("CETC") ability to provide the supported services throughout the designated service area within a reasonable time frame.[6]

The FCC also indicated that the framework it applied in the *Virginia Cellular Order* would be applied to all ETC designations for rural areas upon which it was petitioned to rule, pending further action.[7]

Q. What guidance regarding the ETC designation process is contained in the Joint Board Recommended Decision?

A. The Joint Board recommended permissive federal guidelines, which it believes state commissions should apply to ETC proceedings.[8] The Joint Board noted that it believed that federal guidelines are consistent with the United States Court of Appeals for the Fifth Circuit holding that nothing in section 214(e) of the Act prohibits the states from imposing their own eligibility requirements beyond the statutory requirements described in Section 214(e)(1) of the Act.[9] Thus, even if the FCC were to adopt guidelines for ETC designations, the states would continue to have the flexibility to impose additional eligibility requirements.[10]

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[6] Id. at para. 28.

[7] Id. at para. 4.

[8] *See Recommended Decision* at para. 14.

[9] Id. at para 10.

[10] Ibid.

Q. What guidance regarding the public interest test is contained in the Joint Board Recommended Decision?

A. The Joint Board indicated that the ETC designation process should be rigorous,[11] and that a specific, fact-intensive inquiry is the appropriate way to analyze the public interest when evaluating ETC applications for rural areas.[12] The Joint Board, similar to the FCC, indicated that citing generalized benefits of competition when evaluating ETC applications is not sufficient to satisfy the public interest test.[13] Furthermore, the Joint Board noted that Section 214(e)(2) of the Act indicated that in areas served by rural carriers, a state commission "may" grant designation to an additional ETC, and that the state must find it in the public interest to before it grants designation to an additional ETC. The Joint Board stated that "[t]hese two additional requirements demonstrate Congress's recognition that supporting competition might not always serve the public interest in areas served by rural carriers, and Congress' intent that state commissions exercise discretion in deciding whether the designation of an additional ETC serves the public interest."[14] The Joint Board also noted that the low customer densities and high per-customer cost characteristics of many rural carrier study areas also support a more rigorous standard of eligibility.[15]

[11] Id. at para. 9.

[12] Id. at para. 12.

[13] Ibid.

[14] Id. at para. 38.

[15] Ibid.

The Joint Board indicated that it is clear that the public interest must be analyzed in a manner that is consistent with the purposes and goals of the Act.[16] The Joint Board noted that several states base their findings on relevant universal service principles, including preserving and advancing universal service, ensuring the availability of quality telecommunications services at just, reasonable, and affordable rates, and promoting the deployment of advanced telecommunications and information services to all regions, including rural and high cost areas.[17] The Joint Board also stated that several state commissions have included various additional factors in analyzing the public interest, such as comparison of benefits to public cost, and considerations of material harm.[18] The FCC has also evaluated whether there would be harm to a rural ILEC and its consumers by undertaking an extensive cream skimming analysis.[19]

The Joint Board specifically indicated that one relevant factor in considering whether or not it is in the public interest to have additional ETCs designated may be the level of per-line support provided to an area.[20] If the FCC were to cap per-line support upon entry of a CETC and impose a primary line restriction, as I will elaborate upon later in my testimony, designating an excessive number of ETCs

[16] Id. at para. 39.

[17] Ibid.

[18] Id. at para. 40.

[19] Id. at para. 41.

[20] Id. at para. 43.

could dilute the amount of support available to each ETC to the point that each carrier's ability to provide universal service might be jeopardized.[21]

THE PUBLIC INTEREST TEST AS CONDUCTED IN A PRIOR WESTERN WIRELESS ETC DESIGNATION CASE BEFORE THE COMMISSION, AND THE NEED FOR A MORE RIGOROUS STANDARD

Q. Has Western Wireless sought ETC designation in South Dakota prior to this proceeding?

A. Yes, Western Wireless filed a request for designation as an ETC on August 25, 1998.

Q. Please provide a brief history of that proceeding.

A. On May 19, 1999, the Commission denied Western Wireless' application requesting designation as an ETC in South Dakota, because the Commission found that it was not currently offering the necessary services to support the granting of ETC designation.[22] Because the Commission made the finding that Western Wireless was not currently offering the services supported by the federal universal service support mechanism, the Commission did not address the issue of whether granting ETC status to Western Wireless in rural areas was in the public interest.[23] The Commission's Order was appealed to the Sixth Judicial Circuit Court of the South Dakota. The Sixth Circuit Judicial Court stated that "[b]ecause the Commission did not reach the issue of 'public interest in areas served by rural

[21] Ibid.

[22] *See The Filing by GCC License Corporation for Designation as an Eligible Telecommunications Carrier*, Findings of Fact and Conclusions of Law; Notice of Entry of Order TC98-146 (entered May 19, 1999) at para. 6.

[23] Id. at para. 9.

telephone companies,' this Court does not reach that issue on this appeal."[24] The Circuit Court remanded to the Commission for further proceedings the issue of whether the designation of Western Wireless as an additional ETC in areas served by rural telephone companies is in the public interest, and ordered the Commission to make such a determination based on the record.[25] The decision of the Sixth Judicial Circuit Court was then appealed to the South Dakota Supreme Court. The Supreme Court ordered that ". . . if based on record evidence the PUC finds that the public interest test has been satisfied in rural areas where GCC is seeking ETC status, then the PUC must award such designation in those areas."[26] Thus, the Commission was constrained to address the issue of whether it was in the public interest to designate Western Wireless as an ETC in rural areas in South Dakota in 2001 with evidence it had received in 1998.

Q. In determining whether it was in the public interest to grant ETC status to Western Wireless for selected rural ILEC service areas in 2001, what did the Commission consider regarding the possible impact on rural companies that such a designation would have?

A. The Commission examined the question of whether the rural areas that were the subject of the proceeding were capable of supporting competition. As stated by the Commission"[o]r, in other words, will the introduction of competition in rural

[24] *See In the Matter of the Filing by GCC License Corporation for Designation as an Eligible Telecommunications Carrier*, Sixth Judicial Circuit Court, Civ. 99-235 Findings of Fact, Conclusions of Law, and Order (dated March 22, 2000) para. 15.

[25] Id. at Order, Item number 2(b).

[26] *See In the Matter of the Filing by GCC License Corporation for Designation as an Eligible Telecommunications Carrier* 2001 SD 32 (Mar. 2001) at para. 26.

telephone company areas have detrimental effects on the provisioning of universal service by the incumbent carriers."[27]

Q. What was the Commission's conclusion regarding possible harm at that time?

A. Based on the information it had received in 1998, the Commission found that because the FCC had decided that federal universal service support would be paid to all lines served by ETCs in high-cost areas, if consumers subscribed to Western Wireless' service but retained their landline service from the incumbent carrier, the incumbent carrier would still receive the same amount of universal service support for that line.[28] Therefore, at that time, the Commission was unable to find that designating Western Wireless as an ETC would detrimentally affect the rural ILECs' ability to provide universal service to their customers.[29]

Q. Has the situation changed since that time?

A. Yes. Both the FCC and the Joint Board have indicated that they believe a more rigorous, fact-based analysis of public interest should be conducted to determine whether granting an additional ETC in rural areas is in the public interest.

Q. Can you offer any specific information as to why a more rigorous, fact-based analysis of the public interest should be performed in the current proceeding?

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[27] *See The Filing by GCC License Corporation for Designation as an Eligible Telecommunications Carrier*, Findings of Fact and Conclusions of Law; Notice of Entry of Order TC98-146 (entered Oct. 18, 2001) at para. 9.

[28] Id. at para. 16.

[29] Id. at para. 17.

A. Yes. As I mentioned previously, the Joint Board indicated that the low customer densities and high per-customer cost characteristics of many rural carrier study areas support a more rigorous standard of eligibility.[30] Appendix 1 of my testimony presents the customer densities of the rural company service areas for which Western Wireless has requested ETC designation in this proceeding. As shown, the customer densities for these areas are quite low. Also, as I will present later in my testimony, the universal service support amounts received by these rural ILECs are quite high, indicating that the areas served by these rural ILECs are high-cost areas. Thus, the data suggests that a rigorous, fact-based analysis of the public interest is warranted in this proceeding, as recommended by the Joint Board.

FACTORS AND DATA THAT SHOULD BE CONSIDERED IN DETERMINING WHETHER IT IS IN THE PUBLIC INTEREST TO DESIGNATE WESTERN WIRELESS AS AN ETC IN SOUTH DAKOTA IN THE CURRENT PROCEEDING

Per Line Support Amounts

Q. What amount of universal service support per-line is received by the South Dakota Rural ILECs that serve areas for which Western Wireless has requested ETC designation?

A. The universal service support per-line that the Universal Service Administrative Company ("USAC") has projected that the South Dakota Rural ILECs will receive on a per month basis in 2004 is presented in Appendix 2. As you can see, all the amounts exceed $20 per line per month, and one company, Tri-County

[30] *See Recommended Decision* at para. 38.

Telecom, Inc., receives universal service support of more than $30 per line per month.

Q. How do these support amounts compare to that received by other rural ILECs?

A. As cited by Mr. Brown in his testimony, of the total lines served by rural telephone companies, only 12.2 percent receive monthly universal service support of over $20, and only 5.9 percent receive support of over $30. Also as indicated by Mr. Brown, when compared to all lines nationally, served by both rural and non-rural companies, only 1.8 percent of the lines are in study areas that receive over $20 per line per month of universal service support, and only 0.8 percent of the lines are in study areas that receive over $30 per line per month. Thus, the South Dakota Rural ILECs' support amounts indicate that the areas they serve are high-cost, even when compared to other areas that receive high-cost support throughout the nation.

Q. Has the Joint Board indicated that the amount of high-cost support being received in an area should be considered in a public interest analysis?

A. Yes. The Joint Board stated that:

> Thus, one relevant factor in considering whether or not it is in the public interest to have additional ETCs designated in any area may be the level of per-line support provided to the area. If the per-line support level is high enough, the state may be justified in limiting the number of ETCs in that study area, because funding multiple ETCs in such areas could impose strains on the universal service fund.[31]

Furthermore, the Joint Board indicated that if the Commission were to cap per-line support upon entry of a competitive ETC and impose a primary-connection

[31] Id. at para. 43.

restriction, which is the next topic that I will discuss, the designation of an excessive number of ETCs could dilute the amount of support available to each ETC such that each carrier's ability to provide universal service might be jeopardized.[32]

Growth in Universal Service Support Needs, and the Resulting Joint Board Recommendation to Limit Support

Q. What is the situation regarding the growth in federal universal service support as observed by the FCC?

A. In the *Virginia Cellular Order*, the Commission indicated that it is increasingly concerned about the impact on the universal service fund due to the rapid growth in high-cost support distributed to CETCs.[33] The Commission noted that the amount of high-cost support distributed to CETCs is growing at a dramatic pace.[34] For example, in the first quarter of 2001, three CETCs received approximately $2 million or 0.4 percent of high-cost support. In the fourth quarter of 2003, 112 CETCs are projected to receive approximately $32 million or 3.7 percent of high-cost support.[35] This growth has raised concerns about the long-term sustainability of universal service high-cost support.[36]

[32] Ibid.

[33] *See Virginia Cellular Order* at para. 31.

[34] Ibid.

[35] Ibid.

[36] Ibid.

Q. Has the Joint Board indicated similar concerns about the growth of high-cost support and the long-term sustainability of universal service high-cost support?

A. Yes. The Joint Board stated that the total amount of support received by competitive ETCs has increased substantially over the past few years.[37] The Joint Board noted that much of this growth represented supported wireless connections that supplement, rather than replace, wireline service.[38] The Joint Board stated its belief that further growth due to supporting multiple connections represents a significant threat to fund sustainability.[39]

Q. How has the Joint Board recommended that the scope of support be limited to address its concerns regarding fund sustainability?

A. The Joint Board has recommended to the FCC that the scope of high-cost support be limited to a single connection that provides access to the public telephone network, often referred to as a "primary line."[40]

Q. Are there any other measures that the Joint Board has recommended to reduce the growth in high-cost support?

A. Yes. In addition to limiting support to a single connection, the Joint Board has also recommended to the FCC that high-cost support in areas served by rural

[37] *See Recommended Decision* at para. 68.

[38] Id. at para. 67.

[39] Id. at para. 68.

[40] Id. at para. 56.

carriers should be capped on a per-line basis when a competitive carrier is designated as an ETC and be adjusted annually by an index factor.[41]

Q. How would the proposal to limit high-cost support to a single connection be implemented?

A. One method that has been suggested is to restate total current support paid to a rural carrier in terms of primary lines.[42] In areas in which there is more than one ETC, consumers would be allowed to designate any ETC as their primary connection.[43] ETCs would receive support based on the number of primary lines that they serve as designated by consumers.

Q. How would the proposal to cap high-cost support when a competitive carrier is designated as an ETC be implemented?

A. When a CETC is designated in an area served by a rural carrier, the amount of high-cost support (including high-cost loop support, local switching support, long term support, and interstate common line support) would be capped on a per-primary line basis.[44] Thereafter, per-primary line support would be adjusted annually based on an index factor, instead of on changes in the rural carrier's embedded costs.[45]

Q. What effect would these proposals have on rural carriers and their customers when a CETC is designated in their service area?

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[41] Ibid.

[42] Id. at para. 73.

[43] Id. at para. 71.

[44] Id. at para. 77.

[45] Ibid.

A. First, as I just indicated, the amount of support on a per-primary line basis would be capped. After that point in time, any investments that the rural carrier would make that increase its embedded costs would not be recoverable through increases in universal service support. Therefore, the designation of a CETC in rural carrier service areas, along with implementation of the Joint Board's recommendation, would serve as a disincentive for rural carriers to maintain and upgrade their networks. The disincentive to invest would be further magnified by the payment of support to primary lines only, as designated by the customer. To the extent that a rural carrier would lose primary lines to a CETC, the rural carrier would also lose support for those lines. The disincentive to maintain and upgrade networks by rural carriers would in turn affect the customers of rural carriers, who could experience lower quality of service, and who would likely not receive reasonably comparable access to advanced telecommunications and information services at reasonably comparable rates, a universal service principle contained in the Act.[46]

Q. Have these detrimental effects been recognized by the Joint Board?

A. Yes. While the proposal to limit support to a primary line per household or business and to cap per-primary line support upon designation of a CETC in service areas was supported by the majority of the Joint Board, several members of the Joint Board indicated their concerns with this proposal. Commissioner Jonathan S. Adelstein of the FCC, G. Nanette Thompson of the Regulatory Commission of Alaska, and Bob Rowe of the Montana Public Service Commission disagreed with the recommendation to limit funding to primary

[46] *See* Section 254(b)(3).

lines.[47] They noted that this recommendation would discourage network investment in rural areas.[48] It would also distort rural markets in a way that would ultimately undermine the goal of universal service.[49] Universal service policies have supported the cost of *networks* in high-cost areas.[50] Because networks have substantial fixed costs, support for only a portion of the total subscriptions will likely result in insufficient support for carriers in the future.[51] Furthermore, if investments in rural networks are not made due to increased risk, providing access to an evolving level of services that includes access to advanced services is not likely to occur.[52]

Q. Are these impacts factors that can and should be considered in evaluating whether it is in the public interest to designate a CETC in a rural carrier's service area?

A. Yes. As I mentioned previously, the Joint Board has indicated that several state commissions currently consider factors such as considerations of material harm in analyzing the public interest.

Q. Have any members of the Joint Board specifically addressed the issue of whether potential harm to a rural ILEC and its customers should be considered in analyzing the public interest?

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[47] *See Recommended Decision* at p. 62.

[48] Ibid.

[49] Id. at pp. 62-63.

[50] Id. at p. 65.

[51] Ibid.

[52] Id. at p. 66.

A. Yes. Billy Jack Gregg, Director of the Consumer Advocate Division, Public Service Commission of West Virginia, indicated that like several of his colleagues on the Joint Board, he shares concerns about the impact of limiting support to primary lines on rural ILECs. However, Mr. Gregg indicated that:

> . . . under the Act, the proper place for these concerns is at the point when the decision is made whether to designate an additional ETC in an area served by a rural carrier. If a state or the Commission believes that a particular rural area or a particular rural carrier cannot stand the loss or dilution of current levels of support, then under Section 214(e)(2) of the Act, it should find that additional ETC's are not "in the public interest."[53]

Q. Could you estimate the amount of universal service support that could be lost by rural ILECs in South Dakota if Western Wireless is designated as an ETC and the FCC implements the Joint Board's primary line proposal?

A. It would be difficult to estimate, but at a minimum it seems likely that about one-fifth of the total universal service support received by rural ILECs in South Dakota could be lost. I base this estimate on studies presented by Western Wireless in a recent Joint Board proceeding. Under a section entitled "[t]he wireless phone has become the primary phone for many users" Western Wireless cited a study that indicated about 18 percent of cell phone users polled use cell phones as their primary phones.[54] The potential for lost universal service support should the Joint Board's primary line proposal be implemented appears to be much greater in the future. Western Wireless also quoted from a study that indicated that in five to 10 years "the vast majority of us are going to be using

[53] Id at p. 59.

[54] *See Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Comments of Western Wireless Corporation, (filed May 5, 2003) at Attachment B, p. 6.

wireless phones as our main phones."[55] Even in the near term, rural ILECs could lose an amount of support greater than twenty percent of their total universal service support if Western Wireless were to engage in promotional activities to convince subscribers to declare wireless service purchased from Western Wireless as their "primary" service.

Q. Based on the foregoing discussion, do you believe the possibility of harm to rural ILECs and their customers has changed since the Commission issued its 2001 decision granting Western Wireless ETC designation in selected rural service areas?

A. Yes. In 2001, the overall growth of high-cost universal service support funds was not a concern. In fact, the FCC declined to adopt the Rural Task Force's ("RTF") proposal to freeze high-cost loop support on a per-line basis in rural carrier study areas where a CETC initiates service, rather, it solicited further comment on the issue.[56] In soliciting comment on the proposal, the FCC indicated that ". . . we are not convinced of the likelihood of excessive fund growth due to competitive entry in high-cost areas during the life of this five-year plan. . . ."[57] After receiving comments and reply comments on the issue, the FCC did not adopt and implement the freeze. However, as I indicated previously in my testimony, the

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[55] Ibid.

[56] *See Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, CC Docket No. 00-256, *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Access Charge Reform for Incumbent Local Exchange Carriers Subject to Rate-of-Return Regulation*, CC Docket No. 98-77, and *Prescribing the Authorized Rate of Return for Interstate Services of Local Exchange Carriers*, CC Docket No. 98-166, Second Report and Order and Further Notice of Proposed Rulemaking in CC Docket No. 00-256, Fifteenth Report and Order in CC Docket No. 96-45, and Report and Order in CC Docket Nos. 98-77 and 98-166, FCC 01-304 (*"MAG Order"*) (rel. Nov. 8, 2001) at para. 209.

[57] Id. at para. 211.

FCC and Joint Board have both recognized and are concerned about the growth of high-cost universal service support. Furthermore, the Joint Board has recommended to the FCC a proposal that would likely reduce high-cost universal service support for rural ILECs when a CETC is designated in their service area. Therefore, the potential for harm to rural ILECs and their customers due to insufficient high-cost support if a CETC is designated within their service territory has increased significantly.

Affordability

Q. Has Western Wireless offered information concerning the rates for their universal service offerings?

A. In the testimony of Mr. James Blundell, he indicates that Western Wireless has not finalized pricing for its universal service offerings.[58] However, through the discovery process the South Dakota Rural ILECs received information concerning the pricing that Western Wireless offers for universal service in areas of South Dakota for which it had previously received designation. That information is presented in Appendix 3. Several of the plans are offered at rates of $30.00 per month or greater. The rate for one plan is $110.00 per month.

Q. Do you consider the rates for these plans to be affordable?

A. The level at which rates are considered to be affordable is an issue for the Commission to decide. However, I would note at a rate of $30.00 per month is above the national average rate for basic local exchange service in urban areas,

[58] *See The Filing by WWC Holding Co., Inc. d/b/a Cellular One® for Designation as an Eligible Telecommunications Carrier in Other Rural Areas*, Docket No. TC03-191, Direct Testimony of James H. Blundell on Behalf of WWC Holding Co., Inc., and WWC License LLC (filed Dec. 30, 2003) at p. 20, lines 22-23.

which is currently $23.38, including all state and federal taxes and surcharges.[59] The rate information presented by Western Wireless does not indicate whether the rates provided include any applicable taxes and surcharges, however, since the inclusion of taxes and surcharges is not indicated, I would assume that such charges are not included in the rates provided.

Q. If the universal service offerings include toll service, would that have any bearing on whether or not the rates for the offerings should be considered affordable?

A. No. The FCC has indicated that toll service is not a service that is supported by universal service support payments.[60] Therefore, to the extent that any of the offerings include payment for toll service, the offering includes services that are not to be supported by universal service support payments.

Q. Has the Joint Board recognized that affordability should be considered in analyzing the public interest?

A. Yes, as I mentioned previously, the Joint Board noted that several states base their public interest findings on relevant universal service principles, including ensuring the availability of quality telecommunications services at just, reasonable, and affordable rates. To ensure that this principle is being fulfilled, a state should analyze whether a service to which it is allowing universal service support to be provided is affordable. A state may wish to consider whether

[59] *See* Reference Book of Rates, Price Indices, and Household Expenditures for Telephone Service, Industry Analysis & Technology Division, Wireline Competition Bureau (rel. July 2003) at Table 1.1.

[60] *See Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, FCC 97-157 (rel. May 8, 1997) at para. 77.

designation of an additional ETC could have any implications for the offering of universal service at affordable rates. For example, as I just discussed, if the FCC were to adopt the recommendation of the Joint Board to limit universal service support to a single connection and there are multiple ETCs in a high-cost area, the amount of support available to each ETC may be diluted to the point that each carrier's ability to provide universal service at affordable rates would be jeopardized.

Conclusion

Q. Given the combination of high per-line universal service support amounts, the change in circumstances and the greater potential for harm to rural ILECs and their customers if a CETC is designated within their service areas, and questions regarding affordability of some of Western Wireless' universal service offerings, do you believe it is in the public interest to designate Western Wireless as an ETC in the rural service areas for which it has requested designation?

A. No, I do not.

Q. Does this conclude your testimony?

A. Yes, it does.

Appendix 1

Density Of Selected South Dakota Telephone Companies
Expressed As Access Lines Per Square Mile

Company	Lines Per Square Mile
Golden West	1.02
James Valley	1.90
Venture Communications Cooperative	1.95
Tri-County	3.40
Vivian	2.96
Qwest	18.16
Statewide Average	5.26

Source: Public Utilities Commission of South Dakota, A Report on Telecommunications Company Operations for the Year 2002 (rel. Nov. 2003), p. 17.

Appendix 2

Universal Service Fund ("USF") Support Received
Per Line By The South Dakota Rural ILECs

Company	USF Per Line
Golden West	$ 28.61
James Valley	$ 26.40
Venture Communications Cooperative	$ 27.81
Tri-County	$ 36.84
Vivian	$ 20.53

Source: Universal Service Administrative Company, Appendix HC01, Second Quarter 2004.

Appendix 3

Western Wireless Universal Service Offerings and
Rate Plans For South Dakota

EXHIBIT 12

UNIVERSAL SERVICE OFFERINGS AND ADVERTISEMENTS

SOUTH DAKOTA UNIVERSAL SERVICE RATE PLANS

PLAN ONE
Basic

$14.99 per month
Unlimited local calling

PLAN TWO

$1.00 Lifeline Plan

$1.00 per month
Toll Free calls within the state of South Dakota if calling within Home Coverage Area
Option of toll restriction at no charge to customer

PLAN THREE
Local 20

$20.00 per month
60 Anytime Minutes
$0.39 per minute
Toll Free calls within the state of South Dakota if calling within the Home Coverage Area

PLAN FOUR
Local 30

$30.00 per month
400 Anytime Minutes
$0.39 per minute
Toll Free calls to anywhere in the U.S. (including Alaska and Hawaii) if calling within the Home Coverage Area

PLAN FIVE
Local 40

$40.00 per month
800 Anytime Minutes
$0.39 per minute
Toll Free calls to anywhere in the U.S. (including Alaska and Hawaii) if calling within the Home Coverage Area

PLAN SIX
Local 75

$75.00 per month
1500 Anytime Minutes
$0.39 per minute
Toll Free calls to anywhere in the U.S. (including Alaska and Hawaii) if calling within the Home Coverage Area

PLAN SEVEN
Local 110

$110.00 per month
2300 Anytime Minutes
$0.39 per minute
Toll Free calls to anywhere in the U.S. (including Alaska and Hawaii) if calling within the Home Coverage Area

PLAN EIGHT
National Plan 75

$75.00 per month
900 Anytime Minutes
1750 Night Minutes
1750 Weekend Minutes
4400 Total Minutes
$0.39 per minute
Nationwide Toll Free

PLAN NINE
Western Plus 35

$35.00 per month
350 Anytime Minutes
$0.39 per minute
Nationwide Toll Free if calling from "Roam Free" and "Toll Free" home coverage areas

PLAN TEN
Western Plus 45

$45.00 per month
700 Anytime Minutes
$0.39 per minute
Nationwide Toll Free calling from "Roam Free" and "Toll Free" home coverage areas

PLAN ELEVEN
Western Plus 75

$75.00 per month
1200 Anytime Minutes
$0.39 per minute

Nationwide Toll Free calling from "Roam Free" and "Toll Free" home coverage areas

PLAN TWELVE
Western Plus Partner

$20.00 per month (allows sharing of respective Anytime Air Minutes included in Western Plus 35, Western Plus 45, and Western Plus 75 Plans).
Nationwide Toll Free calling from "Roam Free" and "Toll Free" home coverage areas

PLAN THIRTEEN
Lifeline Rate Plan (non-tribal)

$9.74
60 Anytime Minutes
Toll restriction available at no extra charge

PLAN FOURTEEN
Family Chat National Share

$20.00 per month (allows sharing of respective Anytime Minutes included in National Plan 35, National Plan 45, and National Plan 75)
Nationwide Toll Free calling

PLAN FIFTEEN
Family Chat Local Share

$20.00 per month (allows sharing of respective Anytime Minutes included in Local 20, Local 30, Local 40, Local 75, Local 110, and Local 140)
Toll Free calls to anywhere in the U.S. (including Alaska and Hawaii) if calling within the Home Coverage Area

BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF SOUTH DAKOTA

RECEIVED
APR 16 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

In the Matter of the Filing by	)	
WWC Holding Co., Inc, d/b/a	)	
Cellular One® for Designation as	)	Docket No.TC03-191
An Eligible Telecommunications	)	
Carrier in Other Rural Areas	)	

SURREBUTTAL TESTIMONY OF

SUE VANICEK

APRIL 16, 2004

EXHIBIT
Int. 4

SURREBUTTAL TESTIMONY OF SUE VANICEK

IDENTIFICATION OF WITNESS, FACTUAL BACKGROUND, AND PURPOSE OF TESTIMONY

Q: Please state your name and business address.

A: My name is Sue Vanicek, and my business address is 233 South 13th Street, Suite 1225, Lincoln, NE 68508.

Q: Have you previously filed testimony in this proceeding?

A: Yes. On March 15, 2004 I filed direct testimony on behalf of the South Dakota Telephone Association ("SDTA") and its member companies affected by this Application -- Golden West Telecommunications Cooperative, Inc., James Valley Cooperative Telephone Company, Splitrock Properties, Inc., Venture Communications Cooperative, Inc., Tri-County Telecom, Inc., Vivian Telephone Company, and West River Telecommunications Cooperative. Collectively I will be referring to these companies as the South Dakota Rural Incumbent Local Exchange Carriers ("ILECs").

Q. Have you reviewed the rebuttal testimony of James H. Blundell filed on behalf of WWC License, LLC ("Western Wireless")?

A. Yes, I have.

Q. Have you reviewed the rebuttal testimony of Don J. Wood filed on behalf of Western Wireless?

A. Yes, I have.

Q: What is the purpose of your surrebuttal testimony?

A: The purpose of my surrebuttal testimony is to comment on the rebuttal testimony filed in this proceeding on April 5, 2004 by Mr. James H. Blundell and Mr. Don J. Wood on behalf of Western Wireless.

Q. Please summarize the conclusions of your testimony.

A. The South Dakota Public Service Commission ("Commission") should broaden the scope of the public interest analysis it applied in the previous proceeding in which it granted ETC status to WWC Holding Co., Inc, d/b/a Cellular One® ("Western Wireless") for selected service areas in South Dakota. Recent eligible telecommunications carrier ("ETC") designation cases before the FCC, recommendations made by the Joint Board, and Joint Board observations on public interest tests currently being conducted by the states should serve as examples for factors the Commission should examine in determining the public interest. The level of universal service support received in a service area, the affordability of a potential universal service offering, and the potential detrimental effect that the loss of universal service support would have on the South Dakota Rural ILECs and their consumers should all be taken into account. When reviewing the evidence for the three aforementioned factors which affect the public interest, I do not believe that it is in the public interest to designate Western Wireless as an ETC for the service areas served by the South Dakota Rural ILECs.

THE PURPOSE AND SCOPE OF THIS PROCEEDING

Q. What is the purpose of this proceeding?

A. On November 4, 2003, Western Wireless petitioned the Commission to be designated as an ETC in the study areas of certain rural telephone companies in South Dakota. This proceeding is to determine whether the Commission will grant such designation.

Q. What are the factors that the Commission must consider under statute in order to grant ETC designation to a carrier?

A. One of the factors that must be considered is the public interest. Section 214(e)(2) of the Act states that consistent with the public interest, convenience, and necessity, a state commission *may*, in the case of a rural telephone company, designate more than one common carrier as an ETC. This section further states that "[b]efore designating an additional eligible telecommunications carrier for an area served by a rural telephone company, the State commission shall find that the designation is in the public interest." South Dakota has a similar provision in its rules.

THE PUBLIC INTEREST TEST

Q. What are the primary sources of guidance as to the factors that may be considered in determining whether an ETC designation is in the public interest?

A. The two most recent primary sources of guidance as to factors that should be considered in determining whether an ETC designation is in the public interest are

the Federal Communications Commission's ("FCC") *Virginia Cellular Order*[1] and the Federal-State Joint Board on Universal Service ("Joint Board") Recommended Decision on universal service issues presented to the FCC.[2]

Q. What factors did the FCC identify in the *Virginia Cellular Order* that should be considered in determining whether the designation of an ETC is in the public interest in areas served by rural telephone companies?

A. The FCC decided to weigh numerous factors in determining public interest, including:

- The benefits of increased competitive choice,
- The impact of multiple designations on the universal service fund,
- The unique advantages and disadvantages of the competitor's service offering,
- Any commitment made regarding quality of service by the competing provider, and
- The Competitive ETC's ("CETC") ability to provide the supported services throughout the designated service area within a reasonable time frame.

Q. What comments did the FCC make in the *Virginia Cellular Order* in regard to the factors it chose to consider in determining whether an ETC designation in a rural telephone company's service area would be in the public interest?

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[1] *See Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Virginia Cellular, LLC Petition for Designation as an Eligible Telecommunications Carrier in the Commonwealth of Virginia, Memorandum Opinion and Order, FCC 03-338 (*"Virginia Cellular Order"*) (rel. Jan. 22, 2004).

[2] *See Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Recommended Decision, FCC 04J-1 (*"Recommended Decision"*) (rel. Feb. 27, 2004).

A. The FCC stated "[w]hile we await a recommended decision from the Joint Board, *we acknowledge the need for a more stringent public interest analysis* for ETC designations in rural telephone company service areas." (emphasis added)

Q. Do you agree with Mr. Wood (4:16-18-5:1, 9:21-10:2) that the public interest standard applied by the FCC in the *Virginia Cellular Order* is the same standard it applied previously?

A. No. I think the quote from the *Virginia Cellular Order* cited above indicates that the FCC thought the public interest standard it used in the order differed from the standard applied in previous ETC designations. I am not aware that the factors considered by the FCC in *Virginia Cellular Order* were studied and elaborated upon on a factor-by-factor basis in any prior order in which the FCC granted ETC designation. Therefore, I do not believe it is correct to characterize the public interest test used by the FCC in the *Virginia Cellular Order* as a continuation of the FCC's prior policy with regard to ETC designations.

Q. Are there any more recent examples of the FCC's application of the public interest factors that it used in the *Virginia Cellular Order* to other requests for ETC designation?

A. Yes. On April 12, 2004, the FCC released its *Highland Cellular Order*, in which it reiterated much of the discussion contained in the *Virginia Cellular Order* concerning the public interest test.[3] The FCC applied the same factors to make a determination of the public interest that it did in the *Virginia Cellular Order*.

[3] *See Federal-State Joint Board on Universal Service, Highland Cellular, Inc. Petition for Designation as an Eligible Telecommunications Carrier in the Commonwealth of Virginia*, CC Docket No. 96-45, Memorandum Opinion and Order , FCC 04-37 (*"Highland Cellular Order"*) (rel. Apr. 12, 2004).

Q. What factors did the Joint Board identify that states are currently considering to determine whether the designation of an ETC is in the public interest in areas served by rural telephone companies?

A. The Joint Board indicated that several states consider relevant universal service principles in determining whether it would be in the public interest to designate a particular carrier as an ETC. These universal service principles include preserving and advancing universal service, ensuring the availability of quality telecommunications services at just, reasonable, and affordable rates, and promoting the deployment of advanced telecommunications and information services to all regions, including rural and high cost areas.[4] The Joint Board also noted that several state commissions have included various additional factors in analyzing the public interest, such as comparison of benefits to public cost, and considerations of material harm.[5]

Q. In addition to the factors currently being used by the states to determine the public interest, did the Joint Board recommend that other factors should be considered in determining whether it is in the public interest to designate additional ETCs in a particular service area?

A. Yes. The Joint Board indicated that ". . . states making public interest determinations may properly consider the level of federal high-cost support to be received by ETCs."[6] The Joint Board indicated that "[i]f the per-line support

[4] *See Recommended Decision* at para. 39.

[5] Id. at para. 40.

[6] Id. at para. 43.

level is high enough, the state may be justified in limiting the number of ETCs in that study area, because funding multiple ETCs in such areas could impose strains on the universal service fund."[7]

Q. Should the Commission use the factors identified by the FCC and the Joint Board to determine whether it is in the public interest to designate Western Wireless as an ETC for the service areas of certain rural telephone companies in South Dakota in the current proceeding?

A. Yes. The FCC has indicated that it will continue to use the factors it used to determine the public interest in the *Virginia Cellular Order* in requests for ETC designation that it is asked to consider.[8] The more recent *Highland Cellular Order* demonstrates continued use of these public interest factors. Further, various factors cited by the Joint Board are *currently being used* by states to determine public interest. Specifically, the recommendation by the Joint Board that the level of high-cost support that is to be received by ETCs should be considered in a public interest test can and should be used by the Commission. States clearly have the ability to impose their own eligibility requirements as indicated by the Fifth Circuit Court of Appeals. Therefore, contrary to the arguments presented by Western Wireless, it is not necessary for the FCC to officially adopt the Joint Board's recommendations regarding the public interest test in order for the recommendations to be used by state commissions. In fact, Mr. Brown indicates in his surrebuttal testimony that Ms. Kathleen Abernathy,

[7] Ibid.

[8] *Virginia Cellular Order* at para. 4.

chair of the Joint Board, recently clarified this issue in a speech. Ms. Abernathy noted that the Joint Board's recommendations regarding the public interest can be used immediately by the states, and that approval by the FCC of the Joint Board recommendations is not required for the use of these recommendations by the states.

Q. Are you aware of any states that have modified their application of the public interest test from previous requests that had been received for ETC designation?

A. Yes, the Nebraska Public Service Commission ("PSC"), in a recent order denying ETC designation to NPCR, Inc. stated that:

> Looking back to its 2000 Western Wireless decision, the Commission finds that perhaps its public interest analysis wasn't rigorous enough and tailored enough to the goals of universal service. To be sure, the Commission was more concerned at that time with bringing competition to the rural areas of Nebraska. Since then, the environment and the Commission's focus has changed. The Commission believes that universal service is not a vehicle by which competition should be artificially created. The purpose of universal service is not to promote competition. Rather, the purpose of universal service is found in section 254 of the Act. To this end, the Commission's role is to ensure that the universal service principles continue to be served in a competitive environment.[9]

Q. Do you have any other observations with regard to the proper determination of the public interest in this proceeding?

A. Yes. In determining whether the public interest is served, the FCC places the burden of proof upon the ETC applicant.[10]

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[9] *The Application of Amended NPCR, Inc. d/b/a Nextel Partners, Eden Prairie, Minnesota Seeking Designation as an Eligible Telecommunications Carrier That May Receive Universal Service Support*, Application No. C-2932, Denied (*"Nextel Order"*) (entered Feb. 10, 2004).

[10] *See Virginia Cellular Order* at para. 26.

Q. How is this observation relevant to the current proceeding?

A. Mr. Wood (14:17-15:6) suggests that Mr. Brown and I do not present facts that would justify denying ETC status to Western Wireless for the service areas of certain rural telephone companies. We strongly disagree with that observation. In fact, as Mr. Brown notes in his testimony, Western Wireless has not presented facts to dispute his assertions. The burden of proof is on Western Wireless to demonstrate that its designation as an ETC is in the public interest. The burden of proof is not on the rural companies affected by the proceeding to prove that the designation of Western Wireless as an ETC is not in the public interest.

EXAMINATION OF FACTORS TO BE CONSIDERED IN DETERMINING THE PUBLIC INTEREST

Level of Universal Service Support

Q. Do you agree with Mr. Blundell (12:16-23) and Mr. Wood (45:16-46:3) that the per line support amounts paid for universal service support in the service areas that are the subject of this proceeding are irrelevant?

A. No, I do not. As I mentioned previously, the Joint Board recommended that the level of support to be received by competitive ETCs should be examined in determining whether the designation of a particular carrier as an ETC is in the public interest, as funding multiple ETCs in such areas could impose strains on the universal service fund. Also, the FCC indicated in the *Virginia Cellular Order* that the impact of multiple designations on the universal service fund should be considered in determining whether the designation of a particular carrier is in the public interest. On a per subscriber basis, the designation of additional carriers as ETCs in service areas receiving the highest amounts of per

line support would have the greatest impact on increasing costs for the universal service fund. More importantly, if the FCC were to cap per-line support upon entry of a CETC and impose a "primary line" funding restriction, designating several ETCs could dilute the amount of support available to ETCs in certain service areas to the point that each carrier's ability to provide universal service could be jeopardized.[11] Therefore, both the Joint Board and the FCC have indicated that the level of per line support is an appropriate factor to be examined in determining public interest.

Q. How do the support amounts received by the South Dakota ILECs compare to the support amounts received by other rural ILECs?

A. As I indicated in my testimony, all of the companies receive amounts greater than $20 per line per month, and one company, Tri-County Telecom, Inc., receives universal service support of more than $30 per line per month. As cited by Mr. Brown in his testimony, of the total lines served by rural telephone companies, only 12.2 percent receive monthly universal service support of over $20, and only 5.9 percent receive support of over $30. Also as indicated by Mr. Brown, when compared to all lines nationally, served by both rural and non-rural companies, only 1.8 percent of the lines are in study areas that receive over $20 per line per month of universal service support, and only 0.8 percent of the lines are in study areas that receive over $30 per line per month. Thus, the South Dakota Rural ILECs' support amounts indicate that the areas they serve are high-cost, even when compared to other areas that receive high-cost support throughout the

[11] *See Recommended Decision* at para. 43.

nation. This means that on a per-line basis, designation of additional ETCs in areas served by the South Dakota Rural ILECs will increase the universal service support fund requirement much more quickly than would ETC designations in relatively low-cost service areas.

Affordability

Q. Is the affordability of Western Wireless' universal service offerings an appropriate factor to be assessed in determining whether or not it is in the public interest to designate Western Wireless as an ETC in the service areas of selected rural telephone companies in South Dakota?

A. Yes. As I indicated previously, several states consider relevant universal service principles, including ensuring the availability of quality telecommunications service at just, reasonable, and *affordable* rates, in determining whether a particular designation is in the public interest.

Q. How do you respond to Mr. Blundell's comment that Section 254(b) is not a "directive to the state commissions to consider in designating ETCs." (25:10-11)

A. While states are not "directed" to consider affordability, there is nothing that precludes considering affordability, as evidenced by the Joint Board's findings that it is considered in other states. In order to ensure in a comprehensive manner that the universal service principles in the statute are being fulfilled, an examination of whether those principles will be fulfilled should be conducted both through the designation process for ETCs and in the implementation of universal service support mechanism.

Q. How do you respond to Mr. Blundell's assertion that the Commission could not deny Western Wireless' ETC designation because it does not provide service at the same rates as the rural ILECs? (25:18-21)

A. Given the way the question is worded, I'm not sure if Mr. Blundell is suggesting that Western Wireless cannot be subjected to affordability requirements in determining whether it is in the public interest to grant it ETC designation. However, since that is the issue at hand and the question appears to address this issue in some manner, I will respond to whether the Commission can consider affordability as part of the public interest test in determining whether ETC designation should be granted. If Mr. Blundell is suggesting that the affordability of Western Wireless' universal service offerings cannot be considered in the process of ETC designation as it would have the effect of rate and entry regulation of a wireless carrier under 47 U.S.C. Section 332(c)(3)(A), I disagree. The Utah PSC required Western Wireless to price its universal service offerings at or below the affordable base rates set by the Utah PSC in order to receive state universal service funds.[12] Western Wireless appealed this decision to the Supreme Court of the State of Utah. The court found that the requirement to price universal service offerings at or below the affordable base rate was a condition imposed on the receipt of state universal funds, and was not rate regulation. The court noted that only in the narrow instance of Western Wireless' voluntary decision to receive state universal service support was it required to set the price for its universal service offering at or below a specified level, and, even while receiving state

[12] *WWC Holding Co., Inc., v. Public Service Commission of Utah*, 2002 UT 23.

universal service support, Western Wireless was free to set rates for other services without intervention. Given the Fifth Circuit Court of Appeals decision that states may impose additional eligibility requirements for ETC designation, it is clear that states could can appropriately mandate that universal service be provided at affordable rates as a requirement for designation, as long as they do not attempt to regulate the pricing of wireless service offerings for other reasons not related to qualification for universal service support.

Q. How do you respond to Mr. Blundell's (23:24-24:6) and Mr Wood's (63:6-16) assertions that the decision on affordability should be left to the decision of individual customers?

A. The statute contains principles for universal service policies that require that "quality services should be available at just, reasonable, and *affordable* rates."[13] (emphasis added) If Congress had not been concerned that a minimum level of affordability for telecommunications services needed to be maintained, there would have been no need to incorporate this provision into the Telecommunications Act of 1996 in the first place. Furthermore, affordability will depend on the income and budget allocations of individual consumers. Consumers with high-incomes may consider any telecommunications service affordable, the same is likely not be true for low- and middle-income consumers. If affordability guidelines are not considered when determining ETC designations and paying universal service support, high income consumers may receive support for offerings that low- and middle-income consumers may not purchase

[13] Section 254(b)(2).

because they do not consider such offerings affordable. This would contravene the basic purpose of the statute, which is to allow all consumers to receive a basic package of telecommunications services (the supported services as ordered by the FCC) at affordable rates. Therefore, in order to fulfill the universal service principles in statute, it is entirely appropriate for the Commission to determine whether Western Wireless' universal service offerings are affordable, instead of leaving the decision to individual consumers

Q. Does the benefit of mobility as mentioned by Mr. Blundell (23:6-19) have any bearing on the question of affordability?

A. No, it does not. Mr. Blundell is correct that the FCC has recognized mobility as a benefit. However, mobility is not a supported service, as indicated by the Joint Board.[14] Therefore, any rate differences between the universal service offerings of Western Wireless and the rates of rural ILECs that are attributable to mobility are not eligible for universal service support.

The Potential for Loss of Universal Service Support by the South Dakota Rural ILECs

Q. In your testimony, you discussed the potential for harm to rural ILECs and their customers due to insufficient high-cost support if a CETC is designated within their service territory. Do you still think that the potential for harm exists?

A. Yes. Nothing I have read in the rebuttal testimony changes my assessment of the potential for the primary line proposal recommended by the Joint Board to be implemented, or the potential for some other mechanism to limit universal service

[14] *See Recommended Decision* at para. 63.

support to be implemented if the primary line proposal is ultimately rejected by the FCC.

Q. Has the growth of support paid to CETCs been mentioned as a concern by the FCC and the Joint Board?

A. Yes. In the *Virginia Cellular Order*, the Commission indicated that:

> *. . . we are increasingly concerned about the impact on the universal service fund due to the rapid growth in high-cost support distributed to competitive ETCs. Specifically, although competitive ETCs only receive a small percentage of all high-cost universal service support, the amount of high-cost support distributed to competitive ETCs is growing at a dramatic pace.* For example, in the first quarter of 2001, three CETCs received approximately $2 million or 0.4 percent of high-cost support. In the fourth quarter of 2003, 112 CETCs are projected to receive approximately $32 million or 3.7 percent of high-cost support. This concern has been raised by parties in this proceeding, especially as it relates to the long-term sustainability of universal service high-cost support. Specifically, commenters argue that designation of competitive ETCS will place significant burdens on the federal universal service fund without any corresponding benefits.[15] (emphasis added)

The Joint Board stated that:

> *The total amount of support received by competitive ETCs*, for what appear to be supplemental connections for many subscribers, *has increased substantially over the past few years*. We believe that further growth due to supporting multiple connections presents a significant threat to fund sustainability.[16] (emphasis added)

Q. Given these statements, how would you respond to Mr. Wood's suggestion that reconsideration of the FCC's conclusion regarding fund growth in the Fourteenth Report and Order is not necessary?

A. Mr. Wood questions my assertion that the concerns of the FCC regarding rapid fund growth have increased substantially since the Fourteenth Report and Order,

[15] *Virginia Cellular Order* at para. 31.

[16] *Recommended Decision* at para. 68.

at which time the FCC stated that ". . . we are not convinced of the likelihood of excessive fund growth due to competitive entry in high-cost areas during the life of this five-year plan. . . ."[17] As I just indicated, through quotes directly from the FCC and the Joint Board, both bodies have indicated concern about the impact on the universal service fund due to the rapid growth in high-cost support distributed to competitive ETCs. The juxtaposition of the comment made by the FCC in the Fourteenth Report and Order and its more recent comment clearly indicates a change of position on the part of the FCC regarding the sustainability of the universal service support fund if it is utilized to artificially support competition.

Q. How has the Joint Board responded to the concern regarding the sustainability of the universal service support fund given the rapid growth in payment of support to CETCs?

A. The Joint Board has recommended to the FCC that the scope of high-cost support be limited to a single connection that provides access to the public telephone network, often referred to as a "primary line."[18] I addressed the potential impact of this recommendation on the South Dakota Rural ILECs in my direct testimony.

Q. Do you agree with Mr. Blundell's assertion that it is not appropriate for the Commission to consider the sufficiency of federal universal service support in

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[17] *See Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, CC Docket No. 00-256, *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Access Charge Reform for Incumbent Local Exchange Carriers Subject to Rate-of-Return Regulation*, CC Docket No. 98-77, and *Prescribing the Authorized Rate of Return for Interstate Services of Local Exchange Carriers*, CC Docket No. 98-166, Second Report and Order and Further Notice of Proposed Rulemaking in CC Docket No. 00-256, Fifteenth Report and Order in CC Docket No. 96-45, and Report and Order in CC Docket Nos. 98-77 and 98-166, FCC 01-304 (*"MAG Order"*) (rel. Nov. 8, 2001) at para. 209.

[18] *See Recommended Decision* at para. 68.

determining whether it is in the public interest to designate an additional ETC in rural telephone company service areas (11:1-5)?

A. No, I do not. As I indicated previously, the FCC stated in the *Virginia Cellular Order* that it would consider the impact of multiple designations on the universal service fund. As multiple ETC designations occur within a single service area, this situation causes the funding requirement to grow to the point that concern is exhibited that the fund is not sustainable, leading to recommendations to limit funding growth such as the "primary line" proposal. Proposals to limit funding growth could result in insufficient support for each carrier serving certain service areas. Therefore, multiple ETC designations, which the FCC has stated it would consider in determining the public interest, are directly related to funding sufficiency. An example of the connection between multiple ETC designations and sufficiency is provided by a recent order denying ETC designation to NPCR Inc. by the Nebraska PSC. In this order, the Nebraska PSC considered the effect the designation of another carrier would have on the ability of the rural ILECs to provide universal service. The Nebraska PSC stated that ". . . a grant of the application would grant to the Applicant distinct advantages over the incumbent carriers, jeopardizing their ability to serve all of their subscribers adequately and jeopardizing the principles set forth in section 254."

Q. How would you respond to Mr. Blundell's observation that the Joint Board has proposed a "hold harmless" option for implementing the "primary line" method of limiting universal service support (14:20-26)?

A. One of the three options for implementing the "primary line" method to limit the growth of the universal service support fund has been labeled "hold harmless." However, it is unclear exactly how this proposal would function. For example, the FCC has not given any indication that support per primary line would be recomputed annually to account for the loss of primary lines by the ILEC. Further, directly following the description of the three possible methods for implementing a "primary line" method to limit the growth of universal service fund support, the FCC indicates that "[i]n conjunction with the measures discussed above, we recommend that high-cost support in areas served by rural carriers be capped on a per-primary line basis when a competitive ETC is present or when a competitive ETC enters the market and be adjusted annually by an index factor."[19] This statement seems to indicate that support would be capped, even under a proposal labeled as "hold harmless." The "hold harmless" method of implementing the "primary line" proposal would allow for the greatest amount of growth of the three possible methods. Therefore, if the FCC believes that the growth in the universal service fund must be controlled, the "hold harmless" method is the least likely to be adopted. Furthermore, even if the FCC were to adopt a "hold harmless" method, it is unlikely that such a method would be maintained for a significant period of time.

Q. What observations do you have regarding Mr. Blundell's assertion that no empirical evidence has been offered to support your contention that the South Dakota Rural ILECs could, at a minimum, lose one-fifth of their

[19] Id. at para. 77.

federal universal service support if a "primary line" system was implemented (15:6-10)?

A. Many dictionaries describe empirical as meaning "based on observation." A survey is certainly a method of observing consumer preferences. The survey cited by Western Wireless was conducted by the Gallup Organization, which has a worldwide reputation for conducting research surveys. The Gallup survey asked the question "Do you consider your home phone (or your) cellular phone to be your *main* phone?"[20] (emphasis added) The "primary line" method of distributing support will require each subscriber to designate one carrier as providing his primary connection. The terms "main" and "primary" are synonyms. Therefore, I believe the Gallup survey results are an empirical or observable method in which to estimate, at a minimum, the proportion of consumers that are likely to designate their wireless carrier as their "primary" carrier.

Q. What is your reaction to Mr. Blundell's assertion that the South Dakota Rural ILECs could lose *up to* one-fifth of their USF support to a CETC if the FCC adopts a "primary line" funding mechanism (15:1-5)? (emphasis added)

A. I would note that my testimony states ". . . *at a minimum* it seems likely that about one-fifth of the total universal service support received by rural ILECs in South Dakota could be lost." (emphasis added) I also indicated that ". . . *rural ILECs could lose an amount of support greater than twenty percent* of their total

[20] See http://www.usatoday.com/money/tech/2002-02-01-cell-phones.htm.

universal service support if Western Wireless were to engage in promotional activities to convince subscribers to declare wireless service purchased from Western Wireless as their "primary service." (emphasis added) My testimony clearly indicated that rural ILECs would be likely to lose one-fifth of their total universal service support if a "primary line" mechanism for universal service support was implemented *at a minimum.*

Q. What is your reaction to Mr. Blundell's conclusion that the loss of universal service support would have very little impact on the South Dakota Rural ILEC's ability to provide universal service (15:11-17:6)?

A. Mr. Blundell's analysis in which he concludes that the loss of universal service support would have very little impact on the South Dakota Rural ILEC's ability to provide universal service is incorrect in several respects. He bases his analysis on a maximum assumed loss of twenty-percent of universal service support. As I just indicated, twenty percent is a reasonable estimate of the minimum amount of universal service support that could be lost. The maximum amount of support that could be lost under a "primary line" mechanism for universal service support is one hundred percent, as it would be possible for all subscribers to designate Western Wireless as their "primary" carrier. He performs a rough calculation to derive total revenues (including revenues that are not attributable to universal service or the provisioning of basic local exchange service) and then proceeds to subtract from the total revenues only the operating expenses attributable to the provision of universal service. Mr. Blundell concludes from this analysis that because the South Dakota Rural ILECs appear to have net revenue after allowing

for operating expenses and a twenty percent reduction in federal universal service support, the South Dakota Rural ILECs should have no difficulty in providing universal service. His analysis of net revenue is further deficient because it does not take into account any payments for debt service that the South Dakota Rural ILECs may incur, nor does it consider the impact of tax payments. Therefore, the reduction in the net revenues of the South Dakota Rural ILECs is likely to be considerably greater than he has estimated. Furthermore, even if the South Dakota Rural ILECs would continue to maintain a positive net revenue, the net revenue may decrease to a point at which the South Dakota Rural ILECs would be forced to reduce investment in their networks, which would in turn affect the availability and quality of the universal service provided. Finally, Mr. Blundell suggests that if universal service support payments are insufficient for the South Dakota Rural ILECs to provide universal service, they should simply seek to supplement their revenues from other sources. This would be implicit subsidization of universal service by other services, a practice that Western Wireless has criticized in its recent petition to the FCC to eliminate rate-of-return regulation.

Q. Can you address the impact of the impact of the Joint board's decision in this docket?

A. Yes, I can. First of all, for the reasons already discussed in my testimony and other testimony presented on behalf of the Intervenors, Western Wireless has failed to meet its burden of proof under the guidelines recommended by the Joint Board, and Western Wireless' Petition should be denied.

Alternatively, if the Commission grants Western Wireless' Petition, that grant should be subject to a later reexamination subsequent to the FCC's final action on the Joint Board's Recommended Decision. This would allow the Commission to adequately take into account any changes implemented by the FCC that may have a dramatic impact on the ability of the rural ILECs to meet their universal service obligations, and hence upon the public interest finding, which is central to the Commission's responsibilities in this proceeding.

Q. Does this conclude your testimony?

A. Yes, it does.

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OF THE STATE OF SOUTH DAKOTA

RECEIVED
MAR 16 2004
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UTILITIES COMMISSION

In the Matter of the Filing by	)	
WWC Holding Co., Inc, d/b/a	)	
Cellular One® for Designation as	)	Docket No.TC03-191
An Eligible Telecommunications	)	
Carrier in Other Rural Areas	)	

DIRECT TESTIMONY OF

JAMES GROFT

ON BEHALF OF

JAMES VALLEY COOPERATIVE TELEPHONE COMPANY

March 15, 2004

EXHIBIT
Fnt. 5

Q: Please state your name and business address.

A: My name is James Groft, and my business address is 235 East 1st Ave, Groton, SD 57445.

Q. What is your current position with James Valley Cooperative Telephone Company?

A. I am the General Manager.

Q: On whose behalf are you presenting testimony?

A: I am presenting testimony on behalf of James Valley Cooperative Telephone Company ("James Valley").

Q: What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to explain the importance of federal universal service support to the provision of universal service for James Valley. Specifically, I will discuss how federal universal service support has allowed our company to invest to maintain and upgrade our telephone network, so that we can provide quality service to our consumers at affordable rates, including access to broadband services for many of our consumers. I will also provide information regarding how the loss of this universal service support would affect investment, availability of services, and affordability of rates for consumers of James Valley. Such a loss could occur if WWC Holding Co., Inc, d/b/a Cellular One® ("Western Wireless") is designated as an eligible telecommunications carrier ("ETC") for the area served by James Valley, and the Federal Communications Commission ("FCC") were to implement a proposal to limit universal service funding to primary lines as explained by Ms. Vanicek.

Q. Please describe the area served by James Valley.

A. James Valley's service territory is located in northeast South Dakota in the James River Valley. It extends approximately 80 miles north to south and from 15 to 60 miles east to west. The territory covers 2,300 square miles. We serve approximately 3,890 lines in a predominantly farming community surrounding several small towns. The population of our service territory is slowly decreasing due to age, consolidation of farming operations, and out-migration. James Valley has a density of 1.9 access lines per square mile.

Q. What are the average local service rates for residential and business consumers of James Valley?

A. Average local service rates for residential service are $14.28 per month. Average local service rates for business service (not including key, PBX, and other special classes of business service) are $20.84 per month. These rates do not include the federally-mandated subscriber line charge ("SLC").

Q. What is the total amount of federal universal service support that James Valley received in 2003?

A. James Valley received about $1.2 million in federal universal service support in 2003.

Q. What is the amount of federal universal service support that James Valley received in 2003 on a per-line basis?

A. James Valley received federal universal support of $25.10 per line per month in 2003.

Q. What proportion of total company revenues did federal universal service support represent for James Valley in 2003?

A. Federal universal service support accounted for about 19 percent of James Valley's total company revenues in 2003. In other words, federal universal service support accounts for about one-fifth of total company revenues.

Q. For what purpose does James Valley use the universal service support funds?

A. James Valley uses the universal service funds to support network investment and operating expenses associated with providing universal service. Because many areas in South Dakota, such as those served by James Valley, have relatively low customer density, the cost to serve such areas is greater than in many parts of the country. The universal service funds provide support to keep rates in these high-cost areas affordable, and to allow consumers to receive service that is comparable to or that may exceed in quality the service provided in low-cost urban areas. It also allows James Valley to function as a carrier of last resort that, in return for high-cost support payments, commits to provide affordable service to consumers anywhere throughout the company's service territory.

Q. How does the total amount of universal service support received by James Valley compare to the total annual operating expenses of the company?

A. The total amount of universal service support received makes a contribution towards total annual operating expenses of the company, but it by no means covers all of the expenses. For example, in 2003 James Valley received $1.2 million in total universal service support, while we're estimating total operating

expenses for 2004 to be about $3.6 million. Thus, in total, universal service support covers about one-third of James Valley's total operating expenses.

Q. Please provide a recent example of how James Valley has used universal service support.

A. In 2003, James Valley spent about $$1.3 million for new capital investment. These investments maintain and upgrade the network, so that our consumers can have access to services similar to those that are available in urban areas, at rates that are comparable to the rates for similar services offered in urban areas.

Q. Do you believe that the receipt of federal universal service support by James Valley has helped it to invest in digital loop equipment so that its network that is capable of providing access to broadband services?

A. Yes, I do. In addition to funding the maintenance and upgrading of a network designed to provide the basic services supported by universal service support, the receipt of federal universal service support by James Valley has given the company funds to upgrade its network with digital loop equipment so that it is capable of providing access to broadband services at affordable rates.

Q. Approximately what proportion of the consumers served by James Valley currently have access to broadband services through the provisioning of digital loop equipment?

A. About 94 percent of the consumers served by James Valley have access to broadband services.

Q. Could the designation of Western Wireless as an ETC in the area served by James Valley have a potential impact on the amount of federal universal service support that it receives?

A. Yes. As explained by Ms. Vanicek, the Federal-State Joint Board on Universal Service ("Joint Board") has recommended to the FCC that universal service support be limited to a primary line for each consumer. If a company such as Western Wireless would receive designation from the Commission and the FCC were to implement the Joint Board's recommendation, James Valley could lose universal service support to the extent that consumers would select Western Wireless instead of James Valley as their "primary carrier" for receipt of universal service support. This could occur even if the consumer continued to retain landline service from James Valley, but chose, for whatever reason, to designate Western Wireless as their "primary carrier" for receipt of universal service support. As I mentioned earlier, James Valley receives $25.10 per line per month of universal service support. That amount is based on the total number of lines we serve. However, under the "primary carrier" method, per line support amounts would be based on only one line per household or business. We estimate that we could lose about $27.25 per line per month under the "primary carrier" method. While James Valley could lose support, there would not be a reduction in costs because James Valley would still be providing service to the consumer. Even if a consumer who chose Western Wireless as his primary carrier decided to disconnect his landline service as a result of the "primary line" support system, James Valley and its consumers would still be harmed. This is because the costs

of providing service to the remaining consumers would be reduced little, if at all, and the costs would be spread over even fewer consumers.

Q. Could you estimate the amount of federal universal service support that could be lost by James Valley if Western Wireless is designated as an ETC for the service areas of these companies and the FCC implements the Joint Board's primary line proposal?

A. It would be difficult to estimate, but at a minimum it seems likely that about one-fifth of the total universal service support received by James Valley could be lost, as that is the proportion of consumers that view wireless service as their primary service, according to statements made by Western Wireless referenced in Ms. Vanicek's testimony. A significantly greater amount of federal universal service support received by James Valley could be lost if Western Wireless engaged in promotional activities to convince consumers to declare wireless service purchased from Western Wireless as their "primary" service.

Q. Would the potential loss of federal universal service support have an impact on the amount of capital investment made by James Valley, and consequently on the services provided, the quality of services, and the rates paid for those services?

A. Yes. If Western Wireless receives designation as an ETC, and if the Joint Board's recommendation to pay support on a "primary carrier" basis is adopted, the result can easily have a chilling effect on management's decision to continue the same level of capital funding that has produced the state-of-the art network that our consumers currently enjoy. The alternative would be to raise local rates to fund

these network improvements, but then consumers will suffer a financial penalty for Western Wireless' ETC designation. Even worse, they may suffer a diminution of their service options, on top of higher rates, if the level of required investment is unsustainable through higher local rates. Thus, Western Wireless' ETC designation would impair the current availability of comparable services and rates, as in urban areas.

Q. Does this conclude your testimony?

A. Yes, it does.

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SOUTH DAKOTA PUBLIC
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BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Filing by	)	
WWC Holding Co., Inc, d/b/a	)	
Cellular One® for Designation as	)	Docket No.TC03-191
An Eligible Telecommunications	)	
Carrier in Other Rural Areas	)	

SURREBUTTAL TESTIMONY OF

JAMES GROFT

ON BEHALF OF

JAMES VALLEY COOPERATIVE TELEPHONE COMPANY

APRIL 16, 2004

EXHIBIT
Int. 6

Q. Please state your name and business address.

A: My name is James Groft, and my business address is 235 East 1st Ave, Groton, SD 57445.

Q. Have you previously filed testimony in this proceeding?

A. Yes. On March 15, 2004 I filed direct testimony on behalf of on behalf of James Valley Cooperative Telephone Company ("James Valley").

Q. Have you reviewed the rebuttal testimony of James H. Blundell filed on behalf of WWC License, LLC ("Western Wireless")?

A. Yes, I have.

Q. Have you reviewed the rebuttal testimony of Don J. Wood filed on behalf of Western Wireless?

A. Yes, I have.

Q. What is the purpose of your surrebuttal testimony?

A. The purpose of my rebuttal testimony is to comment on the rebuttal testimony filed in this proceeding on April 5, 2004 by Mr. James H. Blundell and Mr. Don J. Wood on behalf of Western Wireless.

Q. Do you have knowledge of Western Wireless existing service coverage from first-hand experience?

A. Yes, I use Western Wireless service in my position as manager of James Valley. In addition, James Valley employees use Western Wireless service for business purposes.

Q. Have you reviewed the map depicting Western Wireless' existing service coverage that was received as a response to interrogatories, which is included as Appendix 1 to your rebuttal testimony?

A. Yes, I have.

Q. Based on your experience and that of your employees, do you believe that the map provides an accurate depiction of Western Wireless' service coverage in South Dakota?

A. No, I do not.

Q. Would you provide some examples of the inaccuracies you believe the map contains?

A. Certainly, my personal experience driving to work every day as well as the experience of James Valley's outside plant personnel provide several examples of substandard or nonexistent coverage.

1) There is a significant gap in coverage when driving down US highway 281 between Mansfield and Mellette. Service in this area is very suspect with static and frequent dropped calls. There is very poor service in and around the town of Mellette. Mellette is at the center of James Valley's second largest exchange containing approximately 14% of our access lines. I

know of several James Valley's customers in that area who have disconnected their Western Wireless phones because of poor service.

2) Western Wireless service is virtually non-existent in the northern end of James Valley's service territory around Hecla, Houghton, and Claremont. In the summer of 2003, James Valley's outside plant personnel spent approximately two weeks in the area completing the reconstruction of fiber optic lines. For the duration of the project the James Valley personnel reported that they had no cellphone coverage as their phones all said "searching for signal". If the outside plant personnel had experienced a construction accident during that time they would not have been able to contact emergency personnel using their cellular phones.

3) Another area of concern is east of Brentford on South Dakota highway 20 to Conde and then north to Verdon on South Dakota highway 37. I as well as our outside plant personnel frequently drive these roads and cannot count on acceptable cellular service. This area lies in James Valley's Mellette and Conde exchanges.

4) Another coverage deficiency area is between Aberdeen, the state's third largest city, and Groton, James Valley's largest exchange. There is an area of poor coverage when driving down US highway 12 from the town of Bath to the James River. In this area calls are commonly full of static or will simply drop. Although this stretch of highway is not in James Valley's service territory, it is adjacent to James Valley's Columbia

exchange and is indicative of the coverage gaps that Western Wireless users in our service territory commonly experience.

In addition to the specific examples previously mentioned I will also state that James Valley's outside plant personnel, working throughout James Valley's service territory on a daily basis, commonly share that their Western Wireless cellphone service does not work very well and can not be counted on when needed.

Q. What is your response to Mr. Wood's (44:15-45:12) and Mr. Blundell's (5:6-8) assertion that rural incumbent local exchange carriers ("ILECs") in South Dakota actually serve a smaller land mass than the land mass served by Western Wireless in the rural ILEC's respective service areas?

A. The issue of the total land mass served is irrelevant. It is my understanding that the existing rules for federal universal service support pay support to carriers based on the consumer's location. This indicates that the universal service support system is designed to fund service at the consumer's location or premise. James Valley, as indicated by discovery responses provided to Western Wireless, provides service to all customers at their premise upon request, subject to the company's line extension and/or deposit policies that may apply depending on specific circumstances. Therefore, the rural ILECs are complying with existing requirements to receive universal service support.

Q. What is your reaction to Mr. Blundell's assertion that James Valley is using federal universal service support to provide broadband services?

A. In my initial testimony, the question is posed "[d]o you believe that the receipt of federal universal service support by James Valley has helped it to invest in digital loop equipment so that its *network that is capable of providing access to broadband services*? (emphasis added) I answered that ". . . the receipt of federal universal service support by James Valley has given the company funds to upgrade its network with digital loop equipment so that it is *capable of providing access to broadband services*. . . ." (emphasis added) I clearly indicated that James Valley is using federal universal service support to construct and maintain a network that is capable of providing access to advanced services, and did not state, as Mr. Blundell suggests, that James Valley is using universal service support to provide broadband services. Indeed, Mr. Blundell admits that ". . .it is appropriate to use USF support to construct and maintain *a network that is capable of providing advanced services*. . . ." (emphasis added) Thus, it should be clear that James Valley has and will continue to use universal service support in order to provide *access* to advanced services such as broadband. However, James Valley is not using universal service funds to provide the broadband service itself, as Mr. Blundell incorrectly suggests.

Q. Does this conclude your testimony?

A. Yes, it does.

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SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Filing by WWC Holding Co., Inc, d/b/a Cellular One® for Designation as An Eligible Telecommunications Carrier in Other Rural Areas	)))))	Docket No.TC03-191

DIRECT TESTIMONY OF

GEORGE STRANDELL

ON BEHALF OF

GOLDEN WEST TELECOMMUNICATIONS COOPERATIVE, INC.

AND VIVIAN TELEPHONE COMPANY

March 15, 2004

EXHIBIT
Inf. 7

Q: Please state your name and business address.

A: My name is George Strandell, and my business address is 415 Crown Street, P.O. Box 411, Wall, SD 57790.

Q. What is your current position with Golden West Telecommunications Cooperative, Inc. and Vivian Telephone Company?

A. I am the General Manager of both companies.

Q: On whose behalf are you presenting testimony?

A: I am presenting testimony on behalf of Golden West Telecommunications Cooperative, Inc. ("Golden West") and Vivian Telephone Company ("Vivian").

Q: What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to explain the importance of federal universal service support to the provision of service for Golden West and Vivian. Specifically, I will discuss how federal universal service support has allowed our companies to maintain and upgrade our telephone networks, so that we can provide quality service to our consumers at affordable rates, including access to advanced services such as broadband, for many of our consumers. I will also provide information regarding how the loss of this universal service support would affect investment, availability of services, and affordability of rates for consumers of Golden West and Vivian. Such a loss could occur if WWC Holding Co., Inc, d/b/a Cellular One® ("Western Wireless") is designated as an eligible telecommunications carrier ("ETC") for the areas served by Golden West and Vivian, and the Federal Communications Commission ("FCC") were to

implement a proposal to limit universal service funding to primary lines as explained by Ms. Vanicek.

Q. Please describe the areas served by Golden West and Vivian.

A. Golden West serves an area of 16,450 square miles and Vivian serves an area of 6,552 square miles. Together, the area served by the two companies covers about 30 percent of South Dakota's total land area. Golden West has a density of only 1.02 access lines per square mile. Vivian has a density of only 2.96 access lines per square mile. As a comparison, Qwest in South Dakota has a density of 18.16 access lines per square mile. Also, as another comparison, the National Average Cost Per Loop ("NACPL") for universal service High Cost Loop ("HCL") support is $281.67. The average cost per loop for Golden West and Vivian is $619.29 and $530.08, respectively.

Q. What are the average local service rates for residential, business, and residential/business service for consumers of Golden West and Vivian?

A. Average local service rates for residential service are $10.95 per month for Golden West consumers and $13.33 per month for Vivian consumers. Average local service rates for business service (not including key, PBX, and other special classes of business service) are $21.95 per month for Golden West consumers and $26.61 per month for Vivian consumers. Average local service rates for residential/business service are $14.95 per month for Golden West consumers and $16.41 per month for Vivian consumers. These rates do not include the federally-mandated subscriber line charge ("SLC").

Q. What is the total amount of federal universal service support that Golden West and Vivian received in 2003?

A. Golden West received about $5.5 million in federal universal service support in 2003, and Vivian received about $4.5 million during that same period.

Q. What is the amount of federal universal service support that Golden West and Vivian received in 2003 on a per-line basis?

A. Golden West received federal universal support of $28.31 per line per month in 2003, and Vivian received support of $20.01 per line per month during that same year.

Q. What proportion of total company revenues did federal universal service support represent for Golden West and Vivian in 2003?

A. Federal universal service support accounted for about 22 percent of Golden West's company revenues in 2003, and about 21 percent of Vivian's company revenues for the same period. In other words, for both companies, federal universal service support accounts for just over one-fifth of company revenues.

Q. For what purpose does Golden West and Vivian use the universal service support funds?

A. Golden West and Vivian use the universal service funds to support network investment and operating expenses associated with providing universal service. Because many areas in South Dakota, such as those served by Golden West and Vivian, have relatively low customer density, the cost to serve such areas is greater than in many parts of the country. The universal service funds provide support to keep rates in these high-cost areas affordable, and to allow consumers

to receive service that is comparable to or that may exceed in quality the service provided in low-cost urban areas.

Q. How does the total amount of universal service support received by Golden West and Vivian compare to the total annual operating expenses of the companies?

A. The total amount of universal service support received makes a contribution towards total annual operating expenses of the companies, but it by no means covers all of the expenses. For example, in 2003 Golden West received $5.5 million in total universal service support, while we're estimating total operating expenses for 2004 to be about $14.8 million. Thus, in total, universal service support covers just over one-third of Golden West's total operating expenses. In 2003 Vivian received $4.5 million in total universal service support, while we're estimating total operating expenses for 2004 to be about $10.9 million. Therefore, in total, universal service support covers about four-tenths of Vivian's total operating expenses.

Q. Please provide a recent example of how Golden West and Vivian have used universal service support.

A. In 2003, Golden West spent about $11.3 million for new capital investment, and Vivian spent about $8.0 million during the same period. These investments maintain and upgrade the network, so that our consumers can have access to services similar to those that are available in urban areas, at rates that are comparable to the rates for similar services offered in urban areas.

Q. Do you believe that the receipt of federal universal service support by Golden West and Vivian has helped these companies to invest in a network that is capable of providing access to advanced services such as broadband?

A. Yes, I do. In addition to funding the maintenance and upgrading of a network designed to provide the basic services supported by universal service support, the receipt of federal universal service support by Golden West and Vivian has given these companies funds to upgrade their networks to make them capable of providing access to advanced services such as broadband, at affordable rates.

Q. Approximately what proportion of the consumers served by Golden West and Vivian currently have access to broadband services?

A. About 80 percent of the consumers served by Golden West have access to broadband services, and the proportion is about 75 percent for consumers served by Vivian.

Q. Could the designation of Western Wireless as an ETC in the areas served by Golden West and Vivian have a potential impact on the amount of federal universal service support that these companies receive?

A. Yes. As explained by Ms. Vanicek, the Federal-State Joint Board on Universal Service ("Joint Board") has recommended to the FCC that universal service support be limited to a primary line for each consumer. If a company such as Western Wireless would receive designation from the Public Utilities Commission and the FCC were to implement the Joint Board's recommendation, Golden West and Vivian could lose universal service support to the extent that consumers would select Western Wireless instead of Golden West or Vivian as

their "primary" carrier for receipt of universal service support. This could occur even if the consumer continued to retain landline service from Golden West or Vivian, but chose, for whatever reason, to designate Western Wireless as their "primary" carrier for receipt of universal service support. As I mentioned earlier, Golden West receives $28.31 per line per month of universal service support, and Vivian receives $20.01 per line per month. An amount of support per line somewhat greater than these amounts could be lost, because our support is now based on the total number of lines we serve, but under the "primary" carrier method, per line support amounts would be based on only one line per household or business. While Golden West and Vivian could lose support, there would not be a reduction in costs because Golden West (or Vivian) would still be providing service to the consumer. Even if a consumer who chose Western Wireless as his primary carrier decided to disconnect his landline service as a result of the "primary" carrier support system, Golden West and Vivian and the consumers of these companies would still be harmed. This is because the costs of providing service to the remaining Golden West and Vivian consumers would be reduced little, if at all, and the costs would be spread over even fewer consumers.

Q. Could you estimate the amount of federal universal service support that could be lost by Golden West and Vivian if Western Wireless is designated as an ETC for the service areas of these companies and the FCC implements the Joint Board's primary line proposal?

A. It would be difficult to estimate, but at a bare minimum it seems likely that about one-fifth of the total universal service support received by Golden West and

Vivian could be lost, as that is the proportion of consumers that view wireless service as their primary service, according to statements made by Western Wireless referenced in Ms. Vanicek's testimony. A significantly greater amount of federal universal service support received by Golden West and Vivian could be lost if Western Wireless engaged in promotional activities to convince consumers to declare wireless service purchased from Western Wireless as their "primary" service.

Q. **Would the potential loss of federal universal service support have an impact on the amount of capital investment made by Golden West and Vivian, and consequently on the services provided, the quality of services, and the rates paid for those services?**

A. Yes. If Western Wireless receives designation as an ETC, and if the Joint Board's recommendation to pay support on a "primary" carrier basis is adopted, the result can easily have a chilling effect on management's decision to continue the same level of capital funding that has produced the state-of-the art network that our consumers currently enjoy. The alternative would be to raise local rates to fund these network improvements, but then consumers will suffer a financial penalty for Western Wireless' ETC designation. Even worse, they may suffer a diminution of their service options, on top of higher rates, if the level of required investment is unsustainable through higher local rates. Thus, Western Wireless' ETC designation would impair the current availability of comparable services and rates, as in urban areas.

Q. Does this conclude your testimony?

A. Yes, it does.

BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF SOUTH DAKOTA

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SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

In the Matter of the Filing by	)	
WWC Holding Co., Inc, d/b/a	)	
Cellular One® for Designation as	)	Docket No.TC03-191
An Eligible Telecommunications	)	
Carrier in Other Rural Areas	)	

SURREBUTTAL TESTIMONY OF

GEORGE STRANDELL

ON BEHALF OF

GOLDEN WEST TELECOMMUNICATIONS COOPERATIVE, INC.

AND VIVIAN TELEPHONE COMPANY

APRIL 16, 2004

EXHIBIT
Int. 8

Q. Please state your name and business address.

A. My name is George Strandell, and my business address is 415 Crown Street, P.O. Box 411, Wall, SD 57790.

Q. Have you previously filed testimony in this proceeding?

A. Yes. On March 15, 2004 I filed direct testimony on behalf of on behalf of Golden West Telecommunications Cooperative, Inc. ("Golden West") and Vivian Telephone Company ("Vivian").

Q. Have you reviewed the rebuttal testimony of James H. Blundell filed on behalf of WWC License, LLC ("Western Wireless")?

A. Yes, I have.

Q. Have you reviewed the rebuttal testimony of Don J. Wood filed on behalf of Western Wireless?

A. Yes, I have.

Q. What is the purpose of your surrebuttal testimony?

A. The purpose of my surrebuttal testimony is to comment on the rebuttal testimony filed in this proceeding on April 5, 2004 by Mr. James H. Blundell and Mr. Don J. Wood on behalf of Western Wireless.

Q. What is your response to Mr. Wood's (44:15-45:12) and Mr. Blundell's (5:6-8) assertion that rural incumbent local exchange carriers ("ILECs") in South Dakota actually serve a smaller land mass than the land mass served by Western Wireless in the rural ILEC's respective service areas?

A. The issue of the total land mass served is irrelevant. It is my understanding that the existing rules for federal universal service support pay support to carriers

based on the consumer's location. This indicates that the universal service support system is designed to fund service at the consumer's location or premise. Golden West and Vivian, as indicated in response to Western Wireless discovery requests, provide service to all customers at their premise subject to the companies' line extension policies that may apply depending on specific circumstances. Therefore, the rural ILECs are complying with existing requirements to receive universal service support.

Q. What is your reaction to Mr. Blundell's assertion that Golden West and Vivian are using federal universal service support to provide broadband services?

A. In my initial testimony, the question is posed "[d]o you believe that the receipt of federal universal service support by Golden West and Vivian has helped these companies to *invest in a network that is capable of providing access to advanced services such as broadband*?" (emphasis added) I answered that ". . . the receipt of federal universal service support by Golden West and Vivian has given these companies funds to upgrade their networks to make them *capable of providing access to advanced services* such as broadband. . . ." (emphasis added) I clearly indicated that Golden West and Vivian are using federal universal service support to construct and maintain a network that is capable of providing access to advanced services, and did not state, as Mr. Blundell suggests, that Golden West and Vivian are using universal service support to provide broadband services. Indeed, Mr. Blundell admits that ". . .it is appropriate to use USF support to construct and maintain *a network that is capable of providing advanced*

services. . . ." (emphasis added) Thus, the point should be clear that Golden West and Vivian have and will continue to use universal service support in order to provide *access* to advanced services such as broadband. However, Golden West and Vivian are not using universal service funds to provide the broadband service itself, as Mr. Blundell incorrectly suggests.

Q. Does this conclude your testimony?

A. Yes, it does.

BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF SOUTH DAKOTA

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SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

In the Matter of the Filing by	)	
WWC Holding Co., Inc, d/b/a	)	
Cellular One® for Designation as	)	Docket No.TC03-191
An Eligible Telecommunications	)	
Carrier in Other Rural Areas	)	

DIRECT TESTIMONY OF

RANDY W. HOUDEK

ON BEHALF OF

VENTURE COMMUNICATIONS COOPERATIVE

March 15, 2004

EXHIBIT
Fmt. 9

Q: Please state your name and business address.

A: My name is Randy W. Houdek, and my business address is 218 Commercial Avenue, SE, Highmore, SD 57345.

Q. What is your current position with Venture Communications Cooperative?

A. I am the General Manager.

Q: On whose behalf are you presenting testimony?

A: I am presenting testimony on behalf of Venture Communications Cooperative ("Venture").

Q: What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to explain the importance of federal universal service support to the provision of universal service for Venture. Specifically, I will discuss how federal universal service support has allowed our company to invest to maintain and upgrade our telephone network, so that we can provide quality service to our consumers at affordable rates, including access to broadband services for many of our consumers. I will also provide information regarding how the loss of this universal service support would affect investment, availability of services, and affordability of rates for consumers of Venture. Such a loss could occur if WWC Holding Co., Inc, d/b/a Cellular One® ("Western Wireless") is designated as an eligible telecommunications carrier ("ETC") for the area served by Venture, and the Federal Communications Commission ("FCC") were to implement a proposal to limit universal service funding to primary lines as explained by Ms. Vanicek.

Q. Please describe the area served by Venture.

A. Venture serves an area of about 6,900 square miles, or about nine percent of the land area of South Dakota. Venture has a density of 1.95 access lines per square mile.

Q. What are the average local service rates for residential, business, and residential/business consumers of Venture?

A. Average local service rates for residential service are $13.62 per month. Average local service rates for business service (not including key, PBX, and other special classes of business service) are $25.69 per month. Average local service rates for residential/business service are $15.18 per month. These rates do not include the federally-mandated subscriber line charge ("SLC").

Q. What is the total amount of federal universal service support that Venture received in 2003?

A. Venture received about $3.5 million in federal universal service support in 2003.

Q. What is the amount of federal universal service support that Venture received in 2003 on a per-line basis?

A. Venture received federal universal support of $25.72 per line per month in 2003.

Q. What proportion of total company revenues did federal universal service support represent for Venture in 2003?

A. Federal universal service support accounted for about 21 percent of Venture's total company revenues in 2003. In other words, federal universal service support accounts for about one-fifth of total company revenues.

Q. For what purpose does Venture use the universal service support funds?

A. Venture uses the universal service funds to support network investment and operating expenses associated with providing universal service. Because many areas in South Dakota, such as those served by Venture, have relatively low customer density, the cost to serve such areas is greater than in many parts of the country. The universal service funds provide support to keep rates in these high-cost areas affordable, and to allow consumers to receive service that is comparable to or that may exceed in quality the service provided in low-cost urban areas. It also allows Venture to function as a carrier of last resort that, in return for high-cost support payments, commits to provide affordable service to consumers anywhere throughout the company's service territory.

Q. How does the total amount of universal service support received by Venture compare to the total annual operating expenses of the company?

A. The total amount of universal service support received makes a contribution towards total annual operating expenses of the company, but it by no means covers all of the expenses. For example, in 2003 Venture received $3.5 million in total universal service support, while we're estimating total operating expenses for 2004 to be about $10.9 million. Thus, in total, universal service support covers about one-third of Venture's total operating expenses.

Q. Please provide a recent example of how Venture has used universal service support.

A. In 2003, Venture spent about $7.7 million for new capital investment. These investments maintain and upgrade the network, so that our consumers can have

access to services similar to those that are available in urban areas, at rates that are comparable to the rates for similar services offered in urban areas.

Q. Do you believe that the receipt of federal universal service support by Venture has helped it invest in a network that is capable of providing access to broadband services?

A. Yes, I do. In addition to funding the maintenance and upgrading of a network designed to provide the basic services supported by universal service support, the receipt of federal universal service support by Venture has given the company funds to upgrade its network to make it capable of providing access to broadband services at affordable rates.

Q. Approximately what proportion of the consumers served by Venture currently have access to broadband services?

A. About 94 percent of the consumers served by Venture have access to broadband services.

Q. Could the designation of Western Wireless as an ETC in the area served by Venture have a potential impact on the amount of federal universal service support that it receives?

A. Yes. As explained by Ms. Vanicek, the Federal-State Joint Board on Universal Service ("Joint Board") has recommended to the FCC that universal service support be limited to a primary line for each consumer. If a company such as Western Wireless would receive designation from the Commission and the FCC were to implement the Joint Board's recommendation, Venture could lose universal service support to the extent that consumers would select Western

Wireless instead of Venture as their "primary carrier" for receipt of universal service support. This could occur even if the consumer continued to retain landline service from Venture, but chose, for whatever reason, to designate Western Wireless as their "primary carrier" for receipt of universal service support. As I mentioned earlier, Venture receives $25.72 per line per month of universal service support. An amount of support per line somewhat greater than this amount could be lost, because our support is now based on the total number of lines we serve, but under the "primary carrier" method, per line support amounts would be based on only one line per household or business. While Venture could lose support, there would not be a reduction in costs because Venture would still be providing service to the consumer. Even if a consumer who chose Western Wireless as his primary carrier decided to disconnect his landline service as a result of the "primary line" support system, Venture and its consumers would still be harmed. This is because the costs of providing service to the remaining consumers would be reduced little, if at all, and the costs would be spread over even fewer consumers.

Q. Could you estimate the amount of federal universal service support that could be lost by Venture if Western Wireless is designated as an ETC for the service areas of these companies and the FCC implements the Joint Board's primary line proposal?

A. It would be difficult to estimate, but at a minimum it seems likely that about one-fifth of the total universal service support received by Venture could be lost, as that is the proportion of consumers that view wireless service as their primary

service, according to statements made by Western Wireless referenced in Ms. Vanicek's testimony. A significantly greater amount of federal universal service support received by Venture could be lost if Western Wireless engaged in promotional activities to convince consumers to declare wireless service purchased from Western Wireless as their "primary" service.

Q. **Would the potential loss of federal universal service support have an impact on the amount of capital investment made by Venture, and consequently on the services provided, the quality of services, and the rates paid for those services?**

A. Yes. If Western Wireless receives designation as an ETC, and if the Joint Board's recommendation to pay support on a "primary carrier" basis is adopted, the result can easily have a chilling effect on management's decision to continue the same level of capital funding that has produced the state-of-the art network that our consumers currently enjoy. The alternative would be to raise local rates to fund these network improvements, but then consumers will suffer a financial penalty for Western Wireless' ETC designation. Even worse, they may suffer a diminution of their service options, on top of higher rates, if the level of required investment is unsustainable through higher local rates. Thus, Western Wireless' ETC designation would impair the current availability of comparable services and rates, as in urban areas.

Q. Does this conclude your testimony?

A. Yes, it does.

RECEIVED
APR 16 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Filing by	)	
WWC Holding Co., Inc, d/b/a	)	
Cellular One® for Designation as	)	Docket No.TC03-191
An Eligible Telecommunications	)	
Carrier in Other Rural Areas	)	

SURREBUTTAL TESTIMONY OF

RANDY W. HOUDEK

ON BEHALF OF

VENTURE COMMUNICATIONS COOPERATIVE

APRIL 16, 2004

EXHIBIT
Int. 10

Q. Please state your name and business address.

A: My name is Randy W. Houdek, and my business address is 218 Commercial Avenue, SE, Highmore, SD 57345.

Q. Have you previously filed testimony in this proceeding?

A. Yes. On March 15, 2004 I filed direct testimony on behalf of Venture Communications Cooperative ("Venture").

Q. Have you reviewed the rebuttal testimony of James H. Blundell filed on behalf of WWC License, LLC ("Western Wireless")?

A. Yes, I have.

Q. Have you reviewed the rebuttal testimony of Don J. Wood filed on behalf of Western Wireless?

A. Yes, I have.

Q. What is the purpose of your surrebuttal testimony?

A. The purpose of my surrebuttal testimony is to respond to certain statements in the rebuttal testimony of Mr. James H. Blundell and Mr. Don J. Wood filed on behalf of Western Wireless on April 5, 2004.

Q. What is your response to Mr. Wood's (44:15-45:12) and Mr. Blundell's (5:6-8) assertion that rural incumbent local exchange carriers ("ILECs") in South Dakota actually serve a smaller land mass than the land mass served by Western Wireless in the rural ILEC's respective service areas?

A. The issue of the total land mass served is irrelevant. It is my understanding that the existing rules for federal universal service support pay support to carriers based on the consumer's location. This indicates that the universal service

support system is designed to fund service at the consumer's location or premise. Venture, as indicated to Western Wireless in response to discovery requests, provides service to all customers at their premise upon request, subject to the company's line extension and/or deposit policies that may apply depending on specific circumstances. Therefore, the rural ILECs are complying with existing requirements to receive universal service support.

Q. What is your reaction to Mr. Blundell's assertion that Venture is using federal universal service support to provide broadband services?

A. In my initial testimony, the question is posed: "[d]o you believe that the receipt of federal universal service support by Venture has helped it to *invest in a network that is capable of providing access to advanced services such as broadband*?" (emphasis added) I answered that ". . . the receipt of federal universal service support by Venture has given the company funds to upgrade its network to make it *capable of providing access to broadband services*. . . ." (emphasis added) I clearly indicated that Venture is using federal universal service support to construct and maintain a network that is capable of providing access to advanced services, and did not state, as Mr. Blundell suggests, that Venture is using universal service support to provide broadband services. Indeed, Mr. Blundell admits that ". . .it is appropriate to use USF support to construct and maintain *a network that is capable of providing advanced services*. . . ." (emphasis added) Thus, the point should be clear that Venture has and will continue to use universal service support in order to provide *access* to advanced services such as

broadband. This is certainly a far cry from using such funds to provide the broadband service itself, as Mr. Blundell incorrectly suggests.

Q. Have you reviewed the map provided by Western Wireless in discovery in this proceeding purporting to show its wireless coverage in South Dakota?

A. Yes. For ease of reference it is attached to my testimony.

Q. What observations can you make about the map's depiction of Western Wireless service in Venture's service area?

A. The map would indicate, as I interpret it, that Western Wireless' signal strength is provided pretty much uniformly in Venture's service area. As a matter of personal observation, however, this does not appear to be true.

Q. What is the basis for your observation?

A. I have been a party to many conversations with friends and business associates who use Western Wireless' mobile wireless service. It is almost the rule, rather than the exception, that these calls are dropped along many routes in Venture's service area.

Q. Can you be more specific?

A. Yes. In and around Blunt, northern Hyde County and western Sully County, there are significant areas without reliable cellular coverage in terms of having a continuous conversation. Many of these areas without coverage extend for miles. It is well known in the community that this poor service exists, and I am reminded of it frequently.

Q. Does Venture serve customers in these areas?

A. Yes, we do, upon request.

Q. Does this conclude your testimony?

A. Yes, it does.

CONFIDENTIAL

#4

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of WWC License LLC, d/b/a/ CellularOne© for Designation as an Eligible Telecommunications Carrier	Docket No. TC 03-191 **WWC LICENSE, LLC d/b/a CELLULARONE© ANSWERS TO INTERROGATORIES**

TO: INTERVENORS AND THEIR RESPECTIVE ATTORNEYS:

WWC License, LLC d/b/a CellularOne© ("Western Wireless") answers Intervenors' Interrogatories as follows:

INTERROGATORIES

INTERROGATORY NO. 1

Does Western Wireless currently receive support from the federal universal service fund for its services provided anywhere in South Dakota? If yes, please provide the following information:

a. The number of phones or lines in South Dakota upon which Western Wireless is currently receiving federal universal service support.

b. The amount of federal high cost support currently received per month on a per phone or line basis in total and also broken down into the following categories:

i. High Cost Loop Support

ii. Safety Net Additive Support

iii. Interstate Access Support

iv. Long Term Support

v. Local Switching Support

vi. Interstate Common Line Support

EXHIBIT
Int. 12

Western Wireless wishes to clarify that because Link-Up is a one-time use only program, it is not possible to provide the number of subscribers, in areas where Western Wireless has already been designated as an ETC in South Dakota, that are "currently participating in the federal Link-Up program." The term "Link up" is not associated with a telecommunications service offering, but is a discount that applies to a reduction in the amount of service initiation fees as prescribed in the FCC's regulations. Subject to these objections and without waiver thereof, see Confidential Exhibit 1(e).

h. Western Wireless objects to this interrogatory as calling for information that is neither admissible nor reasonably calculated to lead to the discovery of admissible evidence. Western Wireless also objects to this interrogatory to the extent it seeks information that is confidential and/or proprietary in that such information may afford Western Wireless' competitors an unfair advantage if made publicly available.

Subject to these objections and without waiver thereof, see Confidential Exhibit 1(e).

INTERROGATORY NO. 2

Provide a listing of the number of subscribers and the number of phones (handsets or equivalent customer equipment units) that Western Wireless currently serves in each of the service areas or study areas in South Dakota where Western Wireless is now seeking ETC designation.

ANSWER:

Western Wireless objects to this interrogatory as calling for information that is neither admissible nor reasonably calculated to lead to the discovery of information relevant to the matters presented in this proceeding. Western Wireless also objects to this interrogatory to the extent it seeks information that is confidential and/or proprietary in that such information may afford Western Wireless' competitors an unfair advantage if made publicly available.

Subject to these objections and without waiver thereof, see Confidential Exhibit 2.

INTERROGATORY NO. 3

Please provide information identifying the average monthly charges assessed the subscribers identified in Interrogatory #2, above, for Western Wireless' services.

ANSWER:

Western Wireless objects to this interrogatory as calling for information that is neither admissible nor reasonably calculated to lead to the discovery of information relevant to the matters presented in this proceeding.

INTERROGATORY NO. 4

For high cost support amounts identified in interrogatory No. 1(d), identify which amounts were expended for the provision, maintenance and upgrading of facilities and services for Western Wireless' universal service offering. If this amount is a positive amount, describe with specificity whether amounts were spent for a) provision of facilities and services; b) maintenance of facilities and services; or c) upgrading of facilities and services. Further identify such amounts as to type of expenditure or expense (e.g. construction of tower site) along with geographic location, including study area.

ANSWER:

Western Wireless objects to this interrogatory as calling for information that is neither admissible nor reasonably calculated to lead to the discovery of admissible evidence. Western Wireless also objects to this interrogatory to the extent it seeks information that is confidential and/or proprietary in that such information may afford Western Wireless' competitors an unfair advantage if made publicly available.

The Public Utilities Commission of the State of South Dakota ("Commission") established a mechanism to certify the proper use of funds for all carriers designated as ETCs

CONFIDENTIAL

#5

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of WWC License LLC, d/b/a/ CellularOne© for Designation as an Eligible Telecommunications Carrier	Docket No. TC 03-191 **WWC LICENSE, LLC d/b/a CELLULARONE© ANSWERS TO INTERROGATORIES**

TO: INTERVENORS AND THEIR RESPECTIVE ATTORNEYS:

WWC License, LLC d/b/a CellularOne© ("Western Wireless") answers Intervenors' Interrogatories as follows:

INTERROGATORIES

INTERROGATORY NO. 1

Does Western Wireless currently receive support from the federal universal service fund for its services provided anywhere in South Dakota? If yes, please provide the following information:

a. The number of phones or lines in South Dakota upon which Western Wireless is currently receiving federal universal service support.

b. The amount of federal high cost support currently received per month on a per phone or line basis in total and also broken down into the following categories:

i. High Cost Loop Support

ii. Safety Net Additive Support

iii. Interstate Access Support

iv. Long Term Support

v. Local Switching Support

vi. Interstate Common Line Support

EXHIBIT
Int. 12

c. The price or prices that are currently charged by Western Wireless for the toll blocking service.

ANSWER:

a. To accomplish toll blocking, Western Wireless restricts access to the long distance trunk groups. When the number is dialed, the mobile switch cross references the number with the features\ability of the dialer. If the switch has TDN ("toll denial") or is restricted in some other way, then the call is routed to the proper automated response of "Your Cellular One service does not allow calling to the number dialed. For more information, please call 611 from your cellular phone and reference Message XX34." If access is allowed then the switch forwards the call to the proper trunk.

b. Interstate and international calls can be blocked by the toll blocking service. The term "customer selected toll calls" means the customer can select which type of toll call to block.

c. There is no charge to the customer for toll-blocking service.

INTERROGATORY NO. 14

Reference is made on page 13 of Blundell's Testimony to a "wireless local loop service." Please identify how many individuals in South Dakota currently subscribe to this Western Wireless service. With respect to this wireless local loop service offering:

a. Please specifically identify the customer premise equipment that is necessary for the subscriber to receive the service including the equipment or product name, model number and manufacturer/vendor.

b. Indicate whether the service provided via such equipment is analog or digital.

c. Indicate whether the service supports data transmission and, if so, the data transmission speed.

d. Provide copies of all advertising and marketing material that is currently used by Western Wireless in selling the service.

ANSWER:

Western Wireless objects to this interrogatory as calling for information that is neither admissible nor reasonably calculated to lead to the discovery of information relevant to the matters presented in this proceeding.

Subject to this objection and without waiver thereof, the approximate number of individuals in South Dakota that currently subscribe to the wireless local loop service is contained within Confidential Exhibit 14.

a. Technical information for the customer premises equipment can be obtained at http://www.telular.com/.

b. The wireless local loop service can be either analog or digital. Western Wireless' network in South Dakota is 99% digital.

c. Western Wireless objects to this interrogatory as calling for information that is neither admissible nor reasonably calculated to lead to the discovery of admissible evidence. Subject to that objection and without waiver thereof, this information can be obtained at http://www.telular.com/.

d. Western Wireless objects to this interrogatory as overbroad and as calling for information that is neither admissible nor reasonably calculated to lead to admissible evidence. Subject to those objections and without wavier thereof, see Exhibit 12.

INTERROGATORY NO. 15

It is indicated on page 14 of Blundell's Testimony that as the Western Wireless network expands over time, the Company will be able to meet all reasonable requests for service. Please provide the estimated date for when Western Wireless believes its network will be capable of meeting all service requests.

ANSWER:

CONFIDENTIAL

#6

DOCKET NO. _____

STIPULATED NOTICE OF VIOLATION AND SETTLEMENT AGREEMENT RELATED TO PUC FINAL ORDERS ISSUED IN PUC DOCKET NO. 22289 (RELATING TO ETC DESIGNATIONS FOR UNIVERSAL SERVICE FUNDS)	§	**PUBLIC UTILITY COMMISSION OF TEXAS**

PROPOSED ORDER

This Order approves the Stipulated Notice of Violation and Settlement Agreement between WWC Texas RSA Limited Partnership ("Western Wireless") and the Legal and Enforcement Division of the Public Utility Commission of Texas ("LED"). This Order resolves all issues regarding the LED's investigation into Western Wireless's actions related to the Final Order in Docket 22289, the Commission's Substantive Rules, and any related rules or underlying provisions of the Public Utility Regulatory Act ("PURA" or "the Act"), TEX. UTIL. CODE ANN. §§ 11.001 *et seq.*

This docket was processed in accordance with applicable statutes and Commission rules. Western Wireless and the LED (collectively, the "Parties") filed a Stipulated Notice and Settlement Agreement ("Agreement") resolving all of the issues in this proceeding. The Agreement is unopposed and provides for a reasonable resolution to the issues in this proceeding.

The Commission adopts the following findings of fact and conclusions of law:

I. Findings of Fact

1. Western Wireless and the LED reasonably disagree as to the interpretation of the Final Order in PUC Docket No. 22289 with regard to the scope of Western Wireless' federal ETC designation as it relates to Western Wireless' eligibility for federal universal support.

2. The receipt of federal universal service funding for mobile cellular service offerings is permissible under federal law; however, the Agreement is a means to resolve a very specific issue regarding the interpretation of the language "designation of WWC as an ETC and ETP is not extended to WWC's current cellular services" in the Commission's Final Order in Docket No. 22289.

3. The Parties desire to resolve all areas of disagreement, and to settle and compromise all disputed matters.

4. Western Wireless has filed an application pending in Docket No. 28688 to extend its ETC designation in certain areas served by non-rural telephone companies to include Texas lines regardless of the customer equipment used.

5. Only after the Commission approves Western Wireless' amended application in Docket No. 28688 shall Western Wireless report its universal service customers, regardless of customer equipment used, as eligible for federal universal service support.

6. Western Wireless agrees to remit payment of one hundred five thousand seven hundred and no/100 dollars ($105,700.00) to resolve and settle any and all issues that were identified by the LED as part of its investigation. Payment of this amount shall be due no later than thirty days after the Commission signs an order consistent with the Agreement.

7. As for federal universal service support received to date, on August 13, 2003, the Parties acknowledge that Western Wireless filed amended quarterly reports with USAC in which Western Wireless reported as eligible for federal universal service support only those lines in Texas in which customers utilize a wireless access unit.

8. USAC has properly adjusted universal support payments to Western Wireless based on the amended line count reports to provide support only for Texas lines utilizing a wireless access unit.

9. As of the effective date of a determination by the Commission in Docket No. 28688 that the scope of Western Wireless' ETC designation includes eligibility for federal universal service support regardless of the customer equipment used, Western Wireless may receive federal universal service support for such lines.

II. Conclusions of Law

1. Western Wireless is an eligible telecommunications carrier ("ETC") pursuant to 47 U.S.C. 214(e) and P.U.C. Subst. Rules § 26.418 and § 26.417.

2. The Commission has jurisdiction and authority over this proceeding pursuant to PURA §§ 15.023 – 15.027.

3. No evidentiary hearing is necessary because there is no genuine issue as to any material fact and no dispositive issue remains in dispute.

4. This proceeding was processed in accordance with the requirements of PURA and the Administrative Procedure Act, TEX. GOV'T CODE ANN. § 2001.056 ("APA").

III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following order:

1. Consistent with the Agreement, which is included as Attachment 1 to this Order, the Agreement is approved.

2. Consistent with the Agreement, the Parties shall fully comply with all of the obligations and commitments described therein.

3. Consistent with the Agreement, all claims or allegations raised by or related to this Docket or alleged violations of Texas statutory or Commission regulatory provisions or orders governing Western Wireless pursuant to the terms and conditions set forth herein are settled and finally resolved.

4. Entry of this Order does not indicate the Commission's endorsement or approval of any principal or methodology that may underlie the Agreement. Neither should the entry of an order consistent with the Agreement be regarded as a binding holding or precedent as to the appropriateness of any principle underlying the Agreement.

5. All other motions, requests for entry of specific findings of fact and conclusions of law, and any other request for general or specific relief, if not expressly granted herein, are denied for want of merit.

SIGNED AT AUSTIN, TEXAS on the ____ day of April, 2004.

PUBLIC UTILITY COMMISSION OF TEXAS

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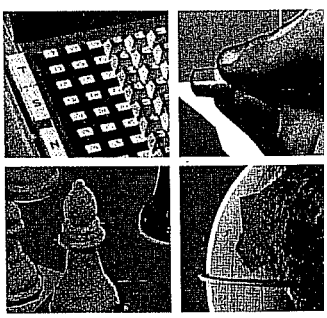
PAUL HUDSON, CHAIRMAN

_____

JULIE PARSLEY, COMMISSIONER

Western Wireless

Annual Report 2002



EXHIBIT

Int. 15



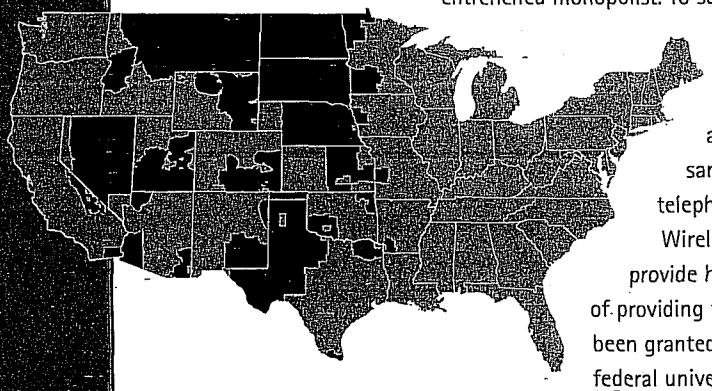
Dear Fellow Shareholder:

Our mission is to be the premier rural communications provider in the United States. This mission is supported by our objective to provide excellent service to our customers, to grow the business and to deliver outstanding financial results. We continue to make investments that will enable us to achieve these objectives. We believe that the commitments we have made over the last two years – a new billing system, digital services for our subscribers, new long-term roaming agreements with key national carrier partners, and on-going regulatory advocacy – have put us in a position to improve productivity and grow the business.

Domestic Business

We introduced our new product strategy in May 2002 under the moniker 'Simplicity' plans. Simplicity plans represent the cornerstone of our strategy to increase subscriber additions and average subscriber revenue, and to reduce churn and costs. The new plans include an attractive selection of competitive local, regional and national calling plans responsive to the needs of our customers. In addition to improving subscriber additions, our strategy leverages the inherent value in mobility that allows us to provide a bundle of minutes in exchange for a fixed monthly access fee. Rising access fees have contributed to average subscriber revenue that increased steadily throughout 2002 and allowed us to increase subscriber revenues during the last half of the year.

Western Wireless has been a leader in ensuring that wireless communications services are available to rural customers. Over the last three years we have invested over $600 million to extend and improve our services. In some communities we are providing services where no telephone service, wired or wireless, had previously been available. In other communities we represent the only source of competition to an entrenched monopolist. To support our initiatives, we have been working for over five years to level the competitive playing field by obtaining eligible telecommunications carrier status from state regulators. Once we are granted status, we are eligible to receive the same universal service funding given to landline telephone companies. That funding enables Western Wireless to continue to invest in infrastructure and provide high quality services to areas in which the costs of providing telecommunications services are high. We have been granted eligible status in 14 states and are receiving federal universal service funding in ten states.



In addition to serving our own customers, we serve millions of travelers in the markets we serve. In 2002, we delivered nearly one billion minutes of service to these "roamers." In the spring of 2002 we entered into long-term roaming agreements with the three largest wireless carriers – Verizon Wireless, Cingular Wireless and AT&T Wireless Services. Our ability to provide each of these carriers with digital services compatible with their own technology is a direct result of our ability to support multiple digital standards in our network. We now offer at least one digital service throughout our network and two technologies in over one-half of our markets. This capability resulted in a dramatic growth in usage on our network in 2002. While roaming revenue was down 6% for the full year, the increase in usage that came primarily from the three national carriers stabilized our roaming revenues in the second half of the year.

We also achieved critical benefits from our new roaming agreements through lower rates we pay when our subscribers travel outside our network. While our subscribers continue to use their phones predominately on a local basis, we provide our subscribers access to other carriers networks when they travel. A prerequisite to providing this capability in a profitable manner was to lower the rates we pay to these other carriers. We were able to accomplish this objective with our new roaming agreements. Even with higher usage, our out-bound roaming costs were down over 32% in 2002 as a result.

Our focus on controlling costs transcends the entire business. In 2002, we reduced interconnection costs, long-distance rates, billing and bad debt expenses. The Simplicity plans also drive simplicity through our back room operations, enabling us to improve customer service at a lower cost. Our improved operating efficiency enabled us to reduce employment, primarily through attrition. As a result of our success in reducing operating costs, we have one of the lowest cost structures in the industry. Our domestic operating team again in 2002 reported record cash flow and recorded our sixth consecutive year of positive free cash flow.

International Business

2002 is the first year in the history of our international business in which all of our markets have been operational throughout the year. Our focus in 2002 was to develop each of our businesses by increasing our customer base and improving operating efficiencies and thus improve our financial performance. We accomplished this objective and our businesses are well positioned for continued improvement in 2003.

Austria, Slovenia, Ireland, Bolivia, Haiti and Ghana – the six consolidated businesses that we owned at the end of the year – added 250,000 customers in 2002. In addition, the three businesses in which we own a minority interest – Croatia, Cote d'Ivoire and Georgia – added 327,000 customers. These nine businesses together served nearly 2.1 million customers by the end of the year. Our international businesses are still relatively young, many just having started up in the past three years. Nevertheless, we made meaningful progress toward our goal of profitability as these businesses matured and added customers. Our cash flow losses for 2002 decreased by over 50% and we expect Western Wireless International to generate cash flow by the end of 2003.

Western Wireless International is a portfolio of businesses. Our strategy is to enter markets relatively inexpensively, build and grow each business and exit at a profit. In 2002, we were successful in selling our Iceland business at an attractive price. Late in the year, we closed on the sale of our interest in Tal to another Icelandic business. We invested less than $10 million in Tal and received over $29 million cash from the sale. We will continue to seek opportunities to realize the value on our investments.

We have described to you many of the accomplishments in our domestic and international businesses in 2002. The economic environment continues to be tumultuous, and more competitive and regulatory challenges lie ahead. Your management team is devoted to building on the successes of the last year. Thank you for your interest in Western Wireless. We look forward to updating you on our progress throughout 2003.

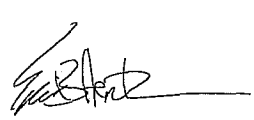
Sincerely,



John W. Stanton
Chairman and CEO



Mikal J. Thomsen
President



Eric B. Hertz
Chief Operating Officer



Financial Overview

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

Assets

	As of December 31,	
	2002	2001
Current assets	$300,214	$296,536
Property and equipment, net	855,595	822,956
Licensing costs and other intangible assets, net	1,163,399	1,176,124
Investments in and advances to unconsolidated affiliates	41,284	32,752
Assets held for sale		29,482
Other assets	38,484	12,570
	$2,398,976	$2,370,420

Liabilities and Net Capital Deficiency

Current liabilities	$420,022	$398,833
Liabilities held for sale		30,240
Long-term debt, net of current portion	2,321,955	2,215,557
Deferred income taxes	120,687	
Minority interest in consolidated subsidiaries	22,749	25,089
Net capital deficiency	(486,437)	(299,299)
	$2,398,976	$2,370,420

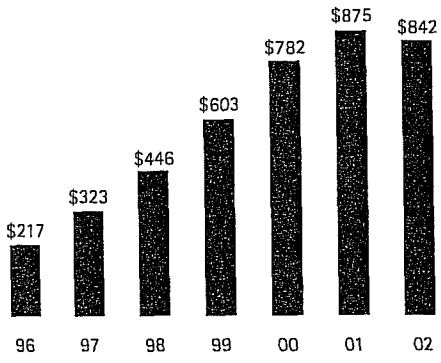
Condensed Consolidated Statements of Operations (1)

(Dollars in thousands, except per share data)

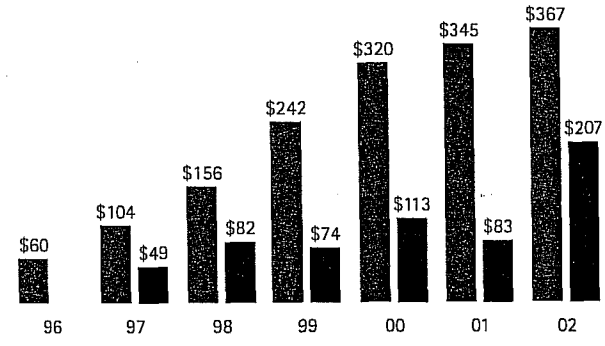
	Twelve months ended December 31,	
	2002	2001
Revenues	$1,186,610	$1,037,959
Operating expenses	(1,135,409)	(1,020,017)
Interest and financing expense and other, net	(151,659)	(180,473)
Minority interests in consolidated subsidiaries	8,408	18,967
Loss before provision for income taxes and change in accounting principle	(92,050)	(143,564)
Provision for income taxes	(123,270)	
Total discontinued operations	29,639	(5,933)
Cumulative change in accounting principle		(5,580)
Net loss	$(185,681)	$(155,077)
Basic and diluted loss per share: (2)		
Continuing operations	$(2.73)	$(1.82)
Discontinued operations	0.38	(0.08)
Cumulative change in accounting principle		(0.07)
Basic and diluted loss per share	$(2.35)	$(1.97)
Weighted average shares outstanding:		
Basic and diluted	78,955,000	78,625,000
Consolidated Cash Flows Provided By (Used In):		
Operating activities	$145,860	$72,930
Investing activities	$(304,326)	$(432,869)
Financing activities	$171,726	$381,744
Other Data:		
EBITDA (3)	$308,870	$230,175
Ending domestic subscribers (4)	1,197,800	1,176,500
Ending consolidated international subscribers (5)	741,300	491,100

(1) Certain amounts in 2002 and 2001 have been reclassified to properly reflect the discontinued operations of TAL, our Icelandic subsidiary. Certain amounts in 1999 and 1998 consolidated financial data have been reclassified to properly reflect the discontinued operations of T-Mobile USA, formerly VoiceStream. (2) Earnings per share and the number of shares outstanding have been calculated based on the requirements of Statement of Financial Accounting Standards No. 128. For the losses presented, all options outstanding are anti-dilutive, thus basic and diluted loss per share are equal. (3) EBITDA represents total revenues less total operating expenses exclusive of depreciation, amortization, asset dispositions and stock based compensation for our operations. We believe EBITDA provides meaningful additional information on our performance and on our ability to service our long-term debt and other fixed obligations, and to fund our continued growth. EBITDA is considered by many financial analysts to be a meaningful indicator of an entity's ability to meet its future financial obligations, and growth in EBITDA is considered to be an indicator of future profitability, especially in a capital-intensive industry such as wireless telecommunications. EBITDA should not be construed as an alternative to operating income (loss), as determined in accordance with United States generally accepted accounting principles ("GAAP"), as an alternate to cash flows from operating activities (as determined in accordance with GAAP) or as a measure of liquidity. Since all companies do not calculate EBITDA in the same manner, our presentation may not be comparable to other similarly titled measures of other companies. (4) Domestic subscribers include postpaid and reseller subscribers, and exclude prepaid subscribers. (5) International consolidated subscribers include prepaid and postpaid mobile subscribers, and exclude fixed lines.

Company History

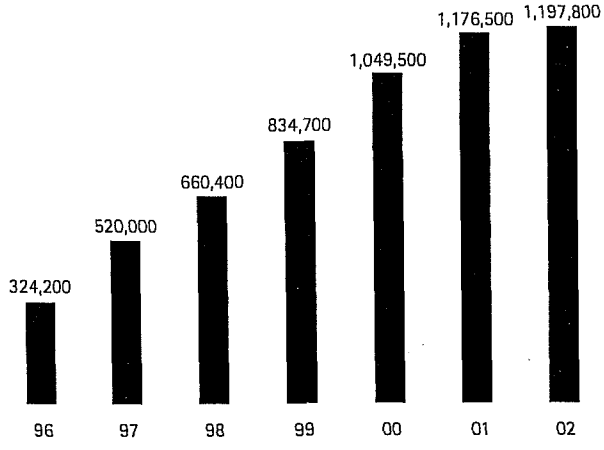


Domestic Service Revenue (in Millions)



Domestic EBITDA (in millions)

Free Cash Flow (in millions)



Domestic Subscribers

1996

Western Wireless raises $600 million in its initial public offering and two bond offerings.

VoiceStream is launched in Hawaii, the first auction-awarded PCS system to go live.

1997

Western Wireless acquires Triad Cellular, adding new markets in Oklahoma, Texas, Utah and Minnesota.

Western Wireless International launches service in its first markets: Latvia and Georgia.

1998

Hutchison Whampoa fuels company growth with $325 million investment.

Western Wireless International adds licenses in Ghana, Iceland, Croatia, Haiti, and Ireland.

1999

Western Wireless spins off its 80.1 percent ownership of VoiceStream Wireless.

Western Wireless International acquires a license in Bolivia and launches service in Croatia, Ghana and Haiti.

2000

Western Wireless surpasses 1 million subscribers.

Western Wireless launches its Wireless Residential Service offering, an important communications tool in rural America.

Western Wireless International sold its interest in a Latvian wireless system securing a 480% return on investment.

2001

Western Wireless invests in new digital capabilities and introduces digital services to over 40% of the population in our service territories.

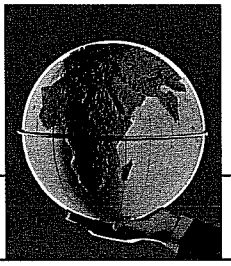
Western Wireless International launches service in Ireland and Slovenia, and acquires the mobile and fixed line business of tele.ring in Austria. Total international customers exceed 1.5 million.

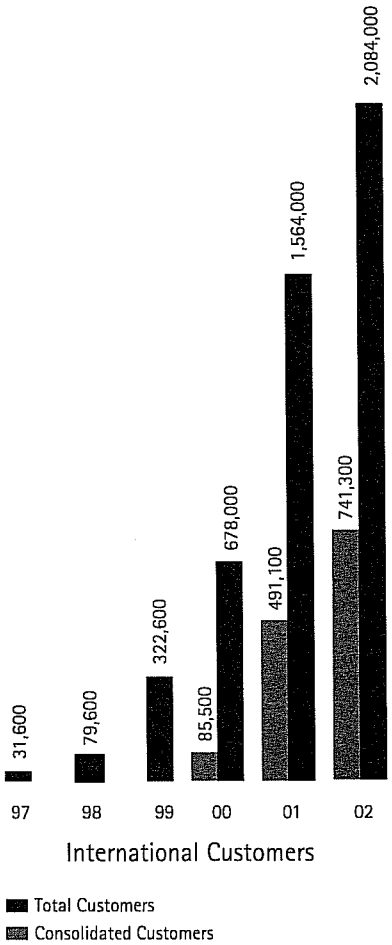
2002

Western Wireless secures long-term roaming agreements with large national wireless operators.

Western Wireless International sold its interest in Tal hf, our Icelandic business, netting more than $29 million. WWI invested less than $10 million in Tal.

International Presence





Western Wireless International has built a valuable portfolio of wireless properties by acquiring assets cheaply, growing them rapidly and selling them when attractive valuations present themselves. In 2002, we focused on growing our international businesses rapidly but efficiently, and financing that growth with local debt where possible. During 2002, our consolidated operations grew its customer base by 51% and its service revenues by 150%, while cutting its EBITDA loss in half. At the end of the year, WWI's consolidated businesses served 741,300 customers.

In November, we sold our interest in TAL, our wireless business in Iceland. TAL was our first consolidated international business. After launching TAL's network in 1998, we played a key role in developing the Icelandic wireless market into the most penetrated market in the world. We then sold our interest at a very attractive valuation, despite last year's challenging market conditions in the global wireless sector.

We believe that the TAL transaction demonstrates the strength of WWI's strategy and the inherent value of our international portfolio.

Austria

Bolivia

Côte d'Ivoire

Croatia

Georgia

Ghana

Haiti

Ireland

Slovenia

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2002

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 000-28160

Western Wireless Corporation

(Exact name of registrant as specified in its charter)

Washington	**91-1638901**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*
3650 131st Avenue S.E. Bellevue, Washington	**98006**
(Address of principal executive offices)	*(Zip Code)*

(425) 586-8700
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Class A Common Stock

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☑ No ☐

The aggregate market value of the voting stock held by nonaffiliates of the registrant, computed by reference to the closing sale price of the registrant's common stock on June 30, 2002 as reported by the NASDAQ Stock Market was $252,813,853.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title	Shares Outstanding as of March 21, 2003
Class A Common Stock, no par value	72,430,605
Class B Common Stock, no par value	6,799,724

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference into the indicated parts of this Form 10-K: Proxy Statement for its 2003 annual shareholders meeting to be filed with the United States Securities and Exchange Commission — Part III.

WESTERN WIRELESS CORPORATION

FORM 10-K
For The Fiscal Year Ended December 31, 2002

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Cautionary statement for purposes of the "Safe Harbor" provisions of the Private Litigation Reform Act of 1995. *This Annual Report on Form 10-K, including Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7, contains statements that are not based on historical fact, including without limitation statements containing the words "believes," "may," "will," "estimate," "continue," "anticipates," "intends," "expects" and words of similar import, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions, nationally, internationally and in the regions and countries in which Western Wireless Corporation operates; demographic changes; technology changes; competition; changes in business strategy or development plans; the high leverage of the Company and our ability to access capital markets; the ability to attract and retain qualified personnel; existing governmental regulations and changes in, or the failure to comply with, governmental regulations; our ability to acquire and the cost of acquiring additional spectrum licenses; liability and other claims asserted against the Company; and other factors referenced in the section entitled "Risk Factors" included elsewhere in this report and in the Company's public offering prospectuses and its periodic reports filed with the Securities and Exchange Commission.*

Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. *The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.*

Unless the context requires otherwise, "Western Wireless," "the Company," "we," "our" and "us" include us and our subsidiaries.

PART I

ITEM 1. *BUSINESS*

General

We are one of the largest providers of rural wireless communications services in the United States. Our wireless operations are primarily in rural areas due to our belief that there are significant strategic advantages to operating in these areas. We believe rural markets provide growth opportunities greater than those that exist in more densely populated urban areas because these markets typically have lower current penetration rates and less competition.

We provide wireless services, under the CellularONE® ("CellularONE") and Western Wireless® brand names, to approximately 1.2 million subscribers in the western United States using multiple digital and analog technologies. We operate in 88 Rural Service Areas ("RSAs") and 18 Metropolitan Service Areas ("MSAs") with a combined population of approximately 10 million people. Our network is one of the nation's largest rural wireless communications systems, covering approximately 25% of the continental United States in 19 western states. We support our customers through our retail locations throughout our service area and through our call centers in Manhattan, Kansas, and Issaquah, Washington.

In addition, through our subsidiary, Western Wireless International Holding Corporation ("WWI"), we are licensed to provide wireless communications services to over 75 million people in nine countries. As of December 31, 2002, WWI's consolidated and unconsolidated subsidiaries served, in aggregate, approximately 2.1 million mobile subscribers. See "The Business of WWI," for more information.

Western Wireless was organized in 1994. Our principal corporate office is located at 3650 131st Avenue S.E., Suite 400, Bellevue, Washington 98006. Our phone number is (425) 586-8700. Our corporate website address is www.wwireless.com.

We make available free of charge through our website our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports, as soon as practicable after we have electronically filed such material with, or furnished such material to, the SEC.

Domestic Business and Strategy

Our goal is to be the premier provider of high quality wireless communications services in our rural markets. We provide voice and data services to both businesses and consumers including our own subscribers and other companies' subscribers who roam through our service areas. We believe that our 800 MHz licenses, utilizing multiple digital and analog technologies, give us a strategic advantage in our rural markets. We have also acquired certain 1900 MHz Personal Communication Services ("PCS") licenses to supplement our coverage in a few markets. We believe there are inherent competitive advantages and growth opportunities unique to rural markets. The following are the key elements of our strategy:

- Expand and enhance our domestic wireless network to increase capacity, expand coverage and provide additional features
- Increase domestic subscriber growth, usage and services available to our subscribers
- Continue to provide high-quality and reliable telecommunications services to people in sparsely populated areas, with support from state and federal Universal Service Funds
- Remain the roaming partner of choice for national and other regional carriers, regardless of technology
- Continue to lower our operating costs, increase the use of more efficient channels of distribution and continue to deliver strong operating results
- Continue to consolidate wireless licenses that are contiguous with our existing markets, including possible trades, acquisitions or dispositions

Expand and enhance our domestic wireless network to increase capacity, expand coverage and provide additional features

Our cellular network operates over radio frequencies licensed by the Federal Communications Commission ("FCC"). We operate 25 MHz of spectrum between 800 – 900 MHz using both analog and digital technologies. Analog technology assigns only one voice circuit per radio channel. However, digital technologies are more efficient as a single radio channel in a digital system can carry multiple transmissions simultaneously. Digital systems utilize Time Division Multiple Access ("TDMA"), Code Division Multiple Access ("CDMA") or the Global System for Mobile Communications ("GSM") transmission technologies, none of which are compatible with each other. However, most markets in the United States have at least one cellular/PCS operator offering each technology.

We believe it is critical to continue to expand network coverage and increase capacity in our existing voice network to support both our subscribers and those subscribers of our roaming partners. We continue to offer analog technology in all of our markets. We have deployed digital TDMA in all our markets and in 2001 we began deploying CDMA in our markets. Our CDMA platform allows us to economically expand the minutes of use ("MOU") available to our customers and introduce a wide range of wireless Internet-related services and other new features. As of December 31, 2002, CDMA was available to approximately 50% of the population covered by our domestic licenses. We will continue to offer TDMA digital services primarily for our roaming partners, but we believe that most wireless carriers in the United States will utilize GSM or CDMA based digital technology platforms as they migrate to the next generation of wireless technology. We believe our CDMA platform will support our wireless data strategy and attract additional roaming traffic not currently served by our existing analog and TDMA networks. As national carriers who are our roaming partners, such as AT&T Wireless Services, Inc. ("AT&T Wireless") and Cingular Wireless ("Cingular"), develop and build their GSM digital technology platforms and accumulate significant subscribers who might roam into our coverage areas, we expect to add this third digital platform to accommodate roaming customers if we can enter economic business arrangements.

We believe our cellular systems, which we generally own in large geographic clusters in predominately rural areas, provide us a strategic advantage in our markets. Cellular systems, which operate in the 800 MHz frequency band, are ideal for providing coverage to large geographic areas in sparsely populated areas. In addition, each of our cellular systems provides 25 MHz of spectrum, which enables us to deploy several digital technologies to meet the needs of both our own subscribers and our diverse roaming partners. Although we have acquired three 1900 MHz PCS licenses to supplement our network coverage, 1900 MHz systems are less efficient in rural areas due to the smaller range of coverage per cell site.

Increase domestic subscriber growth, usage and services available to our subscribers

High Quality and Affordable Services — We offer our subscribers high quality communications services, as well as several custom calling services, such as call forwarding, call waiting, conference calling, enhanced directory assistance with hands-free dialing, voice message storage and retrieval, caller ID, wireless web, short messaging service, data services and no-answer transfer. The nature of the services offered varies depending upon the market. In addition, all subscribers can access local government emergency services from their cellular handsets (at no charge) by dialing 911. We have designed our pricing options to be simple and understandable, while still meeting the varied needs of our customer base. A majority of our rate plans consist of a fixed monthly access charge (with varying allotments of included minutes) plus variable charges per minute of additional use. In most cases, we separately charge for our custom calling services.

We provide extended regional and national service to our subscribers through regional and national roaming arrangements, thereby enabling our subscribers to seamlessly make and receive calls while in other cellular service areas. New rate plans introduced in 2002 offer our subscribers regional calling plans and roaming packages that allow them to pay home usage rates while traveling within specified regional zones, both within and outside of our service areas. These rate plans also offer larger allotments of included minutes.

Data Services — Our wireless Internet portal, MyCellOne.com, delivers a wide range of wireless Internet-related services including a personal e-mail service, access to external e-mail (for example, Yahoo® and Hotmail® accounts), Personal Information Management ("PIM") services that include calendars, to-do lists and synchronization with personal computers, web browsing, games, a customizable home page and information alerts that are sent to the subscriber's phone as short messages. In 2002, we expanded the services and capabilities of the portal to allow intercarrier messaging, e-mail to short message translation functionality and the downloading of ringtones and icons to handsets. We will continue to evaluate new products and services, such as data, that may be complementary to our wireless operations.

In 2002, we began market testing next generation 1xRTT based high-speed packet data networks in Billings, Montana and Midland, Texas. These networks provide services at data speeds significantly faster than those currently available. Additionally, unlike most existing networks, the data devices on these high speed data networks communicate with the Internet, Intranets and other IP based networks through "always on" connections enabling faster, more immediate interactions and communications between users.

Wireless Residential Services ("WRS") — We utilize our existing network infrastructure and cellular licenses to provide wireless local voice and data services primarily to residential customers. These services involve the use of a wireless access unit at a customer's residence. The wireless access unit provides the customer a dial tone and transmits the signal to the nearest cell site. We believe that WRS offers many customers a cost-effective and reliable alternative to local wireline carriers. In addition, WRS can be deployed in regions not currently served by local wireline carriers. For example, in November 2000, we began providing WRS to residents of the Pine Ridge Indian Reservation. Many of these residents did not previously have access to wireline services.

Continue to provide high-quality and reliable telecommunications services to people in sparsely populated areas, with support from state and federal Universal Service Funds

We have been a strong proponent of regulatory neutrality between various communications technologies, especially with respect to sparsely populated rural areas. As part of this effort, we have filed applications with appropriate regulatory authorities to be designated an Eligible Telecommunications Carrier ("ETC") in order

to allow us to receive federal and state Universal Service Fund ("USF") support. The USF was established to provide support to telecommunications carriers offering basic telephone service in rural, insular and high cost areas. As of December 31, 2002, we have been successful in obtaining full or partial ETC status in 14 states and the Pine Ridge Indian Reservation, and are providing services we believe are eligible for USF payments in 11 of those 14 states and the Pine Ridge Indian Reservation. In 2003, we plan to seek designation as an ETC qualified to receive USF funds in additional areas. Initially, on September 30, 2002 and again on December 31, 2002, we submitted our requests to receive funding for certain of our traditional mobile services customers that reside in areas in which we are eligible to receive federal universal service funding. We expect to submit similar requests on a quarterly basis throughout 2003 and believe it is likely that in 2003 we will receive most, if not all, of the requested funding. Depending on the amounts received, such funding could have a significant beneficial impact on our 2003 subscriber revenues, ARPU and cash flow.

Remain the roaming partner of choice for national and other regional carriers, regardless of technology

We believe we are in a unique position to be the roaming partner of choice for national carriers whose customers roam throughout our service areas. We have made significant investments in our network which enable us to offer high quality and reliable service to our roaming partners. We believe the high costs of constructing PCS networks in our rural footprint presents a barrier to the national PCS carriers. In addition, our network supports the three largest leading technology platforms that national cellular and PCS carriers use currently. We expect to add the fourth platform, GSM, to our network as the number of national carriers' customers that would use such platform in our service areas becomes significant enough to support this investment in GSM service if we can enter economic business arrangements.

We have roaming agreements with most of the major wireless carriers in North America, including AT&T Wireless, Cingular and Verizon Wireless Corporation ("Verizon"). These agreements allow their customers to roam on our network and allow our subscribers to utilize those carriers' networks. Similarly, these agreements provide attractive rates to us for our customers who roam in areas outside our wireless network. During 2002, approximately 59% or $136 million of our domestic roamer revenues were attributable to AT&T Wireless. In March 2002, we extended our roaming agreement with AT&T Wireless which remains in effect through June 15, 2006. Additionally, in 2002 we entered into new roaming agreements with Verizon and Cingular effective through March and April 2005, respectively.

Continue to lower our operating costs, increase the use of more efficient channels of distribution and continue to deliver strong operating results

We believe that our success has been and will continue to be attributable in large part due to our low operating costs. In 2002, we lowered our costs of providing service. We have taken several significant steps to reduce our cost of providing service. We have entered into a national wholesale long distance contract with a leading long distance carrier that has lowered our cost of providing long distance service to our customers. We also have new roaming agreements with national wireless carriers that substantially lower the per minute costs we incur when our customers roam on their networks.

In 2002, we launched an enterprise voice portal ("EVP") throughout our call center operations. The EVP enables our customers to access their account and billing information over the phone without the intervention of a customer service representative. We also employ the use of the Internet as a customer care tool. The Internet allows our customers to obtain answers to routine inquiries and make payments. These actions would have formerly required the customer to speak to a customer care representative. In March 2003, we consolidated call center operations into two locations and closed our call center in McAllen, Texas. We continue to offer customer service in the English and Spanish languages.

We have also focused on reducing the costs of acquiring subscribers. During 2002, we decreased our number of owned store locations and the headcount associated with running those locations. This decreased our fixed costs and shifted more of our sales and marketing emphasis to the variable cost of agent and indirect channels.

Since the Company was established, we have focused on delivering consistent and strong operating results. In 2002, we increased annual domestic EBITDA (total revenues less total operating expenses exclusive of depreciation, amortization, asset dispositions and stock-based compensation) for the eighth consecutive year and generated unlevered free cash flow (EBITDA less capital expenditures) from domestic operations for the sixth consecutive year, more than doubling the amount of domestic free cash flow as compared to 2001. By continuing to lower our operating costs and maximizing the efficiency of our distribution channels, we believe we can improve our financial leverage and further increase our cash flow.

Continue to consolidate wireless licenses that are contiguous with our existing markets, including possible trades, acquisitions or dispositions

It is part of our ongoing strategy to evaluate business opportunities including potential trades, acquisitions and dispositions to better consolidate our footprint. In June 2002, we were notified by the FCC that we were the successful bidder for the North Dakota 3 RSA license.

Marketing, Sales and Customer Service

Our sales and marketing strategy is designed to generate continued net subscriber growth and increased subscriber revenues. We target a customer base we believe is likely to generate higher monthly service revenues, while attempting to achieve a low cost of adding new subscribers.

Marketing — We market our products and services under the names Cellular**ONE**, the first national brand name in the cellular industry, and Western Wireless®, both of which we own. We also license the Cellular**ONE** name to other wireless communications providers. The regional and national advertising campaigns conducted by the Cellular**ONE** Group have enhanced our advertising exposure at a lower cost than what could be achieved by us alone. In June 1999, we became a 50% partner in the Cellular**ONE** Group, and in July 2001, acquired the remaining 50% of the Cellular**ONE** Group. In 2003, the Cellular**ONE** Group advertising program will continue to focus on more regional advertising of direct benefit to Cellular**ONE**'s licensees.

In 2002, we launched service in Amarillo, Texas under the name Western Wireless®.

Sales and Distribution — We sell our products and services through a combination of direct and indirect channels. We operate both stores and kiosks under the Cellular**ONE** and Western Wireless® brand names and utilize a direct sales force trained to educate new customers on the features of our products. Sales commissions generally are linked both to subscriber revenue and subscriber retention, as well as activation levels. In 2002, we opened two retail outlets in Amarillo, Texas under the Western Wireless® name.

We believe that our local retail locations provide the physical presence in local markets necessary to position Cellular**ONE** and Western Wireless® as a quality local service provider and give us greater control over both our costs and the sales process. In 2002, we focused on expanding our indirect network of national and local merchants and specialty retailers in order to reduce our fixed sales and marketing costs. However, we will continue to use a combination of direct and indirect sales channels, with the mix depending on the requirements of each particular market.

We also act as a retail distributor of handsets and maintain inventories of handsets. Although subscribers generally are responsible for purchasing or otherwise obtaining their own handsets, we have historically sold handsets below cost and expect to continue to do so in the future.

Customer Service — Providing high quality customer service is a significant element of our operating philosophy. We are committed to attracting and retaining subscribers by providing consistently superior customer service. We currently operate call centers in Manhattan, Kansas and Issaquah, Washington. Our call centers maintain highly sophisticated monitoring and control systems and well-trained customer service and technical staffs to handle both routine and complex questions as they arise, 24 hours a day, 365 days a year.

We utilize credit check procedures at the time of sale and continuously monitor customer churn (the rate of subscriber attrition) and other events (such as service agreement expiration dates), which can impact

customer churn. It is our belief that we can effectively manage customer churn through an outreach program staffed by our sales force and customer service personnel and through our efforts to predict more accurately the timing of potential customer churn. The outreach program is intended to not only enhance subscriber loyalty, but also to increase add-on sales and customer referrals. This program allows the sales staff to check customer satisfaction, as well as to offer additional calling features, such as voice mail, call waiting and call forwarding.

Markets and Systems

We operate cellular systems in 18 MSAs and 88 RSAs. We have also acquired selected PCS licenses to supplement our coverage. At December 31, 2002, we owned 100% of each of our licenses. In aggregate our licenses cover a geographic population of more than ten million people. Several inherent attributes of RSAs and small MSAs make such markets attractive. Such attributes typically include:

- relative under-penetration as compared to more urban areas
- population bases of customers with substantial needs for wireless communications
- the ability to cover large geographic areas with fewer cell sites as compared to urban areas
- less intense competitive environments
- less vulnerability to PCS and other competition
- large distances between population centers resulting in a higher proportion of roaming revenues than in urban areas

The following table sets forth the areas in which we hold licenses and the population covered by those licenses. The population data is estimated for 2003 based upon 2002 Claritas, Inc. ("Claritas") estimates, and is adjusted by us by applying Claritas' positive and negative growth factors:

Cellular License Area	Population
Arizona	
Mohave(AZ-1)(1)	5,000
Yuma(AZ-4)	197,000
Graham(AZ-6)	209,000
Arizona Total	411,000
Arkansas	
Hempstead(AR-11)	67,000
Arkansas Total	67,000
California	
Mono(CA-6)	32,000
Imperial(CA-7)	148,000
California Total	180,000
Colorado	
Pueblo	146,000
Fremont(CO-4)	95,000
Elbert(CO-5)	39,000
Saguache(CO-7)	55,000
Kiowa(CO-8)	49,000
Costilla(CO-9)	32,000
Colorado Total	416,000
Idaho	
Idaho(ID-2)	75,000
Idaho(ID-3)(2)	8,000
Idaho Total	83,000
Iowa	
Sioux City	123,000
Monona(IA-8)	56,000
Iowa Total	179,000
Kansas	
Jewell(KS-3)	52,000
Marshall(KS-4)	127,000
Ellsworth(KS-8)	132,000
Morris(KS-9)	59,000
Franklin(KS-10)	114,000
Reno(KS-14)	175,000
Kansas Total	659,000

Cellular License Area	Population
Minnesota	
Kittson (MN-1)	49,000
Lake of the Woods (MN-2)	25,000
Chippewa (MN-7)	175,000
Lac qui Parle (MN-8)	67,000
Pipestone (MN-9)	134,000
Minnesota Total	450,000
Missouri	
Bates (MO-9)	84,000
Missouri Total	84,000
Montana	
Billings	130,000
Great Falls	78,000
Lincoln (MT-1)	159,000
Toole (MT-2)	36,000
Malta (MT-3)	12,000
Daniels (MT-4)	37,000
Mineral (MT-5)	206,000
Deer Lodge (MT-6)	64,000
Fergus (MT-7)	29,000
Beaverhead (MT-8)	104,000
Carbon (MT-9)	32,000
Prairie (MT-10)	18,000
Montana Total	905,000
Nebraska	
Lincoln	256,000
Cherry (NE-2)	28,000
Knox (NE-3)	115,000
Grant (NE-4)	35,000
Columbus (NE-5)	151,000
Keith (NE-6)	115,000
Hall (NE-7)	93,000
Chase (NE-8)	55,000
Adams (NE-9)	81,000
Cass (NE-10)	87,000
Nebraska Total	1,016,000

Cellular License Area	Population
Nevada	
Humbolt (NV-1)	52,000
Lander (NV-2)	58,000
Mineral (NV-4)	46,000
White Pine (NV-5)	14,000
Nevada Total	170,000
New Mexico	
Colfax (NM-2) (3)	4,000
Lincoln (NM-6) (4)	246,000
New Mexico Total	250,000
North Dakota	
Bismarck	95,000
Fargo	177,000
Grand Forks	96,000
Divide (ND-1)	97,000
Bottineau (ND-2)	57,000
North Dakota Valley (ND-3)	85,000
McKenzie (ND-4)	58,000
Kidder (ND-5)	47,000
North Dakota Total	712,000
Oklahoma	
Cimarron (OK-1)	30,000
Nowata (OK-4)	213,000
Beckham (OK-7)	127,000
Jackson (OK-8)	91,000
Oklahoma Total	461,000
South Dakota	
Rapid City	113,000
Sioux Falls	152,000
Harding (SD-1)	34,000
Corson (SD-2)	24,000
McPherson (SD-3)	51,000
Marshall (SD-4)	68,000
Custer (SD-5)	28,000
Haakon (SD-6)	39,000
Suly (SD-7)	68,000
Kingsbury (SD-8)	73,000
Harrison (SD-9)	108,000
South Dakota Total	758,000

Cellular License Area	Population
Texas	
Abilene	163,000
Brownsville-Harlingen	357,000
McAllen	625,000
Lubbock	249,000
Midland	117,000
Odessa	121,000
San Angelo	106,000
Dallas(TX-1)	56,000
Hansford(TX-2)	87,000
Parmer(TX-3)	137,000
Briscoe(TX-4)	43,000
Hardeman(TX-5)	78,000
Fannin(TX-7)	411,000
Gaines(TX-8)	135,000
Hudspeth(TX-12)	26,000
Reeves(TX-13)	30,000
Loving(TX-14)	40,000
Texas Total	2,781,000
Utah	
Juab(UT-3)	65,000
Beaver(UT-4)	140,000
Carbon(UT-5)	80,000
Piute(UT-6)	30,000
Utah Total	315,000
Wyoming	
Casper	66,000
Park(WY-1)	51,000
Sheridan(WY-2)	82,000
Lincoln(WY-3)(5)	1,000
Cheyenne, Laramie(WY-4)	138,000
Douglas(WY-5)	12,000
Wyoming Total	350,000
Sub-total Cellular	10,247,000
PCS Cellular License Area	**Population(6)**
Liberal, Kansas	36,000
Clovis, New Mexico	63,000
Amarillo, Texas	236,000
Sub-total PCS Cellular	*335,000*
Total Population	10,582,000

(1) We are the licensed A-2 carrier, servicing a portion of the Arizona 1 RSA.

(2) The population for the Idaho 3 RSA represents those areas where we have construction permits to build cell sites under our Idaho 2 license.

(3) We are the licensed A-2 carrier, servicing a portion of the New Mexico 2 RSA.

(4) The population for New Mexico 6 includes 100 persons in the New Mexico 3 RSA where we are the licensed A-2 carrier, servicing a portion of the New Mexico 3 RSA.

(5) We are the licensed A-2 carrier, servicing a portion of the Wyoming 3 RSA.

(6) Represents incremental population as portions of the Basic Trading Areas overlap certain cellular licenses.

Competition

Competition for subscribers among wireless communications providers is based principally upon the services and features offered, the technical quality of the wireless system, customer service, system coverage, capacity and price. Under current FCC rules, there may be up to six PCS licensees in each geographic area in addition to the two existing cellular licensees. Also, Specialized Mobile Radio ("SMR") dispatch system operators have constructed digital mobile communications systems, referred to as Enhanced Specialized Mobile Radio ("ESMR"), in many cities throughout the United States, including some of the markets in which we operate. Due to the high cost of construction, we do not believe PCS systems will be built in most of our RSAs in the near future.

Although we believe there are competitive advantages to operating in rural markets, we do operate in a competitive environment. Each of our cellular markets face one cellular competitor, such as Verizon, Alltel Corporation or Cingular. Additionally, we have PCS and ESMR competitors in most of our MSAs. Continuing industry consolidation has resulted in an increased presence of these regional and national wireless operators within our service areas. More recently, some national wireless operators have begun to build small networks in certain of the more densely populated or well-traveled portions of our service areas. The use of

national advertising and promotional programs by national wireless operators run in our markets are a source of additional competitive and pricing pressures even though these operators may not provide service in these markets. We also compete with wireless Internet, paging, dispatch services, resellers and landline telephone service providers in some of our service areas. Increasingly, cellular service is becoming a viable alternative to landline voice services for certain customer segments, putting cellular licensees in direct competition with traditional landline telephone service providers. One or two-way paging services that feature voice messaging and data display, as well as tone only service, may be adequate for potential subscribers who do not need to speak to the caller. Potential users of cellular systems may find their communications needs satisfied by other current and developing technologies.

In the future, we expect to face increased competition from entities providing similar services using other communications technologies. In addition, the auctioning and subsequent deployment of technology in additional spectrum and the disaggregation of spectrum could also generate new competition for us. While some of these technologies and services are currently operational, others are being developed or may be developed in the future. Continuing technological advances in the communications field make it difficult to predict the nature and extent of additional future competition.

Suppliers and Equipment Vendors

We do not manufacture any of the handsets, cell site or switching equipment used in our operations. The high degree of compatibility among different manufacturers' models of handsets with cell site and switching equipment allows us to design, supply and operate our systems without being dependent upon any single source of such equipment. The handsets and cell site equipment used in the operations are available for purchase from multiple sources. Manufacturers phased out the production of analog handsets during the fourth quarter of 2001, but new analog handsets remained available from various distribution channels through most of 2002. We believe that dual-mode and tri-mode handsets (handsets that contain both digital and analog capabilities) will continue to be available from multiple manufacturers in the foreseeable future. We currently offer handsets manufactured by Audiovox, Inc., Kyocera Wireless Corp., Motorola, Inc., and Nokia Telecommunications, Inc. ("Nokia") and purchase cell site and switching equipment primarily from Lucent Technologies, Inc. and Nortel Networks, Inc.

Intellectual Property

Cellular One is a service mark registered with the United States Patent and Trademark Office and owned by us.

We hold a federal trademark registration of the mark "Western Wireless" and have registered or applied for various other trade and service marks with the United States Patent and Trademark Office.

Regulatory Environment

The FCC regulates the licensing, construction, operation, acquisition, sale and resale of cellular systems in the United States, pursuant to the Communications Act of 1934, as amended (the "Communications Act"), and the rules, regulations and policies promulgated by the FCC thereunder. FCC regulations distinguish, in part, between "cellular" licenses which are for 800 MHz frequency, and PCS licenses, which are for 1900 MHz frequency. The Communications Act preempts state and local regulation of the entry of, or the rates charged by, any provider of commercial mobile radio service ("CMRS"), such as a cellular service provider. State governments, however, can regulate certain other terms and conditions of cellular service offerings and some states have imposed or are considering the imposition of consumer protection regulations on the wireless industry.

Licensing of Wireless Communications Systems

A cellular communications system operates under a license granted by the FCC for a particular market or geographic area on one of two 25 MHz frequency blocks allocated for cellular radio service. Cellular authorizations are issued for a 10-year license term beginning on the date of the initial notification to the FCC

of the completion of construction by a cellular carrier. Under FCC rules, the authorized service area of a cellular provider in each of its markets is referred to as the Cellular Geographic Service Area ("CGSA").

At the end of the 10-year initial term for cellular licenses, licensees must file applications for renewal of licenses. The FCC has adopted specific standards governing cellular license renewals. Under these standards, a cellular license will generally be renewed for additional 10 year terms if a cellular licensee has provided substantial service during its past license term and has substantially complied with applicable FCC rules and policies and the Communications Act.

The Communications Act and FCC rules require the FCC's prior approval of any assignments of cellular licenses, including construction permits, or transfers of control of cellular licensees. Non-controlling interests in an entity that holds a cellular license generally may be bought or sold without prior FCC approval. If the transaction is over a certain size, any acquisition or sale of cellular interests may also require the prior approval of the Federal Trade Commission and the Department of Justice as well as approval from any state or local regulatory authorities having competent jurisdiction.

As of January 1, 2003, there is no longer a limit on the amount of CMRS spectrum (i.e., cellular, PCS, and SMR) that a carrier can hold in a market. However, there remains a cellular cross-interest rule that prohibits a carrier from owning an attributable interest in both cellular licenses in a single RSA market. Although the FCC retained the cellular cross-interest rule in RSAs, it will consider waivers of the rule for RSAs that exhibit market conditions under which cellular cross-interest may be permissible without significant likelihood of substantial competitive harm. Notwithstanding the removal of the spectrum cap and partial removal of the cross-interest restriction, the FCC has indicated that it will engage in a case by case review of any anticompetitive effects of CMRS spectrum acquisitions, although it is not clear what criteria the FCC will use in such review.

Regulatory Developments

E911 Service — The FCC has adopted rules governing the provision of emergency 911 services by cellular, PCS and other mobile service providers, including enhanced 911 ("E911") services that provide the caller's telephone number, location, and other useful information. Cellular and PCS providers must be able to process and transmit 911 calls (without call validation), including those from callers with speech or hearing disabilities.

Under Phase I of the FCC's E911 rules, if a Public Service Answering Point ("PSAP") requests and is capable of processing the caller's telephone number and location information, then cellular, PCS, and other mobile service providers must relay a caller's automatic number identification and the location of the cell site or base station receiving a 911 call. Wireless carriers must transmit all 911 calls without regard to validation procedures intended to identify and intercept calls from non-subscribers. The FCC's rules require that analog cellular phones include a separate capability for processing 911 calls that permit these calls to be handled, where necessary, by either cellular carrier in the area. This rule applies only to new analog cellular handsets and not to existing handsets or to PCS or SMR services.

Under Phase II of the FCC's E911 rules, CMRS carriers are allowed to choose a handset-based or network-based approach for identifying the location of an E911 caller. In areas where we have received valid requests for Phase II service, we will implement a handset-based approach which requires that the PSAP be able to identify the location of a 911 caller within 50 meters for 67% of all calls and within 150 meters for 95% of all calls. To date, we have received nine requests for Phase II service and are working with each PSAP to assess their readiness and schedule deployment plans to meet the FCC's requirements. Under a waiver granted by the FCC, we were required to begin selling and activating handsets with automatic location identification capability by March 1, 2003. We have complied with this requirement. Additionally, under the waiver, we are required to meet the following benchmarks: (i) by May 31, 2003, 25% of new handset sales must be Phase II compliant; (ii) by November 30, 2003, 50% of new handset sales must be Phase II compliant; (iii) by May 31, 2004, 100% of new handset sales must be Phase II compliant. In addition, by December 31, 2005, 95% of all subscriber handsets must be Phase II compliant. Under the FCC rules, carriers must begin

providing Phase II service within six months of the latter of receiving a valid request for service from a PSAP or March 1, 2003.

Universal Service — In its implementation of the Communications Act, the FCC established new federal universal service rules, under which wireless service providers are eligible, for the first time, to receive universal service subsidies, and are also required to contribute to both federal and state USFs. For the first and second quarters of 2003, the FCC's universal service contribution factor amounted to 7.3 percent and 9.1 percent, respectively, of a wireless service provider's interstate and international telecommunications revenues. This contribution factor is subject to quarterly review and possible revision. Under the FCC rules, a wireless service provider may receive universal service support for providing telephone service in rural high-cost areas, provided that the wireless service provider has been designated as an ETC by a state commission or the FCC. Some states have conditioned ETC status on the service provider meeting certain consumer protection and service quality requirements. In an effort to maintain sufficient funding, the FCC adopted interim rules for determining the amount of interstate and international telecommunication revenues subject to the federal universal service contribution factor for wireless carriers. Under these new rules, wireless carriers can either use a proxy percentage to determine the amount of the carrier's total subscriber revenue subject to the universal service contribution factor or calculate the amount of actual subscriber revenue which is interstate or international. The FCC increased the proxy percentage from 15 to 28.5 percent effective April 1, 2003. Many states have also established state USF programs that require all telecommunications carriers, including CMRS carriers, to contribute to the fund. Under some of these state USFs, CMRS carriers are also eligible to receive universal service support. Both federal and state USFs are subject to change based upon pending regulatory proceedings, court challenges, and marketplace conditions.

Local Number Portability — The FCC has adopted rules on telephone number portability and number pooling in an effort to achieve more efficient number utilization. The FCC established November 24, 2003 as the extended deadline for CMRS carriers to implement service provider number portability in the top 100 Combined Metropolitan Service Areas ("CMSAs"). For markets outside of the top 100 CMSAs, the number portability requirement is triggered only upon receipt of a request by another carrier to port a customer's telephone number. In such cases, carriers have six months to comply with these requests. Our McAllen, Texas MSA market falls within the top 100 CMSAs. We have filed a request with the FCC to waive the local number portability requirement as it applies to our McAllen MSA or, in the alternative, reinstate the prior rule that imposed number portability only in the top 100 MSAs (not CMSAs). In addition to our McAllen MSA market, we have 7 RSA markets which include counties, all or a portion of which have been designated as within the top 100 CMSAs. We have asked the FCC to rule that such markets not be considered within the top 100 CMSA markets and not be subject to local number portability requirements or, in the alternative, waive the number portability requirements for such markets. Both these requests are currently pending before the FCC. The number portability requirements are subject to change based upon regulatory proceedings and court challenges.

Number Pooling — Wireless carriers are also subject to requirements governing number pooling, which provide for the assignment and use of available numbers. The FCC has imposed what is referred to as "thousand block pooling," meaning carriers may only request and will only be assigned numbers in blocks of one thousand numbers rather than the previous blocks of ten thousand numbers. The number pooling requirements apply only to carriers operating within the top 100 CMSAs. Under the current rules, the implementation date for number pooling in most of these markets is June 10, 2003. We have filed a request with the FCC to waive the requirement to implement number pooling in our McAllen MSA and CMSA overlap markets, similar to our local number portability rules waiver request, which is currently pending. Implementation of the number portability and pooling requirements will cause significant network upgrade costs for all wireless carriers.

Employees and Labor Relations

We consider our labor relations to be good and none of our employees are covered by a collective bargaining agreement. As of December 31, 2002, we employed domestically a total of 2,347 people in the following areas:

Category	Number of Employees
Sales and marketing	892
Engineering	247
General and administrative, including customer service	1,208

The Business of WWI

Overview

WWI, through its consolidated subsidiaries and other operating companies, is a provider of mobile communications services in Slovenia, Austria, Ireland, Bolivia, Ghana, Haiti, Côte d'Ivoire, Croatia and Georgia. These companies are licensed to provide wireless services to a geographic population of over 75 million people. At December 31, 2002, the Company owned approximately 98% of WWI and the balance was owned by Bradley Horwitz, Executive Vice President of the Company and President of WWI. In November 2002, WWI sold its ownership interest in its Icelandic subsidiary.

The primary business of WWI is the delivery of mobile telecommunications services in markets outside of the United States. In certain markets, WWI's operating companies also provide other telecommunications services, including fixed line services, wireless local loop, international long distance and Internet access. WWI's largest non-mobile business is its fixed-line operations in Austria.

In 2002, 82% of WWI's consolidated service revenues were generated by its European subsidiaries in Ireland, Austria and Slovenia. Of these European service revenues, mobile telecommunications services accounted for approximately 77% of these revenues.

International Business and Strategy

WWI's strategy is to build a portfolio of wireless asset investments and opportunistically exit them as individual businesses mature and appropriate valuations can be realized. We believe the key elements in executing this strategy are:

- Low acquisition costs
- Potential for rapid growth
- An ability to partially fund operations by securing debt financing at the operating company level

WWI provides management expertise to all of its operating companies, particularly in the early stages of development, and it exercises significant control over management decisions in all of its consolidated markets.

WWI provides telecommunications services primarily in two types of markets. Historically, WWI focused investments in markets characterized by a substantial unmet demand for communications services offering the potential of rapid subscriber growth. Our markets that meet this profile include: Bolivia, Ghana, Haiti, Côte d'Ivoire, Croatia and Georgia. These markets are often characterized by inadequate local landline telephone service, which is unavailable to the majority of the population. WWI believes that wireless technology is a more economic medium to deliver telecommunications services in these markets. By introducing competition and providing customers with a high-quality alternative, WWI has succeeded in expanding the size and service offerings of the telecommunications sector in these markets. These markets tend to have limited competition in the wireless sector and generally have wireless penetration rates below 20%.

In addition to investments in underserved markets, WWI has increasingly focused its investment in countries with more developed telecommunications infrastructure and substantial wireless competition, but where the entry costs are sufficiently low and the growth potential is sufficient to present an attractive investment opportunity. These markets generally have wireless penetration rates of 70% or higher and include Ireland, Austria and Slovenia.

In 2002, WWI's consolidated subsidiaries grew their mobile subscriber base by 51%.

Markets and Operations

Each of WWI's operating companies operate cellular communications systems over radio frequencies licensed by the telecommunications regulatory body of its respective country.

Each of WWI's operating companies that provide wireless mobile services utilize GSM technology operating at the 900-MHz, 1800-MHz or 1900-MHz frequencies, with the exception of WWI's operating company in Haiti, which utilizes TDMA technology at the 800-MHz frequency. GSM is the most widely used wireless technology in the world, serving over 800 million customers. GSM offers an open system architecture, is supported by a variety of vendors and allows operators to achieve cost economies in infrastructure and mobile terminal equipment. GSM also provides the benefit of a single phone number and transparent services on a global roaming basis. Further, GSM has high capacity, high voice quality and utilizes industry-leading encryption and authentication technology that provides customers with a high level of subscription and conversation privacy. GSM has always supported wireless data and currently supports high-speed packet-based data transmission. This allows GSM operators to provide customers with enhanced Internet and mobile data services.

WWI's operating company in Austria operates a 5,300-km fiber-optic network that provides fixed-line communications services to customers as well as backhaul transmission for its mobile network.

The following table sets forth the countries in which WWI provides communications services, the populations of such country and the beneficial ownership of WWI in the operating entity providing such services. Population data related to WWI markets is included in the following table as of July 2002 as reported by the Central Intelligence Agency World Fact book.

Markets	Population	Beneficial Ownership Percentage
Slovenia	1,933,000	100.0%
Austria	8,170,000	99.5%
Ireland	3,883,000	81.0%
Bolivia	8,445,000	71.5%
Ghana	20,244,000	56.7%
Haiti	7,064,000	51.0%
Côte d'Ivoire	16,805,000	40.0%
Croatia	4,391,000	19.0%
Georgia	4,961,000	14.5%
Total	75,896,000	

Those operating entities in which we have a beneficial ownership interest of greater than 50%, as noted in the table above, are consolidated as part of our financial results. Others are accounted for as an equity investment.

Slovenia — WWI's operating company in Slovenia, Western Wireless International d.o.o. ("WWI d.o.o."), provides GSM mobile communications services in the 1800-MHz band. WWI d.o.o. launched commercial services in December 2001, under the brand name Vega.

Austria — WWI's operating company in Austria, tele.ring Telekom Services GmbH ("tele.ring"), provides GSM mobile communications, fixed-line and Internet services. tele.ring launched commercial GSM mobile services in the 1800-MHz band in May 2000. In addition, an affiliate of tele.ring owns a third generation license. It is anticipated we will begin limited build-out of a third generation network in 2003. We acquired tele.ring at the end of June 2001.

Ireland — WWI's operating company in Ireland, Meteor Mobile Communications Limited ("Meteor"), provides GSM mobile communications services in the 900-MHz and 1800-MHz bands. Meteor's dual-band network launched commercial services in February 2001.

Bolivia — WWI's operating company in Bolivia, NuevaTel S.A. ("NuevaTel"), provides GSM mobile communications services in the 1900-MHz band. NuevaTel launched commercial services in November 2000 under the brand name Viva. In 2002, Viva also began operating a long distance business.

Ghana — WWI's operating company in Ghana, Western Telesystems (Ghana), Ltd. ("Westel"), is licensed to provide fixed and wireless telecommunications services, including basic phone service, cellular, paging, international long distance, pay phones, data communications, private networks and satellite communications. Westel has operated a wireless local loop network and international gateway since February 1998.

Haiti — WWI's operating company in Haiti, Communication Cellulaire d'Haiti S.A. ("COMCEL"), provides TDMA mobile communications services in the 800-MHz band. Additionally, COMCEL carries international long distance traffic to and from Haiti. COMCEL launched commercial mobile services in September 1999.

Côte d'Ivoire — WWI's operating company in Côte d'Ivoire, Cora de Comstar S.A. ("Comstar"), provides GSM mobile communications services in the 900-MHz band. After WWI's acquisition of its interest in Comstar, Comstar relaunched commercial services under the new brand name CORA de Comstar ("Cora") in September 2000. Since September 2002, Côte d'Ivoire has undergone sustained political instability, including an attempted coup and continued rioting. Although Cora continues to operate, its revenues and cash flows have been severely impacted. As a result, we have fully written off our investment in Cora.

Croatia — WWI's operating company in Croatia, VIP-Net d.o.o. ("VIP-Net") provides GSM mobile communications services in Croatia in the 900-MHz band. VIP-Net launched commercial service in July 1999.

Georgia — WWI's operating company in the Republic of Georgia, MagtiCom GSM, Ltd. ("MagtiCom"), provides GSM mobile communications services in the 900-MHz band. MagtiCom launched commercial services in September 1997.

Products and Services

Basic Services — WWI's operating companies provide a variety of wireless products and services designed to match a range of needs for business and personal use. Calling features that WWI's operating companies provide include short message services ("SMS"), voicemail, message alert, caller ID, call waiting, call hold and conference calling. WWI's operating companies offer services to WWI's customers through both "postpaid" and "prepaid" payment plans. Postpaid contracts consist of a fixed monthly charge (with varying allotments of included minutes) plus variable charges for additional use. Prepaid plans require advance payment for airtime in specific currency denominations. Once the available airtime is consumed, the customer must "replenish" or prepay for additional airtime in order to continue using the service. At the end of 2002, 68% of our customers were on prepaid plans and 32% were on postpaid plans.

Roaming — Customers of WWI's European operations are able to roam throughout Europe and worldwide, either on other GSM-based networks utilizing the same spectrum band or through the use of multi-band handsets that can be used on GSM systems utilizing a different spectrum band. Additionally, WWI's European operations generate revenues by allowing customers of other GSM operators to roam on their networks.

Data Services — WWI's operating companies offer a variety of data services that enable users to access information, send and receive e-mail, play games, and download ringtones and icons to their handsets. In Austria, WWI operates a GPRS-enabled (General Packet Radio Service) network that provides for a high capacity, "always-on" Internet connection, and services that include color web browsing, e-mail, information services, and location-based services. In Ireland and Slovenia, WWI offers an array of data services that are delivered over a SMS-based platform. These data services enable users to access information (i.e.: news, sports, weather, stocks, and film times) and receive customized information alerts, as well as participate in interactive games.

Fixed-Line Services — WWI's Austrian operating company offers three distinct fixed communications services: residential voice service, dial-up Internet access, and high-speed data access for corporate clients. It also provides value-added and carrier services, leased line services and data services such as intranet and VPN.

Marketing, Sales and Customer Service

WWI's sales and marketing strategy is to seek to generate rapid net subscriber growth and increased subscriber revenues in each of its markets.

Marketing — Each of WWI's operating companies markets its products and services under its own brand name and develops its own marketing strategy to address the local market conditions. The focus of each operating company's marketing efforts is dependent upon a number of factors, including overall market penetration, number of competitors and network coverage.

Sales — WWI's operating companies sell their products and services through a distribution network including company-owned stores, exclusive and non-exclusive dealers, national and local retailers, and direct sales forces targeting corporate accounts. Each operating company uses a combination of direct and indirect sales channels, the mix of which is dependent on the local conditions of the market. The retail channel (including retail stores, mini-stores, and kiosks) uses personnel that are trained to educate new customers on products and services and to provide basic customer service. WWI believes this channel provides the physical presence in local markets necessary to position each operating company as a quality local service provider, while providing greater control over both costs and the sales process. The indirect channel consists of extensive dealer networks of national and local merchants, specialty retailers, and alternative direct-marketing firms.

WWI's operating companies also act as retail distributors of handsets and maintain inventories of handsets. Although customers generally are responsible for purchasing or otherwise obtaining their own handsets, WWI's operating companies have historically sold handsets below cost to respond to competition for new subscribers. We expect these handset subsidies to remain common industry practice for the foreseeable future.

Customer Service — WWI considers customer service a key element of its operating philosophy and is committed to attracting and retaining subscribers by seeking to provide consistently superior customer care. Each of WWI's European operating companies operates full-service, 24-hour call centers, where customer inquiries are addressed by well-trained customer service personnel and technical staff using sophisticated monitoring and control systems.

Competition

In each of the markets where WWI's operating companies operate, they compete with other communications services providers including landline telephone companies and other wireless communications companies. In each European market, WWI generally competes with two or three other GSM operators. Most of these competitors are well-established companies or subsidiaries of well-established companies such as Vodafone plc, Telekom Austria, T-Mobile and mm02. Such companies have substantially greater financial and marketing resources, larger subscriber bases, better name recognition and in some cases, larger coverage areas than those of WWI's operating companies.

In the future, we expect to face new competition from entities licensed to provide similar services using other communications technologies, including so-called "third generation" technology. In WWI's European

markets, existing wireless operators as well as new entrants have been awarded third generation licenses and in some cases they have announced their intention to launch third generation services in 2003.

Suppliers and Equipment Vendors

WWI's operating companies do not manufacture any of the handsets, cell site or switching equipment used in their operations. The high degree of compatibility among different manufacturers' models of handsets with cell site and switching equipment allows WWI's operating companies to design, supply and operate their systems without being dependent upon any single source of such equipment. The handsets and cell site equipment used in our operations are available for purchase from multiple sources. The largest handset manufacturers of WWI's European operations are Nokia and Siemens AG. WWI purchases cell site and switching equipment primarily from Alcatel, Lucent Technologies, Inc. and Siemens AG.

Governmental Regulation

The licensing, construction, operation and ownership of communications systems, and the granting and renewal of applicable licenses and radio frequency allocations, are regulated by governmental entities in each of the countries in which WWI's operating companies conduct business. In Europe, the licenses which allow WWI's operating companies to provide wireless licenses were initially granted for terms of 15 or 20 years and in some cases there are not explicit provisions in the licenses which allow for renewal.

Under the terms of the Ghana license, Westel was required to meet certain customer levels and build-out requirements by February 2002. Westel was unable to meet the required customer levels due to the inability of the regulator to provide spectrum and enforce interconnection with the incumbent telephone company and all development has been stifled. The National Communication Authority of Ghana ("NCA") has assessed a penalty claim of $71 million for not meeting these build-out requirements. Westel has contested this fine on the basis that the government and the NCA failed to deliver the key commitments of spectrum and interconnection and does not believe the enforcement of these penalties is probable.

Employees and Labor Relations

WWI considers its labor relations to be good. As of December 31, 2002, WWI's consolidated operating companies employed a total of 1,497 people in the following areas:

Category	Number of Employees
Sales and marketing	354
Engineering	387
General and administrative, including customer service	756

RISK FACTORS

We have a significant amount of debt, which may limit our ability to raise additional capital to meet our future funding and debt service requirements

As of December 31, 2002, our total long-term indebtedness was $2.5 billion, including a current portion of $144 million. Of such indebtedness, $1.8 billion was outstanding under our $2.1 billion Credit Facility (the "Credit Facility") and $383 million was outstanding under our Senior Subordinated Notes due 2006 and 2007 (the "Senior Subordinated Notes"). Effective March 31, 2003, we begin making principal payments under the Credit Facility. The amount of required principal payments in 2003 is $106 million based on outstanding borrowings at December 31, 2002 under the Credit Facility. Indebtedness under the Credit Facility matures on September 30, 2008. Substantially all our domestic assets are pledged as security for the indebtedness under the Credit Facility. The Credit Facility and the Indentures for our Senior Subordinated Notes contain, and any additional financing agreements may contain, certain restrictive covenants. The restrictions in the Credit Facility and the Senior Subordinated Notes affect, and in some cases significantly limit or prohibit, among other things, our ability to incur indebtedness, sell assets, make investments and acquisitions, pay

dividends, and engage in mergers and consolidations. Additionally, the Credit Facility and the Senior Subordinated Notes require us to comply with certain financial and operational performance covenants, and, while we expect to remain in compliance with such covenants, there can be no assurance to that effect. An event of default under the Credit Facility or the Senior Subordinated Notes would allow the lenders to accelerate the maturity of the indebtedness thereunder. In such event, it is likely that all of our indebtedness would become immediately due and payable.

The continued growth and operation of our business will require additional funding for working capital, debt service, the enhancement and upgrade of our network, the build-out of infrastructure to expand our coverage and possible acquisitions of spectrum licenses. The current levels of our debt could limit our ability to obtain future debt or equity financing on terms favorable to us or at all. Our sources of additional capital may include public or private equity and debt financings, including vendor financing. The availability of additional financing is dependent upon the condition of the capital markets and the extent of the additional financing that we may require will depend on the success of our operations. In addition, we must use a substantial portion of our cash flows from operations to make payments of principal and interest on our debt, thereby reducing funds that could be available for working capital, the enhancement and upgrade of our network, the buildout of infrastructure to expand our coverage and possible acquisitions. Additionally, competitive factors, future declines in the U.S. economy, unforeseen construction delays, cost overruns, regulatory changes, engineering and technological changes and other factors may result in funding requirements in excess of current estimates or an inability to generate sufficient cash flow to service our debt. The unavailability of such funding could cause us to delay or abandon some of our planned growth and development or to seek to sell assets to raise additional funds, either of which could have a material adverse effect on our business, strategy, operations and financial condition. Given that a substantial portion of our assets consists of intangible assets, principally licenses granted by the FCC, the value of which will depend upon a variety of factors (including the success of our business and the wireless communications industry in general), there can be no assurance that our assets could be sold quickly enough, or for sufficient amounts, to enable us to meet our obligations.

Additionally, a number of our consolidated international subsidiaries and other international operating companies have credit facilities to finance their operations. At December 31, 2002, the total long-term indebtedness of our consolidated international subsidiaries to third parties was $278 million. At December 31, 2002, our Slovenian entity had borrowed $71.4 million under its credit facility (the "Slovenian Credit Facility"). At December 31, 2002, our Bolivian subsidiary had a bridge loan of $34.7 million, which is due on March 31, 2003. An extension of the bridge loan, as well as the terms of a refinancing of the loan, is currently being negotiated. In January 2003, the Overseas Private Investment Corporation approved a $50 million loan guarantee for the refinancing. There can be no assurance that such an extension will be granted or that the refinancing of such loan can be obtained on terms acceptable to us, if at all.

The debt facilities of our international operating companies contain certain restrictive covenants and financial covenants. The Slovenian Credit Facility contains certain borrowing conditions and restrictive covenants, including: minimum subscribers; population coverage; certain cash flow requirements; minimum contributed capital and debt service coverage. Western Wireless International Corporation ("WWIC"), a subsidiary of WWI, has guaranteed the Slovenian Credit Facility under certain circumstances. Additionally, WWIC has agreed not to sell or dispose of any majority owned subsidiary without the approval of the Slovenian lenders. Based on current operating conditions, Vega believes that it is necessary to amend certain terms and conditions of the Slovenian Credit Facility in 2003 in order to avoid future revenue shortfalls or other covenant breaches, some of which cannot be remedied. In March 2003, WWI met with the lead arranger bank of the Slovenian Credit Facility and believes that an agreement can be reached amending the Slovenian Credit Facility and that no further borrowings will be permitted. We believe no action will be taken to accelerate the loan during the pending negotiations to finalize the amendment. We can offer no assurance that the participating banks will grant an amendment. In the event that Vega breaches one of the covenants that cannot be cured, measured each June 30 and December 31, and does not obtain the amendment, the outstanding balance under the Slovenian Credit Facility could become payable upon demand.

If we do not achieve planned domestic operating cash flow targets, we may be required to curtail capital spending, reduce expenses, or otherwise modify our planned operations or seek additional debt or equity at the

domestic or international level or restructure our existing financing arrangements. There can be no assurance that such funds or refinancing will be available to us on acceptable terms, if at all.

We have substantial losses from continuing operations and we may not become profitable in the future

We sustained losses from continuing operations of approximately $215.3 million in fiscal 2002 and $143.6 million in 2001 and had income from continuing operations of $65.4 million in fiscal 2000. At December 31, 2002, we had an accumulated deficit of $1.1 billion and a net capital deficiency of $486.4 million. We may continue to incur significant losses during the next several years, and there can be no assurance that we will be able to service our debt requirements and other financial needs.

We face substantial competition in all aspects of our business

We operate in highly competitive markets and there is substantial and increasing competition in all aspects of the wireless communication business. Competition for subscribers among wireless communications providers is based principally upon the services and features offered, the technical quality of the wireless system, customer service, system coverage, capacity and price.

Many of our competitors operate in the national market and provide services comparable to ours and have the advantages of greater geographical coverage and more customers and the ability to offer no or low cost roaming and toll calls in wider areas. If the wireless communications industry continues to consolidate and we do not participate in that consolidation, even stronger competitors may be created. Effective January 1, 2003, the FCC eliminated the spectrum cap and the cellular cross-interest restriction in the larger, urban cellular markets which also may facilitate the creation of larger and more formidable competitors. Several of our competitors also operate in multiple segments of the industry. In the future, we expect to face increased competition from entities providing similar services using other communications technologies. The auctioning and subsequent deployment of technology in additional spectrum and the disaggregation of spectrum could also generate new competition for us. While some of these technologies and services are currently operational, others are being developed or may be developed in the future. With so many companies targeting many of the same customers, we may not be able to successfully attract and retain customers and grow our customer base and revenues, and as a result, our profit margins may decrease.

A significant portion of our revenues are derived from roaming and our failure to maintain favorable roaming arrangements could materially adversely affect our future operating results

Roaming revenues accounted for approximately 22% of our total revenues for the fiscal year ended December 31, 2002. We have roaming agreements with most of the wireless carriers in North America, including AT&T Wireless, Cingular, and Verizon. When these agreements expire or are terminated, we may be unable to renegotiate these roaming agreements or to obtain roaming agreements with other wireless providers upon acceptable terms. Further, some competitors may be able to obtain roaming rates and terms that are more favorable than those obtained by us. AT&T Wireless, our largest roaming partner, and Cingular have announced their intention to transition their customer bases to a GSM platform. If we are not able to add a GSM platform to our network, maintain and expand our roaming footprint or maintain favorable roaming arrangements with other wireless carriers, our coverage area or pricing we offer relative to our competitors may not be as attractive. Such inability would have a material adverse affect on our business, operations and financial condition.

While our roaming agreements generally require other carriers' customers to use our network when roaming, our roaming agreements generally do not prevent our roaming partners from acquiring licenses to provide competing services in our markets. Further, our roaming partners could negotiate a roaming agreement in all or portions of our markets with another wireless carrier. If any of our roaming partners were to acquire the required licenses and build networks in our markets or enter into roaming agreements with other wireless carriers that provide competing services in our markets and permit our roaming partners to roam on that other carrier's network, we could lose a substantial portion of our roaming revenues in those markets, which could have a material adverse effect on our business, operations and financial condition.

Failure to develop future business opportunities, such as wireless data services and to improve network coverage, quality and capacity within the markets that we currently serve may limit our ability to compete effectively and grow our business

An important element of our strategy is to bring new telecommunications services, such as wireless data services, to rural America. In general, the development of new services in our industry requires us to anticipate and respond to varied and rapidly changing customer demand. In order to compete successfully against the other participants in the United States wireless industry, we will need to commercialize and introduce new services on a timely basis. The ability to deploy and deliver these services relies, in many instances, on new and unproven technology that will demand substantial capital outlays and spectrum capacity. Our available capital and spectrum may not be sufficient to support these services. We cannot guarantee that devices for such new services or applications for such devices will be commercially available or accepted in the marketplace, and we cannot assure that we will be able to offer these new services profitably. In addition, there could be legal or regulatory restraints on wireless data services as the applicable laws and rules evolve. If these services are not successful or if costs associated with implementation and completion of the introduction of these services materially exceed those currently estimated, our ability to retain and attract customers and our operations and financial condition could be materially adversely affected.

We essentially completed the network build-out of the markets for which we hold licenses, and are now primarily focused on improving network coverage, quality and capacity within and around the markets we currently serve and completing the expansion of digital CDMA technology throughout our markets. We cannot guarantee that we will be able to do so in a time frame that will permit us to remain competitive at the cost we expect or at all. Failure or delay in improving network coverage, quality and capacity on a timely basis or at all, or increased costs to accomplish such improvement, could have a material adverse effect on our business, strategy, operations and financial condition.

Our FCC licenses are subject to renewal and potential revocation in the event that we violate applicable laws. The loss of any of such licenses could materially and adversely affect our ability to service our customers

Our licenses are subject to renewal upon the expiration of the ten-year period for which they are granted. Although the FCC has routinely renewed wireless licenses in the past, we cannot provide assurance that no challenges will be brought against our licenses in the future. Violations of the Communications Act or the FCC's rules could result in license revocations, forfeitures, fines or non-renewal of licenses. We have five cellular licenses that are subject to the renewal process over the next three years. While we believe that each of our cellular licenses will be renewed, there can be no assurance that all of the licenses will be renewed. If any of our licenses are forfeited, revoked or not renewed, we would not be able to provide service in that area unless we contract to resell wireless services of another provider or enter into roaming agreements.

Government regulations determine how we operate, which could increase our costs and limit our growth, revenue and strategy plans

The FCC regulates the licensing, construction, operation, acquisition and sale of our business, and we are subject to laws and regulations of other federal, state and local government bodies. Future changes in regulation or legislation could impose significant additional costs on us, either in the form of direct out of pocket costs or additional compliance obligations, or subject us to sanctions, which may have a material adverse effect on our business. Additionally, Congress' and the FCC's continued allocation of additional spectrum for CMRS, which includes cellular and personal communication services and specialized mobile radio, could significantly increase competition.

The rapid growth and penetration of wireless services has prompted the interest of the FCC, state legislatures and state public utility commissions ("PUC") to oversee certain practices by the wireless industry. These practices are generally in the form of efforts to regulate customer billing, termination of service arrangements, advertising, filing of "informational" tariffs, certification of operation, and other areas. While the Communications Act generally preempts state and local governments from regulating the entry of,

or the rates charged by, wireless carriers, a state has authority to regulate "other terms and conditions" of service offerings by CMRS providers. They may also petition the FCC to allow it to regulate the rates of CMRS providers. No state has yet petitioned the FCC, but such action by the states in the future cannot be precluded. Several states have also proposed or imposed consumer protection regulations on CMRS providers. For example, the California PUC has proposed extensive consumer protection and privacy regulations for all telecommunications carriers. If adopted, the rules will significantly alter our business practices in California with respect to nearly every aspect of the carrier-customer relationship, including solicitations, marketing, activations, billing and customer care. The California PUC is also contemplating rules to address other service quality issues, including service repair, service outages and toll operator answering time that could apply to CMRS providers. At the local level, wireless facilities typically are subject to zoning and land use regulation, and may be subject to fees for use of public rights of way. Although local and state governments cannot categorically prohibit the construction of wireless facilities in any community, or take actions that have the effect of prohibiting construction, securing state and local government approvals for new tower sites may become a more difficult and lengthy process. Such regulations, if approved, could expose carriers to increased legal responsibility for state's varying standards of service quality and may materially impact our operating costs.

Cellular licensees are subject to certain Federal Aviation Administration ("FAA") regulations regarding the location, marking/lighting, and construction of towers. Each tower requiring FAA notification also requires tower registration with the FCC. In addition, our facilities may be subject to regulation by the Environmental Protection Agency ("EPA") and the environmental regulations of the FCC under the National Environmental Policy Act and of certain states and localities. State or local zoning and land use regulations may also apply to our activities.

The FCC does not presently specify the rates CMRS carriers may charge for their services, nor does it require the filing of tariffs for wireless operations. However, the FCC has the authority to regulate the rates, terms and conditions under which wireless carriers provide service because CMRS carriers are statutorily considered to be common carriers and thus are required to charge just and reasonable rates and are not allowed to engage in unreasonable discrimination. The FCC has adopted rules governing charges for long distance service (e.g., rate integration) and use of customer proprietary network information, but these rules have been vacated by the courts and are now subject to further FCC review. Additionally, the FCC has adopted rules governing billing practices and access to wireless services by the disabled. While none of these existing requirements have a material impact on our operations, there is no assurance that future regulatory changes may not materially impact us. The FCC has determined that the Communications Act does not preempt state damage claims as a matter of law, but whether a specific damage award is prohibited would depend upon the facts of a particular case. This ruling may affect the number of class action suits brought against CMRS providers and the amount of damages awarded by courts.

Concerns about health and safety risks may discourage use of wireless services, result in liability issues and materially adversely affect our business

Media reports have suggested that radio frequency emissions from wireless handsets may be linked to various health concerns, including cancer, and may interfere with various electronic medical devices, including hearing aids and pacemakers. Concerns over radio frequency emissions may have the effect of discouraging the use of wireless handsets, and thus decrease demand for wireless products and services. In recent years, the FCC and foreign regulatory agencies have updated the guidelines and methods they use for evaluating radio frequency emissions from radio equipment, including wireless handsets. In addition, interest groups have requested that the FCC investigate claims that wireless technologies pose health concerns and cause interference with airbags, hearing aids and medical devices. The FDA has issued guidelines for the use of wireless phones by pacemaker wearers. Safety concerns have also been raised with respect to the use of wireless handsets while driving. Federal, state and local legislation has been proposed in response to these concerns. The FCC's safety limits for human exposure to radio frequency emissions went into effect September 1, 2000. After September 1, 2000 if any facility, operation or device is found to be non-compliant with radio frequency emissions guidelines, and if any required environmental assessment has not been filed,

penalties ranging from fines to license forfeiture may be imposed. Several lawsuits have been filed against us, other wireless carriers and other participants in the wireless industry, asserting product liability, breach of warranty, adverse health effects and other claims relating to radio frequency transmissions to and from handsets and wireless data devices. Some of these lawsuits allege other related claims, including negligence, strict liability, conspiracy and the misrepresentation of or failure to disclose these alleged health risks. The complaints seek substantial monetary damages as well as injunctive relief. The defense of these lawsuits may divert our management's attention, we may incur significant expenses in defending these lawsuits, and we may be required to pay significant awards or settlements.

Additional studies of health effects of wireless services are ongoing and new studies are anticipated. If such further research establishes any link between the use of handsets and health problems, such as brain cancer, then usage of, and demand for our services may be significantly reduced, and we could be required to pay significant expenses in defending lawsuits and significant awards or settlements, any or all of which could have a material adverse effect on our business, operations and financial condition.

We may also be subject to potential litigation relating to the use of handsets and wireless data devices while driving. Some studies have indicated that using these devices while driving may impair drivers' attention. Legislation has been proposed in the United States Congress and many state and local legislative bodies to restrict or prohibit the use of wireless phones while driving motor vehicles. To date, New York State and some localities in the United States have passed laws restricting the use of handsets, and similar laws have been enacted in other countries. Additionally, some jurisdictions have passed laws restricting the use of handsets by persons such as school bus drivers and novice drivers. These laws or, if passed, other laws prohibiting or restricting the use of wireless handsets while driving, could reduce sales, usage and revenues, any or all of which could have a material adverse effect on our operations and financial condition.

Finally, we cannot be certain that we or the wireless industry in general may not be subject to litigation should a situation arise in which damage or harm occurs as a result of interference between a CMRS carrier such as us and a public safety licensee, such as a "911" emergency operator, or any failure of any such "911" emergency call while using our network.

Control by management may discourage potential acquisitions of our business and may have a depressive effect on the market price for our Class A Common Stock

Holders of our Class A Common Stock are entitled to one vote per share and holders of our Class B Common Stock are entitled to ten votes per share. Each share of Class B Common Stock is convertible at any time into one share of Class A Common Stock. John W. Stanton and Theresa E. Gillespie, our Chairman and Chief Executive Officer and our Vice Chairman, respectively, are husband and wife and beneficially represent 47.1% of the combined voting power of Common Stock. Such voting control by such holders and certain provisions of Washington law affecting acquisitions and business combinations, which we have incorporated into our articles of incorporation, may discourage certain transactions involving an actual or potential change of control of the Company, including transactions in which the holders of Class A Common Stock might receive a premium for their shares over the then-prevailing market price, and may have a depressive effect on the market price for Class A Common Stock.

WWI operates in certain countries with significant political, social and economic uncertainties which could have a material adverse effect on its operations in these countries

We operate in countries in Eastern Europe, a republic of the former Soviet Union, Africa, the Caribbean and South America. These countries face significant political, social and/or economic uncertainties which could have a material adverse effect on our operations in these areas. These uncertainties include:

- possible internal military conflicts and/or civil unrest fueled by economic and social crises in those countries,
- political instability and bureaucratic infighting between government agencies with unclear and overlapping jurisdictions,

- pervasive regulatory control of the state over the telecommunications industry, and
- the failure by government entities to meet their outstanding foreign debt repayment obligations.

We cannot assure you that the pursuit of economic reforms by the governments of any of these countries will continue or prove to be ultimately effective, especially in the event of a change in leadership, social or political disruption or other circumstances affecting economic, political or social conditions.

WWI encounters enhanced economic, legal and physical risks by operating abroad

WWI runs a number of risks by investing in foreign countries including:

- loss of revenue, property and equipment from expropriation, nationalization, war, insurrection, terrorism and other political risks,
- involuntary changes to the licenses issued by foreign governments,
- changes in foreign and domestic laws and policies that govern operations of overseas-based companies,
- amendments to, or different interpretations or implementations of, foreign tax laws and regulations that could adversely affect the profitability after tax of our joint ventures and subsidiaries,
- criminal organizations in certain of the countries in which we operate that could threaten and intimidate our businesses, and
- high levels of corruption and non-compliance with the law exist in many of the countries in which we operate businesses.

Certain of the government licenses on which WWI depends could be canceled or revoked, impairing the development of WWI's operations in these countries, and making WWI liable for substantial penalties

The licensing, construction, operation and ownership of communications systems, and the granting and renewal of applicable licenses and radio frequency allocations, are regulated by governmental entities in each of the countries in which WWI's operating companies conduct business. Our failure or inability to renew these licenses may have a material adverse effect on our operations. In Europe, the licenses which allow WWI's operating companies to provide wireless licenses were initially granted for terms of 15 or 20 years and in some cases there are not explicit provisions in the licenses which allow for renewal. Under the terms of the Ghana license, WWI's operating company was required to meet certain customer levels and build-out requirements by February 2002. This company was unable to meet the required customer levels due to the inability of the regulator to provide spectrum and enforce interconnection with the incumbent telephone company and the National Communication Authority of Ghana ("NCA") has assessed a penalty claim of $71 million for not meeting these build-out requirements. WWI has contested this fine on the basis that the government and the NCA failed to deliver the key commitments of spectrum and interconnection and does not believe the enforcement of these penalties is probable, although there can be no assurance as to what actions the government may take.

WWI's operating results will be impacted by foreign currency fluctuations

WWI is exposed to risk from fluctuations in international economic conditions and foreign currency rate fluctuations which could have a material impact on its results of operations and financial condition.

ITEM 2. *PROPERTIES*

In addition to the direct and attributable interests in cellular licenses, paging licenses and other similar assets discussed previously, we lease our principal executive offices located in Bellevue, Washington. Our domestic subsidiaries also lease and own locations for inventory storage, microwave, cell site and switching equipment and local sales and administrative offices. We currently lease our domestic customer call center in Issaquah, Washington and own our domestic call center in Manhattan, Kansas. We consider our domestic owned and leased facilities to be suitable and adequate for business operations.

Our international operations typically lease their headquarters, customer call centers, warehouses and cell sites and switching equipment sites. We consider our international leased facilities to be suitable and adequate for business operations.

ITEM 3. *LEGAL PROCEEDINGS*

There are no material, pending legal proceedings to which the Company or any of its subsidiaries is a party or to which any of their property is subject which, if adversely decided, would have a material adverse effect on the Company or any of its subsidiaries or affiliates.

ITEM 4. *SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS*

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages and positions of our executive officers and key personnel are listed below along with their business experience during the past five years. The business address of all officers of the Company is 3650 131st Avenue SE, Bellevue, Washington 98006. All of these individuals are citizens of the United States. Executive officers of the Company are appointed by the Board of Directors. As Vice President and Controller, Mr. Soley, although not an executive officer, is a key employee and our chief accounting officer. No family relationships exist among any of the executive officers or key personnel of the Company, except for Mr. Stanton and Ms. Gillespie, who are married to each other.

Name	Age	Position
John W. Stanton	47	Chairman, Director and Chief Executive Officer
Donald Guthrie	47	Vice Chairman
Theresa E. Gillespie	50	Vice Chairman and Director
Mikal J. Thomsen	46	President and Director
Eric Hertz	48	Chief Operating Officer
M. Wayne Wisehart	57	Executive Vice President and Chief Financial Officer
Bradley J. Horwitz	47	Executive Vice President and President, Western Wireless International
Gerald J. "Jerry" Baker	56	Senior Vice President
Jeffrey A. Christianson	46	Senior Vice President, General Counsel and Secretary
Thorpe M. "Chip" Kelly, Jr.	40	Senior Vice President
Scott A. Soley	40	Vice President and Controller (Chief Accounting Officer)

John W. Stanton has been Chairman of the Board, a Director and Chief Executive Officer of the Company and its predecessors since 1992. Mr. Stanton has been Chairman and a Director of T-Mobile USA, formerly VoiceStream Wireless Corporation ("VoiceStream"), a former subsidiary of the Company, since 1994, and was Chief Executive Officer of VoiceStream and T-Mobile USA from February 1998 to March 2003. Mr. Stanton served as a director of McCaw Cellular Communications Corporation ("McCaw Cellular") from 1986 to 1994, and as a director of LIN Broadcasting from 1990 to 1994, during which time it was a publicly traded company. From 1983 to 1991, Mr. Stanton served in various capacities with McCaw Cellular, serving as Vice Chairman of the Board of McCaw Cellular from 1988 to September 1991 and as Chief Operating Officer of McCaw Cellular from 1985 to 1988. Mr. Stanton is a member of the board of directors of Advanced Digital Information Corporation, and Columbia Sportswear, Inc., and a trustee of Whitman College, a private college.

Donald Guthrie has been Vice Chairman of the Company since November 1995. Mr. Guthrie also served as Chief Financial Officer of the Company from February 1997 to May 1999. Mr. Guthrie served as Vice Chairman of T-Mobile USA, a former subsidiary of the Company, from 1995 through 2002. From 1986 to 1995, he served as Senior Vice President and Treasurer of McCaw Cellular and, from 1990 to 1995, he served as Senior Vice President — Finance of LIN Broadcasting.

Theresa E. Gillespie has been Vice Chairman of the Company since February 2003 and has been Director of the Company since October 2000. Prior to being elected Vice Chairman, Ms. Gillespie served as Executive Vice President of the Company from May 1999 until February 2003, Senior Vice President of the Company from May 1997 until May 1999, and Chief Financial Officer of the Company and one of its predecessors from 1991 to 1997. Ms. Gillespie was Chief Financial Officer of certain entities controlled by Mr. Stanton and Ms. Gillespie since 1988. From 1986 to 1987, Ms. Gillespie was Senior Vice President and Controller of McCaw Cellular. From 1976 to 1986 she was employed by a national public accounting firm.

Mikal J. Thomsen has been President of the Company since May 1999 and was Chief Operating Officer of the Company and one of its predecessors from 1991 to May 2002. In his capacity as Chief Operating Officer, Mr. Thomsen was responsible for all domestic cellular operations. He has served as Director since October 2000. He was also a director of its predecessor from 1991 until the Company was formed in 1994. From 1983 to 1991, Mr. Thomsen held various positions at McCaw Cellular, serving as General Manager of its International Division from 1990 to 1991 and as General Manager of its West Florida Region from 1987 to 1990.

Eric Hertz has been Chief Operating Officer for the Company since May 2002. Before joining the Company, Mr. Hertz served as Regional President for the Wireless Digital Broadband division of AT&T Wireless from May 2001 through April 2002. From 1991 through December 2000, Mr. Hertz held various domestic and international positions with BellSouth Corporation, serving as General Manager — Wisconsin and Northern Illinois for BellSouth Cellular from 1991 through 1995; Regional Vice President — Wisconsin and Northern Illinois from 1995 through 1997; President and General Manager — Ecuador for BellSouth International from July 1997 through August 2000; and Regional COO — Central America and Panama from August 2000 through December 2000. From 1989 to 1991, Mr. Hertz was a Regional Manager for McCaw Cellular Communications. Mr. Hertz has worked in the telecommunications industry for 25 years in local and long distance, as well as fixed and mobile wireless.

M. Wayne Wisehart has been Executive Vice President and Chief Financial Officer for the Company since January 2003. Before joining the Company, Mr. Wisehart served as Chief Financial Officer for iNNERHOST, Inc., a Web hosting services company, from October 2000 through February 2002, and President and CEO for Teledirect International, Inc., a marketing automation software company, from February 1999 through October 2000. From April 1998 through August 1998, Mr. Wisehart served as President and CEO of Price Communications Wireless, Inc. From June 1982 through April 1998, Mr. Wisehart served as Chief Financial Officer for Palmer Communications, Inc. and its subsidiary, Palmer Wireless, Inc., and subsequently for Price Communications Wireless, Inc. after it acquired Palmer Wireless, Inc. in 1997.

Bradley J. Horwitz has been Executive Vice President of the Company since March 2000, and President of Western Wireless International Holding Corporation ("WWI"), a subsidiary of the Company, since 1995. Mr. Horwitz was Vice President — International of the Company from 1995 to March 2000, and held various positions at McCaw Cellular, serving as Vice President — International Operations from 1992 to 1995, Director — Business Development from 1990 to 1992 and Director of Paging Operations from 1986 to 1990.

Gerald J. "Jerry" Baker has been Senior Vice President of Engineering and Technical Operations for the Company since January 2001, after spending almost four years as Vice President of Engineering and Technology for WWI. Prior to joining WWI in 1997, Mr. Baker was Chief Technical Officer for GTE Mobilnet's California operations for three years. Between 1988 and 1994, he spent six years in various senior technical management positions with US West Cellular. Mr. Baker held senior technical management positions at McCaw Cellular between 1984 and 1988.

Jeffrey A. Christianson has been Senior Vice President and General Counsel of the Company since February 2000 and Corporate Secretary since July 2000. From 1996 to January 2000, Mr. Christianson served as Senior Vice President, Business Development, General Counsel and Corporate Secretary of Wizards of the Coast, Inc., a game and software company. From 1993 to 1996, Mr. Christianson served as General Counsel and Corporate Secretary of Heart Technology, Inc., a medical device company. Mr. Christianson is a member of the board of directors of the Northwest Children's Fund, a Seattle-based non-profit community foundation.

Thorpe M. "Chip" Kelly, Jr. has been Senior Vice President for the Company since September 2000. Prior to being elected Senior Vice President, Mr. Kelly served as Vice President of Sales from April 1999 and Executive Director of Sales from 1998. Mr. Kelly has worked with the Company and its predecessors since 1989 in a variety of field and corporate sales management positions.

Scott A. Soley has been Vice President and Controller of the Company since July 2001, and has been a key employee as the chief accounting officer since August 1999. From 1995 to 1999, Mr. Soley held various accounting positions with the Company. Prior to 1995, Mr. Soley held various accounting positions with Egghead Software, Inc. and gained two years of experience at a local public accounting firm in the Seattle area.

PART II

ITEM 5. *MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS*

We commenced our initial public offering on May 22, 1996, at a price to the public of $23.50 per share. Since that date, our Class A Common Stock has been traded on the NASDAQ Stock Market under the symbol WWCA. There currently is no established public trading market for our Class B Common Stock; however, such shares generally convert automatically into shares of Class A Common Stock on a share-for-share basis immediately upon any transfer of the Class B Common Stock. The following table sets forth the quarterly high and low bid quotations for the Class A Common Stock on the NASDAQ Stock Market. These quotations reflect the inter-dealer prices, without retail mark-up, markdown or commission and may not necessarily represent actual transactions.

	High	Low
2001		
First quarter	$49.75	$34.56
Second quarter	$46.00	$35.88
Third quarter	$43.06	$28.07
Fourth quarter	$35.00	$23.00
2002		
First quarter	$28.84	$ 6.92
Second quarter	$10.84	$ 2.42
Third quarter	$ 4.50	$ 1.23
Fourth quarter	$ 7.42	$ 2.14

We have never declared or paid dividends on our Common Stock and we do not anticipate paying dividends in the foreseeable future. In addition, certain provisions of the Senior Secured Facilities (as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Consolidated Liquidity and Capital Resources") and the indentures of our senior notes contain restrictions on our ability to declare and pay dividends on our Common Stock.

As of March 21, 2003 there were approximately 199 and 45 shareholders of record of our Class A and Class B Common Stock, respectively.

There were no sales of unregistered securities made by the Company in 2002.

ITEM 6. *SELECTED FINANCIAL DATA*

The following table sets forth certain selected financial and operating data for us as of and for each of the five years in the period ended December 31, 2002, which was derived from our consolidated financial statements and notes thereto that have been audited. All of the data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes thereto.

Consolidated Financial Data(1)

	Year Ended December 31,				
	2002	2001	2000	1999	1998
(Dollars in thousands, except per share data)					
Consolidated Statements of Operations Data:					
Revenues	$ 1,186,610	$ 1,037,959	$ 834,954	$ 626,777	$ 460,567
Operating expenses	(1,135,409)	(1,020,017)	(666,076)	(565,848)	(379,287)
Gain on sale of Latvian joint venture			57,412		
Other expense	(151,659)	(180,473)	(162,942)	(110,660)	(95,118)
Minority interests in consolidated subsidiaries	8,408	18,967	2,058	1,610	479
Income (loss) from continuing operations before provision for income taxes and cumulative change in accounting principle	(92,050)	(143,564)	65,406	(48,121)	(13,359)
Provision for income taxes	(123,270)				
Total discontinued operations	29,639	(5,933)		(100,652)	(210,710)
Cumulative change in accounting principle		(5,580)			
Net income (loss)	$ (185,681)	$ (155,077)	$ 65,406	$ (148,773)	$ (224,069)
Share data(2):					
Basic income (loss) per share					
Continuing operations before cumulative change in accounting principle	$ (2.73)	$ (1.82)	$ 0.84	$ (0.63)	$ (0.17)
Discontinued operations	0.38	(0.08)		(1.31)	(2.78)
Cumulative change in accounting principle		(0.07)			
Basic income (loss) per share	$ (2.35)	$ (1.97)	$ 0.84	$ (1.94)	$ (2.95)
Share data(2):					
Diluted income (loss) per share					
Continuing operations before cumulative change in accounting principle	$ (2.73)	$ (1.82)	$ 0.81	$ (0.63)	$ (0.17)
Discontinued operations	0.38	(0.08)		(1.31)	(2.78)
Cumulative change in accounting principle		(0.07)			
Diluted income (loss) per share	$ (2.35)	$ (1.97)	$ 0.81	$ (1.94)	$ (2.95)
Weighted average shares outstanding					
Basic	78,955,000	78,625,000	77,899,000	76,775,000	75,863,000
Diluted	78,955,000	78,625,000	80,303,000	76,775,000	75,863,000

(Dollars in thousands, except per share data)	Year Ended December 31, 2002	2001	2000	1999	1998
Consolidated Balance Sheets Data:					
Total assets	$ 2,398,976	$ 2,370,420	$ 1,996,469	$ 1,352,590	$ 1,221,300
Total long-term debt, net of current portion	$ 2,321,955	$ 2,215,557	$ 1,926,393	$ 1,450,000	$ 1,045,000
Consolidated Cash Flows Provided By (Used In):					
Operating activities	$ 145,860	$ 72,930	$ 166,971	$ 95,712	$ 66,669
Investing activities	$ (304,326)	$ (432,869)	$ (644,251)	$ (467,141)	$ (29,678)
Financing activities	$ 171,726	$ 381,744	$ 457,823	$ 411,972	$ (49,921)
Other Data:					
EBITDA(3)	$ 308,870	$ 230,175	$ 314,036	$ 242,165	$ 155,682
Ending domestic subscribers(4)	1,197,800	1,176,500	1,049,500	834,700	660,400
Ending consolidated international subscribers(5)	741,300	491,100	85,500	N.M.	N.M.

(1) Certain amounts in 2002 and 2001 consolidated financial data have been reclassified to properly reflect the discontinued operations of TAL, our Icelandic subsidiary. Certain amounts in 1999 and 1998 consolidated financial data have been reclassified to properly reflect the discontinued operations of T-Mobile USA, formerly VoiceStream.

(2) Earnings per share and the number of shares outstanding have been calculated based on the requirements of Statement of Financial Accounting Standards No. 128. For the loss years presented, all options outstanding are anti-dilutive, thus basic and diluted loss per share are equal.

(3) EBITDA represents total revenues less total operating expenses exclusive of depreciation, amortization, asset dispositions and stock-based compensation for our operations. We believe EBITDA provides meaningful additional information on our performance and on our ability to service our long-term debt and other fixed obligations, and to fund our continued growth. EBITDA is considered by many financial analysts to be a meaningful indicator of an entity's ability to meet its future financial obligations, and growth in EBITDA is considered to be an indicator of future profitability, especially in a capital-intensive industry such as wireless telecommunications. EBITDA should not be construed as an alternative to operating income (loss), as determined in accordance with United States generally accepted accounting principles ("GAAP"), as an alternate to cash flows from operating activities (as determined in accordance with GAAP) or as a measure of liquidity. Since all companies do not calculate EBITDA in the same manner, our presentation may not be comparable to other similarly titled measures of other companies.

(4) Domestic subscribers include postpaid and reseller subscribers, and exclude prepaid subscribers.

(5) International consolidated subscribers include prepaid and postpaid mobile subscribers, and exclude fixed lines.

ITEM 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

Unless the context requires otherwise, "Western Wireless," "the Company," "we," "our" and "us" include us and our subsidiaries.

Overview

We provide cellular communications services in 19 western states under the Cellular**ONE**® ("Cellular**ONE**") and Western Wireless® brand names principally through the ownership and operation of cellular wireless systems. The operations are primarily in rural areas due to our belief that there are certain strategic advantages to operating in these areas. We provide wireless services in 18 Metropolitan Service Areas ("MSA") and 88 Rural Service Areas ("RSA"). Additionally, we own 10 MHz personal communication services ("PCS") licenses for three Basic Trading Areas ("BTAs").

Historically, we have provided analog service to our customers and had deployed TDMA digital voice channels throughout our network to support our roaming partners. During 2001 we began deploying Code Division Multiple Access ("CDMA") throughout our network, which allows us to economically expand the minutes of use ("MOU") available to our customers and introduce a wide range of consumer-based wireless internet-related services. At December 31, 2002, we covered approximately 50% of our licensed population with CDMA digital technology.

We own approximately 98% of Western Wireless International Holding Corporation ("WWI"). The balance is owned by Bradley Horwitz, Executive Vice President of the Company and President of WWI. WWI, through its consolidated subsidiaries and equity investments, is a provider of wireless communications services in nine countries. WWI owns controlling interests in six of these countries: Slovenia, Austria, Ireland, Bolivia, Haiti and Ghana. These six entities are consolidated into our financial results. Operations in Côte d'Ivoire, Croatia and Georgia are accounted for using the equity method. In the fourth quarter of 2002, WWI sold its majority ownership interest in its Icelandic subsidiary and wrote off its investment in Côte d'Ivoire.

U.S. headquarter functions of WWI and majority owned European, South American and Caribbean consolidated subsidiaries are recorded as of the date of the financial statements. Our consolidated Ghanaian entity and entities accounted for using the equity method are presented on a one-quarter lag.

Revenues consist primarily of subscriber revenues, roamer revenues, fixed-line revenues and equipment sales. The majority of revenues are derived from subscriber revenues. Subscriber revenues include monthly access charges, charges for airtime used in excess of plan minutes, Universal Service Fund ("USF") subsidy revenues, long distance revenues derived from calls placed by our customers, international prepaid revenues, international interconnect revenues and other charges, such as: activations, voice mail, call waiting and call forwarding.

Roamer revenues result from providing service to subscribers of other wireless carriers when those subscribers "roam" into our markets and use our systems to carry their calls. Roaming revenues have historically yielded higher average per minute rates and higher margins than subscriber revenues. The per minute rate paid by a roamer is established by an agreement between us and the roamer's wireless provider.

Fixed line revenues represent non-wireless revenues mainly from our fixed-line business in Austria.

"Service revenues" include subscriber, roamer, fixed-line and other revenue. Other revenues consist primarily of revenue related to international long distance and revenue from the licensees of the Cellular**ONE** Group name.

Equipment sales consist of wireless handset and accessory sales to customers. We sell both digital and analog handsets below cost and regard these losses as a cost of building our subscriber base.

Cost of service consists mainly of the cost of: (i) providing access to local exchange and long distance carrier facilities; (ii) maintaining the wireless network; and (iii) off-network roaming costs.

Cost of equipment sales consists of the costs related to handset and accessory sales to customers. Cost of equipment sales also includes the cost of handsets related to migrating customers to digital service on a free or discounted basis and the cost of handsets associated with customer retention that occurs with the signing of an extended service agreement.

General and administrative expenses are principally variable costs. General and administrative costs include administrative costs associated with maintaining subscribers, including: customer service and other centralized support functions. General and administrative expenses also include billing costs, subscriber bad debt, insurance and property taxes.

Sales and marketing costs include costs associated with acquiring a subscriber, including: direct and indirect sales commissions, salaries, all costs of retail locations and advertising and promotional expenses. Sales and marketing costs do not include the revenue or costs of handset sales. However, when sales and marketing costs per gross addition are discussed, the revenue and costs from handset sales are included because such measure is commonly used in the wireless industry.

Depreciation and amortization expense primarily includes depreciation expense associated with the property and equipment in service and amortization associated with our international wireless licenses.

Interest and financing expense includes interest on our consolidated debt. Intercompany interest has been eliminated for consolidation purposes.

EBITDA represents total revenues less total operating expenses exclusive of depreciation, amortization, asset dispositions and stock-based compensation for our operations. We believe EBITDA provides meaningful additional information on our performance and on our ability to service our long-term debt and other fixed obligations, and to fund our continued growth. EBITDA is considered by many financial analysts to be a meaningful indicator of an entity's ability to meet its future financial obligations, and growth in EBITDA is considered to be an indicator of future profitability, especially in a capital-intensive industry such as wireless telecommunications. EBITDA should not be construed as an alternative to operating income (loss), as determined in accordance with United States generally accepted accounting principles ("GAAP"), as an alternate to cash flows from operating activities (as determined in accordance with GAAP) or as a measure of liquidity. Since all companies do not calculate EBITDA in the same manner, our presentation may not be comparable to other similarly titled measures of other companies.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. On an on-going basis, we evaluate our estimates. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

We have multiple billing cycles all of which span our year-end. This requires management to estimate the amount of subscriber revenue associated with a portion of each bill cycle up to the end of the year. We follow this method since reasonably dependable estimates of the revenue can be made. Actual bill cycle results and related revenue may vary, depending on subscriber usage and rate plan mix, from the results estimated at the end of the year.

Roamer revenues and incollect cost information is provided to us primarily through a third party centralized clearinghouse. We receive data from a clearinghouse the middle of each month. This requires management to estimate roamer revenue and incollect expense up to the end of the year. Management analyzes the most recently available information from the clearinghouse and historical trends to determine the revenue and expense estimates. We follow this method since reasonably dependable estimates of the roamer

revenue and incollect cost can be made. Actual clearinghouse results and the associated roamer revenue and incollect costs may vary, depending on usage, from the results estimated at the end of the year.

We are invoiced for our access to and usage of local exchange and long distance carrier facilities on multiple billing cycles, which span our year-end. This requires management to estimate the expenses associated with a portion of each bill cycle up to the end of the year. We use this method since reasonably dependable estimates of these costs can be made. Actual local and long distance expenses may vary, depending on customer usage, from those estimated at the end of the year.

We must make estimates of the collectability of our subscriber accounts receivable. Management analyzes historical write-offs, changes in our internal credit policies and customer concentrations when evaluating the adequacy of our allowance for doubtful accounts. Differences may result in the amount and timing of expenses for any period if management made different judgments or utilized different estimates or if actual experience differs from estimates.

We assess the impairment of our long-lived assets whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Factors we consider which could trigger an impairment review include significant underperformance relative to anticipated minimum future operating results and a significant change in the manner of use of the assets or the strategy for our overall business. When we determine that the carrying value of certain long-lived assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, we then measure any impairment based on a projected discounted cash flow method using a discount rate determined by us to be commensurate with the risk inherent in our current business model.

Upon adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"), on January 1, 2002, we ceased amortization of our domestic licenses as we determined that these assets meet the definition of indefinite life intangible assets. The fair value of our domestic licenses was estimated using the discounted present value of expected future cash flows. This assessment is performed by combining our individual domestic licenses as a single unit as they are operated in aggregate in such a manner that represents their highest and best use. In addition, it is unlikely that a significant portion of our individual RSAs or MSAs would be sold on a stand-alone basis. The determination of fair value is a complex consideration that involves significant assumptions and estimates. Assumptions and estimates made by us were based on our best judgments and included among other things: (i) an assessment of market and economic conditions including discount rates; (ii) future operating strategy and performance; (iii) competition and market share; and (iv) the nature and cost of technology utilized. Under SFAS No. 142, impairment must be assessed at least annually, or when indications of impairment exist, on our domestic licenses.

We have investments in consolidated subsidiaries and unconsolidated equity investments that are in foreign countries. These investments are subject to the laws and regulations governing telecommunications services in effect in each of the countries in which they operate. These laws and regulations can have a significant influence on the results of operations and the value of our investment in these affiliates. Laws and regulations are subject to change by the responsible governmental agencies. We cannot predict what future laws and regulations might be passed that could have a material effect on our results of operations. Further, certain of the countries in which we have investments have experienced or may experience political instability. We assess the impact of significant changes in laws, regulations and political stability on a regular basis and update the assumptions and estimates used to prepare our financial statements when deemed necessary. In addition, we assess the impairment of our investments whenever major events or changes in circumstances indicate that the carrying value of the investment may not be recoverable. Factors we consider which could trigger an impairment review include significant under performance relative to expected operating results, a significant change in the strategy for our overall business or the impact of future laws and regulations of foreign government agencies.

Our subsidiary, WWI, has a Stock Appreciation Rights Plan (the "SAR Plan"). Under the SAR Plan, selected key employees and agents of WWI may receive performance units, which are "rights" to receive an amount based upon 7% of the fair market value of WWI. Fair market value is based upon management's

estimates at the time, considering various factors and is approved by the board of WWI. Differences may result in the amount and timing of related SAR Plan expenses if management made different judgments or utilized different estimates.

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the countries in which we operate. This process involves estimating our current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income, and, to the extent we believe that recovery is not likely, we must establish a valuation allowance. Significant management judgment is required in determining our provision for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. We believe that, based on a number of factors, there is uncertainty regarding the realization of our domestic and foreign net operating loss ("NOL") carryforwards.

In the ordinary course of business, we are subject to litigation and contingencies. We must use our best judgment and estimates of probable outcomes when determining the impact to us and our financial results. We assess the impact of claims and litigation on a regular basis and update the assumptions and estimates used to prepare our financial statements when deemed necessary.

Recently Issued Accounting Standards

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN No. 46"), which clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements", relating to consolidation of certain entities. First, FIN No. 46 will require identification of our participation in variable interests entities ("VIE"), which are defined as entities with a level of invested equity that is not sufficient to fund future activities to permit them to operate on a standalone basis, or whose equity holders lack certain characteristics of a controlling financial interest. Then, for entities identified as VIE, FIN No. 46 sets forth a model to evaluate potential consolidation based on an assessment of which party to the VIE, if any, bears a majority of the exposure to its expected losses, or stands to gain from a majority of its expected returns. FIN No. 46 also sets forth certain disclosures regarding interests in VIE that are deemed significant, even if consolidation is not required. We are currently evaluating the impact this statement will have on our future consolidated financial results.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure" ("SFAS No. 148"), which amends SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation (under the fair value based method, compensation cost for stock options is measured when options are issued.) In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require more prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The transition guidance and annual disclosure provisions of SFAS No. 148 are effective for us starting with the year ended December 31, 2002. We intend to continue to account for stock-based employee compensation under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issues to Employees," and will provide the additional SFAS No. 123 disclosures required under SFAS No. 148. The interim disclosure provisions are effective for us starting with the quarter ending March 31, 2003.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others" ("FIN No. 45"). FIN No. 45 requires the disclosure by the guarantor of certain guarantees that it has issued. FIN No. 45 also clarifies that a guarantor is required to recognize at the inception of the guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. FIN No. 45 does not prescribe a specific approach for subsequently measuring the guarantor's recognized liability over the term of the related guarantee. FIN No. 45 incorporates, without change, the guidance in FASB Interpretation No. 34, "Disclosure of Indirect Guarantees of Indebtedness of Others," which is being superceded. FIN No. 45 is to be applied prospectively

to guarantees issued or modified after December 31, 2002. We do not anticipate the adoption of FIN No. 45 will have a material effect on our financial position or results of operations.

In November 2002, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor" ("EITF No. 02-16"), addressing the accounting for cash consideration received by a customer from a vendor, including vendor rebates and refunds. The consensus reached states that consideration received should be presumed to be a reduction of the prices of the vendor's products or services and should therefore be shown as a reduction of cost of sales in the income statement of the customer. The provisions of this consensus are applied prospectively and are consistent with our existing accounting policy.

In October 2002, the FASB reached a consensus on EITF Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables" ("EITF No. 00-21"). EITF No. 00-21 addresses arrangements with multiple deliverables specifying how the arrangement consideration should be measured, whether the arrangement should be divided into separate units of accounting and how the arrangement should be allocated among the separate units of accounting. EITF No. 00-21 is applicable to an arrangement in which some, but not all of its deliverables are within the scope of other existing higher-level authoritative literature that does not provide guidance with respect to determining separate units of accounting. EITF No. 00-21 indicates a need for Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements" ("SAB No. 101"), to be modified. EITF No. 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. We are currently evaluating the impact this statement, along with any changes to SAB No. 101, will have on our future consolidated financial results.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS No. 146"). SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 supersedes EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS No. 145"). SFAS No. 145 requires that gains and losses from the extinguishment of debt be classified as extraordinary items only if they meet the criteria in Accounting Principles Board ("APB") Opinion No. 30, ("Opinion No. 30"). Applying the provisions of Opinion No. 30 distinguishes transactions that are part of an entity's recurring operations from those that are unusual and infrequent that meet criteria for classification as an extraordinary item. We adopted the provisions of SFAS No. 145 during the second quarter of 2002 and recognized a gain of $1.3 million in other income on the repurchase of approximately $17 million of our 10½% Senior Subordinated Notes due in 2006 and 2007. The extraordinary loss of $12.4 million on early extinguishment of debt in 2000 has been reclassified to other income to conform with SFAS No. 145.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). This statement deals with the costs of closing facilities and removing assets. SFAS No. 143 requires entities to record the fair value of a legal liability for an asset retirement obligation in the period it is incurred if a reasonable estimate of fair value can be made. This cost is initially capitalized and amortized over the remaining life of the underlying asset. Once the obligation is ultimately settled, any difference between the final cost and the recorded liability is recognized as a gain or loss on disposition. SFAS No. 143 is effective for us beginning January 1, 2003. We do not anticipate that the adoption of SFAS No. 143 will have a material effect on our financial position or results of operations.

Results of Domestic Operations for the Years Ended December 31, 2002, 2001 and 2000

We had 1,197,800 domestic subscribers at December 31, 2002, a 1.8% increase during 2002. We had 1,176,500 domestic subscribers at December 31, 2001, a 12.1% increase during 2001. We had 1,049,500 domestic subscribers at December 31, 2000, a 25.7% increase in 2000. The net number of domestic subscribers added through system acquisitions was approximately 30,000 in 2000.

The following table sets forth certain financial data as it relates to our 2002, 2001 and 2000 domestic operations:

(Dollars in thousands)	Year Ended December 31, 2002	2001	2000
Revenues:			
Subscriber revenues	$609,406	$619,214	$548,202
Roamer revenues	228,878	244,538	228,694
Equipment sales	41,937	38,738	30,272
Other revenues	3,483	10,981	5,372
Total revenues	$883,704	$913,471	$812,540
Operating expenses:			
Cost of service	$176,584	$193,363	$171,803
Cost of equipment sales	79,162	80,008	43,175
General and administrative	144,666	166,712	151,611
Sales and marketing	115,678	128,378	125,542
Depreciation and amortization	194,003	190,601	120,826
Asset dispositions	21,304		
Stock-based compensation	1,328	4,183	9,334
Total operating expenses	$732,725	$763,245	$622,291
EBITDA	$367,614	$345,010	$320,409

Domestic Revenues

The decrease in subscriber revenues for the year ended December 31, 2002 compared to the same period in 2001 was primarily due to a decrease in monthly average revenue per subscriber ("ARPU") partially offset by growth in the average number of subscribers. The increase in subscriber revenues for the year ended December 31, 2001 compared to the same period in 2000 was primarily due to growth in the average number of subscribers partially offset by a decrease in ARPU. ARPU was $42.78 in 2002, a 7.7% decline from $46.36 in 2001, which was a 4.4% decline from $48.49 in 2000. The decline in ARPU in both years was the result of several factors including: (i) the increase in popularity of rate plans that have larger allotments of included minutes; (ii) larger home calling areas; (iii) more rate plans that include long distance at no additional charge; and (iv) an increase in the number of rate plans that share minutes with an existing plan at a lower access rate. We continue to focus on attracting and retaining customers with rate plans that provide more features and included minutes at a higher average recurring access charge. New rate plans offered in 2002 have slowed the decline in ARPU and we expect that trend to continue.

We currently receive federal universal service funding as an Eligible Telecommunications Carrier ("ETC") for our wireless residential service ("WRS") customers in a number of states. On September 30, 2002, and again on December 31, 2002, we submitted our requests to receive funding for certain of our traditional mobile services customers that reside in areas in which we are eligible to receive federal universal service funding. We expect to submit similar requests on a quarterly basis throughout 2003 and we believe it is likely that in 2003 we will receive most, if not all, of the requested funding, which could exceed $30 million. However, no long-term assurances can be given that federal universal service funding will continue at the current level or at all.

The decrease in roamer revenues for the year ended December 31, 2002 compared to the same period in 2001 was primarily due to a decrease in the rates charged between carriers partially offset by an increase in roaming traffic on our network. The increase in roamer revenues for the year ended December 31, 2001 compared to the same period in 2000 was the result of an increase in roaming traffic on our network, partially offset by a decrease in the rates charged between carriers. All years presented have shown growth in roamer

minutes as a result of our strategy to become the roaming partner of choice for other carriers. On June 1, 2001, we signed an extension of our roaming agreement, through June 15, 2002, with AT&T Wireless Services, Inc. ("AT&T Wireless") our largest roaming partner, at a lower per minute rate than the prior agreement. In March 2002, we extended our existing roaming agreement with AT&T Wireless. The latest extension became effective June 16, 2002 and remains in effect until June 15, 2006. In the first year, the extended agreement provides for lower per minute rates compared to the contractual rates that expired June 15, 2002. The extended agreement also provides for slight rate decreases charged to AT&T Wireless in both the second and third year of the agreement. Additionally, in April 2002, we signed new roaming agreements with Verizon Wireless Corporation ("Verizon") and Cingular Wireless ("Cingular") effective through March and April 2005, respectively. We expect roamer minutes to increase on a year-over-year basis accompanied by a decrease in contractual per minute rates resulting in roamer revenues remaining relatively flat in 2003 compared to 2002.

In January 2002, AT&T Wireless and Cingular announced a joint venture to build a 1900 MHz GSM system that overlays certain interstate highway portions of our footprint. We believe that this joint venture will not have a material impact on our roamer revenues in 2003.

Equipment sales have increased over the past two years. The increase for the year ended December 31, 2002 compared to the same period in 2001 was due primarily to an increase in the average revenue per handset sold partially offset by a decrease in the number of handsets sold. The increase in the average revenue per handset was due to an increase in the number of digital, dual-mode and tri-mode handsets sold. For the year ended December 31, 2001 compared to the same period in 2000 the increase was due primarily to an increase in the volume of handsets sold partially offset by a decrease in the average revenue per handset sold. As the cost of digital handsets continues to decline, we expect to pass these savings on to our customers; however, we expect to continue to sell these handsets at higher prices than we historically sold analog handsets.

Domestic Operating Expenses

The decrease in cost of service for the year ended December 31, 2002 compared to the same period in 2001 was primarily attributable to decreased off-network roaming costs for our customers as a result of lower contractual rates contained in our new roaming agreements with AT&T Wireless, Cingular and Verizon. This decrease was partially offset by increased costs associated with supporting growth in the number of subscriber and roamer MOUs. The increase in cost of service for the year ended December 31, 2001 compared to the same period in 2000 was mainly attributable to the increased costs of maintaining our expanding domestic wireless network to support an increase in network usage by subscribers and roamers. Domestic cost of service per MOU decreased to $0.03 per MOU for 2002 from $0.04 per MOU and $0.06 per MOU for 2001 and 2000, respectively. The decrease in domestic cost of service per MOU during 2002 was due mainly to the decrease in off-network roaming costs discussed above. In addition, for all periods presented, we continue to see the fixed cost components of cost of service increasing at a slower rate than variable costs on a per minute basis. We expect cost of service dollars to increase in future periods as a result of: (i) a growing subscriber base; (ii) the increase in other carriers' customers roaming on our network; and (iii) the increase in rate plans that include larger home calling areas. Domestic cost of service per MOU is expected to continue to gradually decline as economies of scale continue to be realized.

Cost of equipment sales decreased for the year ended December 31, 2002 compared to the same period in 2001. The slight decrease was the result of a decrease in the volume of handsets sold offset by an increase in the average per unit cost of handsets sold due to a greater proportion of digital handsets in the overall handsets sold mix. The increase in cost of equipment sales for the year ended December 31, 2001 compared to the same period in 2000, resulted from three main factors: (i) an increase in the number of handsets sold along with an increase in the average cost of handsets sold; (ii) free and discounted handsets associated with the migration of existing customers to our new CDMA technology platform; and (iii) discounted or free handsets associated with the extension of existing service contracts. In 2003, we expect that regulatory and technological requirements, along with demand for feature rich handsets, will increase our per unit cost of handsets. Although subscribers generally are responsible for purchasing or otherwise obtaining their own handsets, we

have historically sold handsets below cost to respond to competition and general industry practice and expect to continue to do so in the future.

The decrease in general and administrative costs for the year ended December 31, 2002 compared to the same period in 2001 was primarily the result of our efforts during 2002 to reduce our operating costs. The increase in general and administrative costs for the year ended December 31, 2001 compared to the same period in 2000 was due mainly to a growth in the subscriber base at our previous cost structure. Our domestic general and administrative monthly cost per average subscriber decreased to $10.15 in 2002 compared to $12.48 in 2001 and $13.41 in 2000. The decrease on a per average subscriber basis in 2002 compared to 2001 was primarily due to our efforts to reduce costs in 2002, as previously discussed. The decrease on a per average subscriber basis from 2001 compared to 2000 was primarily due to cost efficiencies related to a growing subscriber base. We anticipate monthly cost per average subscriber to remain relatively constant in 2003 as compared to 2002.

The decrease in sales and marketing costs for the year ended December 31, 2002 compared to the same period in 2001, was primarily the result of a decrease in the fixed cost components of sales and marketing partially offset by an increase in variable cost components as we execute our strategy to shift to a more variable cost structure. During 2002, we decreased our number of owned store locations and the headcount associated with running those locations. This has decreased our fixed costs for 2002 compared to 2001 and has shifted more of our sales and marketing emphasis to the agent and indirect channel which typically has a larger variable cost structure. Sales and marketing costs increased slightly from 2000 to 2001. In 2002, sales and marketing cost per gross subscriber added, including the loss on equipment sales, increased to $424 compared to $369 in 2001 and $320 in 2000. The increase in the average cost per gross subscriber addition in 2002 resulted mainly from fixed sales and marketing costs, including costs of retaining existing subscribers, being spread over fewer gross subscriber additions. The increase from 2000 to 2001 was the result of an increase in equipment loss related to offering a greater mix of digital versus analog handsets to new customers. Further, we invested in migrating existing subscribers via free or reduced cost handsets to our new digital network in 2001. The costs of these handsets were included in the cost of equipment sales. Sales and marketing cost per gross subscriber added, including the loss on equipment sales, is expected to decrease in 2003 compared to 2002 as we continue to shift to a more variable cost structure.

The increase in depreciation and amortization expense for 2002 as compared to 2001 was mainly attributable to the growth of domestic wireless communication system assets partially offset by a decrease in amortization expense associated with the discontinuance of license amortization with the adoption on January 1, 2002 of SFAS No. 142. The increase in depreciation and amortization expense for 2001 as compared to 2000 was mainly attributable to the growth of domestic wireless communication system assets. As we continue to add wireless infrastructure to service our growing domestic subscriber base, we anticipate depreciation and amortization expense to increase in future periods.

The asset dispositions loss results from recording a $15 million impairment charge related to the exploration of a sale of one of our RSAs and from the implementation of our strategy to dispose of certain minor domestic non-core assets. Early indications of market values for this RSA reflected that future cash flows upon sale would not exceed the carrying value of the license.

Domestic EBITDA

Domestic EBITDA increased for 2002 compared to 2001 primarily as the result of decreases in operating and selling costs partially offset by decreases in subscriber and roamer revenues. Domestic EBITDA increased for 2001 compared to 2000 due mainly to increased subscriber and roamer revenues and cost efficiencies related to the increased subscriber base partially offset by an increase in loss on equipment sales. Operating margin (domestic EBITDA as a percentage of service revenues) increased to 43.7% in 2002 compared to 39.4% in 2001 and 41.0% in 2000. We expect domestic EBITDA to increase at a moderate pace in 2003.

Results of International Operations for the Years Ended December 31, 2002, 2001 and 2000

The following discussions include, where meaningful, the results of WWI for the years ended December 31, 2002, 2001 and 2000. Operating revenues and expenses and subscriber information exclude the operations of WWI's Icelandic business, TAL. The sale of TAL was completed in November 2002. Since TAL represented a component of our business with distinguishable cash flows and operations, it is presented in the accompanying consolidated financial statements as discontinued operations. Our 2001 statements of operations and balance sheet were reclassified accordingly. Our 2000 statement of operations was not reclassified because we did not acquire a controlling interest in TAL until the third quarter of 2000. The consolidated accounts associated with TAL in 2000 are not significant.

Our international consolidated operations offer postpaid and prepaid mobile services in Slovenia, Austria, Ireland, Bolivia and Haiti and fixed line service mainly in Austria. We had 741,300 consolidated international subscribers at December 31, 2002, a 51% increase during 2002. We had 491,100 subscribers at December 31, 2001, an increase in excess of 1,000% in 2001. The 2001 increase was primarily due to 268,700 net additions and 187,200 subscribers acquired in the acquisition of tele.ring Telekom Services GmbH ("tele.ring") at the end of June 2001. As of December 31, 2002 and 2001, approximately 68% and 67%, respectively, of our consolidated international subscribers were prepaid customers. As of December 31, 2002, we had 175,900 fixed lines.

	Year Ended December 31,		
(Dollars in thousands)	2002	2001	2000
Revenues:			
Subscriber revenues	$201,280	$ 74,562	$12,989
Roamer revenues	29,057	7,976	543
Fixed line revenues	55,751	29,198	2,351
Equipment sales	11,695	8,200	1,414
Other revenues	5,123	4,552	5,117
Total revenues	$302,906	$ 124,488	$22,414
Operating expenses:			
Cost of service	$184,107	$ 94,448	$ 8,433
Cost of equipment sales	39,487	23,344	1,409
General and administrative	72,182	55,798	15,756
Sales and marketing	65,874	65,733	3,189
Depreciation and amortization	46,484	19,325	4,235
Stock-based compensation	(5,450)	(1,876)	10,763
Total operating expenses	$402,684	$ 256,772	$43,785
EBITDA	$(58,744)	$(114,835)	$(6,373)

International Revenues

The increase in subscriber revenues for the year ended December 31, 2002 compared to the same period in 2001 was primarily due to an increase in the number of subscribers across all of our markets and the inclusion of twelve months of subscriber revenues generated by tele.ring, which was acquired at the end of June 2001. The increase in subscriber revenues in 2001 from 2000 was mainly due to the inclusion of six months of subscriber revenue generated by tele.ring and the launch of operations in Ireland and Bolivia in February 2001 and November 2000, respectively. Management anticipates continued growth in subscriber revenues as we add international subscribers and focus on growing ARPU in 2003.

The increase in roamer revenues for the year ended December 31, 2002 compared to the same period in 2001 was primarily due to expanded coverage in key tourist areas in Austria and throughout Ireland along with

the inclusion of twelve months of roamer revenue generated by tele.ring. The increase in roamer revenues from 2000 to 2001 was mainly due to the inclusion of roamer revenue generated by tele.ring since its acquisition and the launch of operations in Ireland in February 2001. Management expects roamer revenues to increase in 2003 as WWI expands its European coverage.

The increase in fixed line revenues in each consecutive year was primarily due to the inclusion of fixed line revenue generated by tele.ring since its acquisition. In 2003, management expects that fixed line revenue will increase slightly.

Equipment sales increased for the year ended December 31, 2002 compared to the same period in 2001 primarily due to an increase in gross international subscriber additions as a result of the launch of service in Slovenia in December 2001 and the reduction of subsidies offered in the Irish market. The increase in equipment sales for the year ended December 31, 2001 as compared to the same period in 2000 was due mainly to an increase in gross international subscriber additions as a result of the launch of our operations in Ireland in February 2001 and in Bolivia in November 2000. We anticipate modest continued growth in international equipment sales in 2003 primarily as a result of increases in mobile subscriber additions.

International Operating Expenses

Operating expenses represent the expenses incurred by our consolidated international markets and headquarters' administration in the United States.

None of our international operating markets were consolidated and/or operational for the entire year ended December 31, 2000. Since 2000, our international markets in Ireland, Bolivia and Slovenia became operational and we acquired tele.ring at the end of June 2001. Accordingly, operating expenses increased substantially for the year ended December 31, 2001 compared to the same period in 2000, and comparisons are not meaningful.

Total cost of service increased for the year ended December 31, 2002 over the same period in 2001. This was due primarily to the acquisition of tele.ring at the end of June 2001 and the launch of our international operations in Slovenia in December 2001. On a per average international subscriber basis, monthly cost of service decreased to $24.90 for the year ended December 31, 2002 from $30.14 for the year ended December 31, 2001. Management expects cost of service dollars to increase in future periods as a result of a growing subscriber base, but continue to decline on a per average international subscriber basis due to increased cost efficiencies. The per international subscriber basis decrease in 2003 is not anticipated to be as significant as the rate decrease from 2001 to 2002.

Cost of equipment sales increased for the year ended December 31, 2002 over the same period in 2001 primarily due to our acquisition of tele.ring at the end of June 2001 and the launch of operations in Slovenia in December 2001. Although subscribers generally are responsible for purchasing or otherwise obtaining their own handsets, WWI has historically sold handsets below cost to respond to competition and general industry practice and expects to continue to do so in the future.

General and administrative expenses increased for the year ended December 31, 2002 over the same period in 2001, primarily due to the acquisition of tele.ring at the end of June 2001 and the launch of our international operations in Slovenia in December 2001, offset by cost reductions in our Austrian operations. General and administrative monthly cost per average international subscriber decreased to $9.76 in 2002 as compared to $17.81 in 2001 due to increased cost efficiencies as a result of the growing subscriber base. Management expects general and administrative dollars to increase on a year-over-year basis in 2003 as a result of a growing subscriber base, but decline on a per international subscriber basis due to increased cost efficiencies. The cost per international subscriber decrease in 2003 is not anticipated to be as significant as the rate decrease from 2001 to 2002.

Sales and marketing expense excluding equipment subsidies remained relatively consistent on a year-over-year basis. International cost per gross addition including equipment subsidies declined to $179 in 2002 from $232 in 2001 primarily due to reduced sales costs in Austria and Ireland partially offset by higher international consolidated equipment subsidies. Management expects sales and marketing costs to increase in

2003 compared to 2002 due to increased growth in subscriber additions and expects cost per gross add to increase due to slightly higher equipment subsidies.

Depreciation and amortization expense increased for the year ended December 31, 2002 compared to the same period in 2001 due primarily to network expansion in our European markets. Slovenia was launched in December 2001. As WWI continues to add wireless infrastructure to service its growing international subscriber base, management anticipates depreciation and amortization expense will increase in future periods.

The decrease in stock-based compensation each year is primarily a result of a revaluation of WWI's stock appreciation rights ("SARs") based on current market conditions.

International EBITDA

International EBITDA for our international consolidated subsidiaries improved for the year ended December 31, 2002 compared to the same period in 2001 due to the inclusion of tele.ring's results of operations from acquisition in June 2001 and the launch of operations in Bolivia, Ireland and Slovenia in the fourth quarter of 2000, the first quarter of 2001 and the fourth quarter of 2001, respectively. International EBITDA for our international consolidated subsidiaries declined for the year ended December 31, 2001 compared to the same period in 2000 due to the inclusion of tele.ring's results of operations and the launch of operations in Bolivia and Ireland in the fourth quarter of 2000 and the first quarter of 2001, respectively. We expect international EBITDA to improve throughout 2003 as a result of continued subscriber growth and cost efficiencies in existing markets.

Because WWI has operations in three countries in Europe in which the functional currency is the euro or is linked to the euro, fluctuations in exchange rates may have a significant impact on its financial results of operations. Such fluctuations have less effect on local operating results, however, because WWI offers service within the countries in which they operate. Management cannot predict future fluctuations in currency exchange rates, and accordingly cannot predict the potential impact of any such fluctuations on WWI's results of operations.

Consolidated Other Income (Expense)

Interest and financing expense decreased to $156.7 million in 2002 from $161.9 million in 2001. The decrease was due to a reduction in our weighted average interest rate partially offset by an increase in our average long-term debt. Interest and financing expense increased to $161.9 million in 2001 from $152.2 million in 2000. The increase was due to an increase in the average long-term debt partially offset by a decrease in our weighted average interest rate. Long-term debt was incurred primarily to fund our capital expenditures, acquisition of wireless properties and international projects through WWI. The weighted average domestic interest rate paid to third parties was 6.6%, 8.0% and 9.3% in 2002, 2001 and 2000, respectively. The consolidated international weighted average interest rate paid to third parties was 5.8%, 7.6% and 7.6% in 2002, 2001 and 2000, respectively.

Subsequent to December 31, 2002, we entered into interest rate swaps on our bonds with a notional amount of $296 million (the "Bond Swaps"). The Bond Swaps effectively convert $296 million of our outstanding fixed rate debt at 10½% under the 2006 Notes and the 2007 Notes to variable rate debt. The terms of the Bond Swaps set interest at LIBOR plus 7.45% to 7.75%. In order to maintain compliance under the Credit Facility, we also entered into a three year $300 million notional amount fixed rate collar that limits our interest rate exposure on LIBOR to: between 1.3% and 6.0% for the first year; between 2.0% and 6.0% for the second year; and between 2.85% and 6.0% for the third year.

In 2000, we recognized a $57.4 million gain related to the sale of WWI's investment in Baltcom GSM ("Baltcom") in Latvia. The Company's proceeds were $66.6 million.

principle, along with the $5.9 million in 2001 loss from discontinued operations of TAL, and the $5.6 million cumulative change in accounting principle related to the adoption of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities."

Consolidated Net Operating Loss Carryforwards

We had no domestic tax liability for the current period due to NOL carryforwards from prior years. At December 31, 2002, federal NOL carryforwards amounting to approximately $674 million were available. We also have NOLs related to consolidated subsidiaries in foreign jurisdictions of approximately $251 million, which are reported at foreign statutory rates. The federal NOL carryforwards will expire between 2006 and 2022. We may be limited in our ability to use these carryforwards in any one year due to ownership changes that preceded the business combination that formed us in July 1994 and due to changes in shareholdings that occurred during 1999. We believe that, based on a number of factors, there is uncertainty regarding the realization of our NOL carryforwards.

Consolidated Liquidity and Capital Resources

We have a $2.1 billion credit facility with a consortium of lenders (the "Credit Facility"). The Credit Facility provides for $1.0 billion in revolving loans and $1.1 billion in term loans. As of December 31, 2002, $1.8 billion was outstanding under the Credit Facility, which includes $0.7 billion outstanding in revolving loans and $1.1 billion outstanding in term loans. Based on the December 31, 2002 covenant analysis, we had $300 million available to borrow under the revolving loan portion of the Credit Facility. Substantially all the domestic assets of the Company are pledged as collateral for such indebtedness. The terms of the Credit Facility contain certain quarterly covenants which impose limitations on our operations and activities, including, among other things, limitations on the incurrence of indebtedness, the sale of assets, investments and acquisitions, distribution of dividends or other distributions and loans. Failure to comply with covenants would result in an event of default and would allow the lenders to accelerate the maturity. Effective March 31, 2003, we must begin making principal payments on the Credit Facility. The amount of required principal payments in 2003 is $106 million based on outstanding borrowings at December 31, 2002. Further, the amount available under the revolving loans decreases each quarter beginning with the quarter ending March 31, 2003. Such reductions decrease borrowing capacity under the revolving loan portion of the Credit Facility by a cumulative amount of $50 million by December 31, 2003.

We have issued $200 million principal amount of 10½% Senior Subordinated Notes Due 2006 (the "2006 Notes") at par and $200 million principal amount of 10½% Senior Subordinated Notes Due 2007 (the "2007 Notes") at par. Indebtedness under the 2006 Notes and 2007 Notes matures on June 1, 2006, and February 1, 2007, respectively. The 2006 Notes and 2007 Notes contain certain restrictive covenants which impose limitations on the operations and activities of us and certain of our subsidiaries, including the issuance of other indebtedness, the creation of liens, the sale of assets, issuance of preferred stock of subsidiaries and the making of restricted payments, investments and acquisitions. During 2002, we repurchased $13.0 million face value of the 2006 Notes and $4.0 million face value of the 2007 Notes in open market transactions.

In June 2001, under the terms of the transaction to acquire tele.ring from a subsidiary of Vodafone Group Plc ("Vodafone"), an affiliate of Vodafone agreed to make available to tele.ring financing of 250 million euro (the "tele.ring Term Loan") for purposes of funding anticipated working capital and system expansion needs. Under the initial terms of the tele.ring Term Loan, the amount available at inception was approximately 75 million euro increasing quarterly to up to 250 million euro on April 1, 2002. In January 2003, the tele.ring Term Loan was amended. The amendment decreased the aggregate availability to 185 million euro and extended the availability period through June 2004. Under the amended terms of the tele.ring Term Loan, repayment terms were extended, such that all outstanding principal and accrued interest shall be repaid based on predetermined percentages on each of July 1, 2004, 2005, 2006 and in December 2006. At December 31, 2002, tele.ring had drawn approximately $152 million. Subsequent to December 31, 2002, tele.ring drew an additional $16.3 million, leaving 25 million euro undrawn and available under the tele.ring facility. We expect the tele.ring Term Loan, as amended, to sustain tele.ring until it becomes free cash flow positive.

In April 2002, Vega entered into a credit facility agreement (the "Slovenian Credit Facility") with a consortium of banks to provide funding for the implementation and expansion of Vega's network in Slovenia. The total amount available under the Slovenian Credit Facility was 116 million euro. Under the terms of the Slovenian Credit Facility, all outstanding principal is required to be repaid in predetermined semi-annual installments beginning on May 30, 2004 and ending on November 30, 2009. Interest is accrued primarily at EURIBOR plus an applicable margin, ranging from 0.40% to 2.50%, based on Vega's financial and technical performance. Further, the Slovenian Credit Facility requires Vega to enter into interest rate hedge agreements on a predetermined schedule to manage the interest rate exposure.

The Slovenian Credit Facility contains certain borrowing conditions and restrictive covenants, including: minimum subscribers; population coverage; certain cash flow requirements; minimum contributed capital and debt service coverage. Western Wireless International Corporation ("WWIC"), a subsidiary of WWI, has guaranteed the Slovenian Credit Facility under the following circumstances: failure to meet specified network construction milestones, the subsidiary's insolvency, forfeiture of the licenses, or abandonment of the project. Additionally, WWIC has agreed not to sell or dispose of any majority owned subsidiary without the approval of the Slovenian lenders. Further, WWIC has made a commitment that is collateralized by cash to contribute up to a maximum of 16 million euro in additional capital to provide for revenue or operating cash flow shortfalls and cash balance deficiencies, if any. In October 2002, certain covenants under the Slovenian Credit Facility were amended for which WWI made an additional equity contribution to Vega of $9.1 million.

As provided for under the Slovenian Credit Facility, WWI contributed an additional $1.3 million and committed $0.7 million, paid in February 2003, to Vega as a result of Vega's revenue shortfalls during the year ended December 31, 2002. Based on current operating conditions, Vega believes that it is necessary to amend certain terms and conditions of the Slovenian Credit Facility in 2003 in order to avoid future revenue shortfalls or other covenant breaches, some of which cannot be remedied. In March 2003, WWI met with the lead arranger bank of the Slovenian Credit Facility and believes that an agreement can be reached amending the Slovenian Credit Facility and that no further borrowing will be permitted. We believe no action will be taken to accelerate the loan during the pending negotiations to finalize the amendment. We can offer no assurance that the participating banks will grant an amendment. In the event that Vega breaches one of the covenants that cannot be cured, measured each June 30 and December 31, and does not obtain the amendment, the outstanding balance under the Slovenian Credit Facility could become payable upon demand. As of December 31, 2002, Vega had drawn $71.4 million under the Slovenian Credit Facility and drew an additional $5.6 million subsequent to year-end.

In October 2000, NuevaTel, S.A. ("NuevaTel"), a subsidiary of WWI, entered into a bridge loan facility ("the Bolivian Bridge Loan") to provide funding for the build-out and implementation of NuevaTel's network in Bolivia. At December 31, 2002, the outstanding amount under the Bolivian Bridge Loan was $34.7 million and the facility was fully drawn. The loan was originally scheduled to mature in its entirety in October 2002. In October 2002, the maturity date of the Bolivian Bridge Loan was extended to March 31, 2003. In January 2003, the Overseas Private Investment Corporation ("OPIC") approved a $50 million loan guarantee for the refinancing of the Bolivian Bridge Loan ("the Bolivian Refinancing"). The final terms of the Bolivian Refinancing are still being negotiated with prospective lenders. We expect, but there can be no assurance that the Bolivian Bridge Loan will be refinanced in the second quarter of 2003. Until the Bolivian Refinancing is finalized, we intend to obtain additional extensions of the Bolivian Bridge Loan maturity date, but there can be no assurance that any necessary extension will be granted.

The maturities of our aggregate long-term debt, including that due within one year and classified as current are:

(Dollars in millions)	2003	2004	2005	2006	2007	Thereafter	Total
Domestic	$106.1	$156.1	$256.1	$518.1	$502.0	$650.0	$2,188.4
International	38.1	6.4	62.0	115.6	15.6	40.1	277.8
Total	$144.2	$162.5	$318.1	$633.7	$517.6	$690.1	$2,466.2

None of our international loan facilities have recourse to Western Wireless Corporation. As previously discussed, WWI and certain of its subsidiaries have severally guaranteed the Bolivian Bridge Loan and the Slovenian Credit Facility.

Our domestic business plans include capital expenditures during 2003. In 2003, if we attain our subscriber growth projections, we anticipate spending approximately $150 million in capital expenditures for the continued improvements to our domestic network and back office infrastructure.

For 2003, WWI's business plans include funding for capital expenditures and operating losses. Current 2003 business plans estimate that WWI entities will spend approximately $80 million for capital expenditures. WWI plans to fund these needs through local foreign borrowings, including the tele.ring Term Loan, the Bolivian Refinancing, and contributions and advances from Western Wireless. It is anticipated that the net contributions and advances from Western Wireless in 2003 will be approximately $30 million to $40 million.

We believe that domestic operating cash flow and available international loan facilities will be adequate to fund our projected 2003 domestic and international capital expenditures and Credit Facility principal repayments. During 2003, our domestic business plans do not indicate a need to borrow under the Credit Facility, even though borrowing capacity is expected to exist. Future borrowing capacity under the Slovenian Credit Facility is expected to be cancelled. However, if we do not achieve planned domestic operating cash flow targets, quarterly covenants and borrowing limitations contained in the Credit Facility and the 2006 Notes and 2007 Notes may be triggered that would limit the available borrowing capacity under the Credit Facility. Our operating cash flow is dependent upon, among other things: (i) the amount of revenue we are able to generate from our customers; (ii) the amount of operating expenses required to provide our services; (iii) the cost of acquiring and retaining customers; and (iv) our ability to grow our customer base. In order to comply with debt covenants or in the event that the borrowing capacity under the Credit Facility is limited or an amendment is not granted to us under the Slovenian Credit Facility, or we are unable to complete the Bolivian Refinancing, we may be required to curtail capital spending, reduce expenses, or otherwise modify our planned operations and/or seek additional debt or equity at the domestic or international level and/or restructure or refinance our existing financing arrangements. Our ability to raise additional capital, if necessary, is subject to a variety of factors, including: (i) the commercial success of our operations; (ii) the volatility and demand of the capital markets, conditions in the economy generally and the telecommunications industry specifically; and (iii) other factors we cannot presently predict with certainty. There can be no assurance that such funds will be available to us or if such funding will be available on acceptable terms, if at all.

On May 3, 1999, we distributed to our shareholders our entire interest in VoiceStream, now T-Mobile USA (the "Spin-off"). Prior to the Spin-off, we had received a ruling from the Internal Revenue Service to the effect that the Spin-off would not result in the recognition of income or gain by us or our shareholders. Notwithstanding the ruling, however, we would recognize a gain as a result of the Spin-off if the Spin-off were part of a "prohibited plan," that is, a plan or series of related transactions pursuant to which one or more persons acquired, directly or indirectly, 50 percent or more of our or VoiceStream's stock. Because acquisitions totaling 50 percent or more of VoiceStream's stock occurred during the four-year period beginning two years before the Spin-off, a rebuttable presumption exists that the Spin-off was part of a prohibited plan. Although the issue is not free from doubt, we believe that the Spin-off was not part of a prohibited plan and that the presumption can be rebutted.

In conjunction with the Spin-off, VoiceStream agreed to indemnify us on an after-tax basis for any taxes imposed on us if an acquisition of VoiceStream's stock causes the Spin-off to be part of a prohibited plan. As a result, if the presumption that the Spin-off was part of a prohibited plan is not successfully rebutted, we believe that VoiceStream would be responsible for our resulting tax liability arising from the Spin-off. Even if it is ultimately determined that the Spin-off was part of a prohibited plan, we believe that T-Mobile is capable of funding its resulting indemnity obligation to us.

Net cash provided by operating activities was $145.9 million for the year ended December 31, 2002. Adjustments to the $185.7 million net loss to reconcile to net cash provided by operating activities included: (i) $244.2 million of depreciation and amortization; (ii) $120.7 million in deferred income taxes;

(iii) $21.3 million loss on asset dispositions; (iv) $29.6 million related to the discontinued operations and sale of our Icelandic subsidiary; (v) $8.4 million minority interests in net losses of consolidated subsidiaries; and (vi) $4.2 million equity in net income of unconsolidated affiliates. Net cash provided by operating activities was $72.9 and $167.0 million for the years ended December 31, 2001 and 2000, respectively.

Net cash used in investing activities was $304.3 million for the year ended December 31, 2002. Investing activities for the year consisted primarily of $300.4 million in purchases of property and equipment, of which $139.8 million was related to WWI. Net cash used in investing activities was $432.9 million and $644.3 million for the years ended December 31, 2001 and 2000, respectively.

Net cash provided by financing activities was $171.7 million for the year ended December 31, 2002. Financing activities for the year consisted primarily of $222.8 million in additions to long-term debt for the continued expansion of our cellular infrastructure and to fund international consolidated subsidiaries through WWI and $52.0 million in repayment of long-term debt. Net cash provided by financing activities was $381.7 million and $457.8 million for the years ended December 31, 2001 and 2000, respectively.

In the ordinary course of business, we continue to evaluate business opportunities, joint ventures and other potential business transactions. These opportunities, joint ventures and business transactions may be material, and require us to seek additional sources of funding through the issuance of additional debt and/or additional equity at the parent or subsidiary level. There can be no assurance that such funds will be available to us on acceptable or favorable terms, if at all.

Seasonality

We, and the wireless communications industry in general, have historically experienced significant subscriber growth during the fourth calendar quarter. Accordingly, during such quarter we experience greater losses on equipment sales and increases in sales and marketing expenses. We have historically experienced highest usage and revenue per subscriber during the summer months. We expect these trends to continue.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Market Risk Management

We are exposed to various market financial risks, including changes in interest rates and foreign currency rates. As part of our risk management program, we utilize interest rate caps, swaps and collars to hedge a portion of our variable rate interest risk.

Interest Rate Risk

Our domestic operations have variable rate debt that at December 31, 2002 and 2001 had outstanding balances of $1.8 billion and $1.7 billion, respectively. The fair value of such debt approximates the carrying value at December 31, 2002. Of this variable rate debt, $720 million was hedged using interest rate caps, swaps and collars which fixed interest rates between 4.91% and 7.75% during both years. These caps, swaps and collars expire at various dates between March 2003 and August 2005. Based on our domestic unhedged variable rate obligations outstanding at December 31, 2002 and 2001 a hypothetical increase or decrease of 10% in the weighted average variable interest rate would have, respectively, increased or decreased our domestic annual interest expense by approximately $1.6 and $2.4 million, respectively, for such years.

Our international operations also have variable rate debt that, at December 31, 2002 and 2001, had an outstanding balance of approximately $0.3 billion and $0.1 billion, respectively. The fair value of such debt approximates the carrying value at December 31, 2002. Of this variable rate debt, $40.9 million is hedged at December 31, 2002 using an interest rate swap, which fixes the interest rate at 4.94% through November 2009. Based on WWI's unhedged variable rate obligations outstanding at December 31, 2002 and 2001 a hypothetical increase or decrease of 10% in the weighted average variable interest rate would have, respectively, increased or decreased our international annual interest expense by approximately $0.8 and $0.4 million, respectively, for such years.

The potential increases or decreases discussed above are based on certain simplifying assumptions, including a constant level of variable rate debt for all maturities and an immediate, across-the-board increase or decrease in the level of interest rates with no other subsequent changes for the remainder of the period.

Foreign Currency Risk

Currently, 17% of our total international revenues are denominated in U.S. dollars. Certain of our international subsidiaries have functional currencies other than the U.S. dollar and their assets and liabilities are translated into U.S. dollars at exchange rates in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the period. A 10% appreciation in the U.S. dollar would have resulted in an approximately $9.5 million and $10.0 million decrease in loss from continuing operations before provision for income taxes and cumulative change in accounting principle during the years ended December 31, 2002 and 2001, respectively. A change in such loss would have resulted from applying a different exchange rate to translate and revalue the financial statements of our international subsidiaries with functional currencies other than the U.S. dollars.

At December 31, 2002, our Slovenian operations, whose functional currency is the Slovenian Tolar, had variable rate debt of approximately $65.4 million denominated and repayable in euros and our Austrian operations, whose functional currency is the euro, had variable rate debt, including accrued interest of approximately $161.2 million denominated and repayable in euros. A 10% appreciation in the euro as compared to the Slovenia Tolar would have resulted in an approximately $6.3 million increase in loss from continuing operations before provision for income taxes and cumulative change in accounting principle during the year ended December 31, 2002. A change in such loss would have been the result of an unrealized foreign exchange loss. A 10% appreciation in the euro and Slovenian Tolar as compared to the U.S. dollar would have resulted in an approximately $26.0 million increase in debt outstanding at December 31, 2002, and an approximately $9.0 million increase in debt outstanding at December 31, 2001, with an offsetting currency translation adjustment.

ITEM 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

The financial statements required by this item are set forth on pages F-1 through F-27 and the related financial statement schedules are set forth on pages S-1 through S-5.

ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE*

None

PART III

ITEM 10. *DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT*

The information on directors of the registrant required by this Item is incorporated by reference to the section entitled "Election of Directors and Management Information" in our Proxy Statement for our 2003 annual shareholders meeting to be filed with the United States Securities and Exchange Commission ("Proxy Statement"). The information on executive officers of the registrant called for by this Item is included herein under Part I in the section entitled "Executive Officers of the Registrant".

ITEM 11. *EXECUTIVE COMPENSATION*

The information required by this Item is incorporated by reference to the section entitled "Executive Compensation" in our Proxy Statement.

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT*

The information required by this Item is incorporated by reference to the section entitled "Security Ownership of Certain Beneficial Owners and Management" in our Proxy Statement.

ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS*

The information required by this Item is incorporated by reference to the section entitled "Certain Relationships and Related Transactions" in our Proxy Statement.

ITEM 14. *CONTROLS AND PROCEDURES*

(a) Evaluation of Disclosure Controls and Procedures

Within the 90 days prior to the date of this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chairman and Chief Executive Officer along with our Executive Vice President and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, our Chairman and Chief Executive Officer and Executive Vice President and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to us (including our consolidated subsidiaries) required to be included in our periodic SEC filings.

(b) Changes in Internal Controls

There have been no significant changes in our internal controls or in other factors which could significantly affect these controls subsequent to the date of their evaluation.

PART IV

ITEM 15. *EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K*

A) *Financial Statements and Schedule*

The financial statements and schedules that are filed with this Form 10-K are set forth in the Index to Consolidated Financial Statements and Schedules at page F-1, which immediately precedes such documents.

B) *Reports on Form 8-K*

A Form 8-K was filed on November 14, 2002, which included as exhibits the certifications of John W. Stanton, Chairman and Chief Executive Officer and Theresa E. Gillespie, Executive Vice President of the Company furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

C) *Exhibits*

Exhibit Number	Exhibit Title
3.1(A)	Amended and Restated Articles of Incorporation.
3.2(A)	Bylaws of the Registrant.
4.1(B)	Indenture between Western Wireless Corporation and Harris Trust Company of California, dated May 22, 1996, relating to the 10½% Senior Subordinated Notes Due 2006.
4.2(C)	Indenture between Western Wireless Corporation and Harris Trust Company of California, dated October 24, 1996, relating to the 10½% Senior Subordinated Notes Due 2007.
4.3(D)	Supplemental Indenture dated April 8, 1998, between Western Wireless Corporation and Harris Trust Company of California, relating to the 10½% Senior Subordinated Notes Due 2007.
4.4(D)	Supplemental Indenture dated April 8, 1998, between Western Wireless Corporation and Harris Trust Company of California, relating to the 10½% Senior Subordinated Notes Due 2006.
10.1(H)	Master Purchase Agreement between Western Wireless Corporation and Nortel Networks, Inc. dated March 10, 2000.
10.2	Amendment Number 1 to Master Purchase Agreement between Western Wireless Corporation and Nortel Networks, Inc. effective January 1, 2001.
10.3(I)	Amended and Restated General Agreement for Purchase of Cellular Systems between Lucent Technologies, Inc. and Western Wireless Corporation dated October 1, 1999.
10.4(F)	License and Services Agreement between Western Wireless Corporation and AMDOCS (UK) Limited dated August 23, 1999.
10.6(L)	Stock Purchase Agreement by and between Western Wireless International Corporation and Bradley J. Horwitz dated April 12, 2001.
10.7(A)	Voting Agreement by and among Western Wireless Corporation and certain of its shareholders, dated May 13, 1996.
10.8(A)	Employment Agreement by and between John W. Stanton and Western Wireless Corporation dated March 12, 1996.
10.9(A)	Employment Agreement by and between Mikal J. Thomsen and Western Wireless Corporation dated March 12, 1996.
10.10(A)	Employment Agreement by and between Theresa E. Gillespie and Western Wireless Corporation dated March 12, 1996.
10.11(E)	Employment Agreement by and between Donald Guthrie and Western Wireless Corporation dated March 12, 1996.
10.12(K)	Employment Agreement by and between Bradley J. Horwitz and Western Wireless Corporation dated March 20, 1996.
10.14(G)	Employment Agreement by and between Jeffrey A. Christianson and Western Wireless Corporation dated December 17, 1999.
10.15(L)	Employment Agreement by and between Gerald J. Baker and Western Wireless Corporation dated January 22, 2001.

Exhibit Number	Exhibit Title
10.16(N)	Employment Agreement by and between Eric Hertz and Western Wireless Corporation dated May 7, 2002.
10.17(O)	Employment Agreement by and between M. Wayne Wisehart and Western Wireless Corporation dated January 3, 2003.
10.18(L)	Form of Indemnification Agreement between Western Wireless Corporation and its Directors and Executive Officers.
10.19(K)	Subscription and Put and Call Agreement with respect to Shares of Common Stock of Western Wireless International Corporation between Western Wireless International Corporation, Western Wireless Corporation, WWC Holding Co., Inc., and Bradley J. Horwitz, as amended through second amendment.
10.20(L)	Third Amendment to the Subscription and Put and Call Agreement with respect to Share of Common Stock of Western Wireless International Corporation by and between Western Wireless International Corporation, Western Wireless Corporation, WWC Holding Co., Inc. and Bradley J. Horwitz dated February 28, 2001.
10.21(L)	Fourth Amendment to the Subscription and Put and Call Agreement with respect to Share of Common Stock of Western Wireless International Corporation by and between Western Wireless International Corporation, Western Wireless Corporation, WWC Holding Co., Inc. and Bradley J. Horwitz dated March 31, 2001.
10.22(L)	Fifth Amendment to the Subscription and Put and Call Agreement with respect to Share of Common Stock of Western Wireless International Corporation by and between Western Wireless International Corporation, Western Wireless Corporation, WWC Holding Co., Inc. and Bradley J. Horwitz dated April 12, 2001.
10.23(N)	Western Wireless Corporation 1994 Management Incentive Stock Option Plan, as amended through February 3, 2000.
10.24	Western Wireless Corporation 1996 Employee Stock Purchase Plan, as amended through November 2001.
10.25(C)	Western Wireless Corporation 1997 Executive Restricted Stock Plan.
10.26(J)	Agreement and Plan of Distribution between Western Wireless Corporation and VoiceStream Wireless Corporation dated April 9, 1999.
10.27(H)	Loan Agreement among Western Wireless Corporation, as Borrower, TD Securities (USA) Inc., as Arranger, Bank of America, N.A., The Chase Manhattan Bank, and Barclays Bank PLC, as Co-Documentation Agents and Co-Syndication Agents, Dresdner Bank, AG, New York and Grand Cayman Branches, First Union National Bank, Fleet National Bank, Goldman Sachs Credit Partners LP, Cooperative Centrale-Raiffeisen Boerenleenbank B.A. "Rabobank International", New York Branch, and Union Bank of California, N.A., as Managing Agents, Skandinaviska Enskilda Banken AB and U.S. Bank National Association, as Co-Agents, and Toronto Dominion (Texas) Inc., as Administrative Agent, dated as of April 25, 2000.
10.28(P)	Western Wireless International Holding Corporation Amended and Restated 1998 Stock Appreciation Plan.
10.29(M)	Agreement dated May 4, 2001 by and among Mannesmann Eurokom GmbH, EKOM Telecommunications Holding Ag and EHG Einkaufs-und Handels GmbH for the Sale and Purchase of 100% of the Shares in tele.ring Telekom Service GmbH, 100% of the Partnership Interest in tele.ring Telekom Service GmbH & Co KEG and for the Call-Option regarding the Sale and Purchase of 100% of the shares in Mannesmann 3G Mobilfunk GmbH 2.2.
10.30(M)	Term Loan Agreement dated June 29, 2001 by and between tele.ring TeleKom Service GmbH, as Borrower, and EKOM Telecommunications Holding AG, as Lender.
10.31(N)	Letter Agreement dated April 5, 2002 by and among tele.ring Telekom Service GmbH, EHG Einkaufs-und Handels GmbH, Vodafone AG (as universal successor of Mannesmann Eurokom GmbH) and EKOM Telecommunications Holding AG.
10.32(P)	Amendment No. 1 to Term Loan Agreement, dated January 30, 2003 to Term Loan Agreement dated June 29, 2001, by and between tele.ring Telekom GmbH, as Borrower, and EKOM Telecommunications AG, as Lender.

Exhibit Number	Exhibit Title
10.33(O)	Amendment No. 1 to the Amended and Restated General Agreement for Purchase of Cellular Systems between Western Wireless Corporation and Lucent Technologies, Inc. dated September 17, 2002.
10.34(P)	Facility Agreement dated April 30, 2002 by and between Western Wireless International d.o.o., as Borrower and IKB Deutsche Industrielbank AG, as Lead Arranger, Off Shore Security Agent, Off Shore Facility Agent and Original Euro Facility Bank and Others.
10.35(P)	First Amendment Agreement relating to the Facility Agreement dated 30 April 2002 by and between Western Wireless International d.o.o., as borrower and IKB Deutsche Industrielbank AG, as Lead Arranger, Off Shore Security Agent, Off Shore Facility Agent and original Euro Facility Bank and Others.
21.1(P)	Subsidiaries of the Registrant.
23.1	Consent of PricewaterhouseCoopers LLP.

(A) Incorporated by reference to the exhibit filed with our Registration Statement on Form S-1 (Commission File No. 333-2432).

(B) Incorporated by reference to the exhibit filed with our Registration Statement on Form S-1 (Commission File No. 333-2688).

(C) Incorporated by reference to the exhibit filed with our Registration Statement on Form S-4 (Commission File No. 333-14859).

(D) Incorporated by reference to the exhibit filed with Amendment Number 2 to our Registration Statement on Form S-3 (Commission File No. 333-49555).

(E) Incorporated by reference to the exhibit filed with our Form 10-K for the year ended 12/31/96.

(F) Incorporated by reference to the exhibit filed with our Form 10-Q for the quarter ended 9/30/99.

(G) Incorporated by reference to the exhibit filed with our Form 10-K for the year ended 12/31/99.

(H) Incorporated by reference to the exhibit filed with our Form 10-Q for the quarter ended 3/31/00.

(I) Incorporated by reference to the exhibit filed with our Form 10-Q for the quarter ended 6/30/00.

(J) Incorporated by reference to the exhibit filed with the VoiceStream Wireless Corporation Form 10 (Commission File No. 000-25441) filed with the SEC on February 26, 1999.

(K) Incorporated by reference to the exhibit filed with our Form 10-K for the year ended 12/31/00.

(L) Incorporated by reference to the exhibit filed with our Form 10-Q for the quarter ended 3/31/01.

(M) Incorporated by reference to the exhibit filed with our Form 8-K on July 16, 2001.

(N) Incorporated by reference to the exhibit filed with our Form 10-Q for the quarter ended 6/30/02.

(O) Incorporated by reference to the exhibit filed with our Form 10-Q for the quarter ended 9/30/02.

(P) Exhibit filed with our Form 10-K for the year ended 12/31/02.

WESTERN WIRELESS CORPORATION

FORM 10-K

For The Year Ended December 31, 2002

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
Western Wireless Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive income (loss) of shareholders' equity (deficit) and of cash flows present fairly, in all material respects, the financial position of Western Wireless Corporation and its subsidiaries at December 31, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules at December 31, 2002 and 2001 and for the years then ended present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedules are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. The consolidated financial statements and financial statement schedules of Western Wireless Corporation as of December 31, 2000 and for the year then ended, were audited by other independent accountants who have ceased operations. Those independent accountants expressed an unqualified opinion on those financial statements, before the revisions described in Notes 6 and 2 to the consolidated financial statements, in their report dated February 15, 2001.

As discussed above, the consolidated financial statements of Western Wireless Corporation as of December 31, 2000, and for the year then ended, were audited by other independent accountants who have ceased operations. As described in Note 6, these financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", which was adopted by the Company as of January 1, 2002. We audited the transitional disclosures described in Note 6. As described in Note 2, these financial statements have been revised to reclassify the loss on early extinguishment of debt from an extraordinary item to income before extraordinary items as required by Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections", which was adopted by the Company as of April 1, 2002. We audited the reclassifications described in Note 2 that were applied to revise the 2000 financial statements. In our opinion, the transitional disclosures for 2000 in Note 6 are appropriate and the reclassifications described in Note 2 are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the 2000 financial statements of the Company other than with respect to such disclosures and reclassifications and, accordingly, we do not express an opinion or any other form of assurance on the 2000 financial statements taken as a whole.

As described in Note 6 to the consolidated financial statements, effective January 1, 2002, the Company changed its method of accounting for intangible assets as required by Statement of Financial Accounting Standards No. 142, "Goodwill and Intangible Assets".

As described in Note 2 to the consolidated financial statements, effective January 1, 2001, the Company changed its method of accounting for derivative instruments and hedging activities as required by Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities".

PRICEWATERHOUSECOOPERS LLP

Seattle, Washington
February 25, 2003

THE FOLLOWING REPORT IS A COPY OF A REPORT PREVIOUSLY ISSUED BY ARTHUR ANDERSEN LLP AND HAS NOT BEEN REISSUED BY ARTHUR ANDERSEN LLP.

As described in Note 6, these financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," which was adopted by us as of January 1, 2002. As described in Note 2, these financial statements have been revised to reclassify the loss on early extinguishment of debt from an extraordinary item to income before extraordinary items as required by Statement of Financial Accounting Standards No. 145, "Recession of FASB Statement No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections," which was adopted by us as of April 1, 2002. Arthur Andersen LLP did not participate in the preparation of the reclassification and transitional disclosures and accordingly this report does not extend to those modifications. These modifications were audited by PricewaterhouseCoopers LLP.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of
Western Wireless Corporation:

We have audited the accompanying consolidated balance sheet of Western Wireless Corporation and subsidiaries as of December 31, 2000, and the related consolidated statements of operations and comprehensive income (loss) shareholders' equity and cash flows for each of the two years in the period ended December 31, 2000. These financial statements and the schedules referred to below are the responsibility of Western Wireless management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with accounting standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by us, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Wireless Corporation and subsidiaries as of December 31, 2000, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the index of consolidated financial statements are presented for purposes of complying with the Securities and Exchange Commission rules and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements for the periods noted above and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Seattle, Washington
February 15, 2001

WESTERN WIRELESS CORPORATION

CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	As of December 31, 2002	As of December 31, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 62,429	$ 45,083
Accounts receivable, net of allowance for doubtful accounts of $22,059 and $20,407, respectively	159,976	147,287
Inventory	24,461	33,793
Marketable securities	10,270	21,016
Prepaid expenses and other current assets	43,078	49,357
Total current assets	300,214	296,536
Property and equipment, net of accumulated depreciation of $739,437 and $521,660, respectively	855,595	822,956
Licensing costs and other intangible assets, net of accumulated amortization of $23,838 and $14,219, respectively	1,163,399	1,176,124
Investments in and advances to unconsolidated affiliates	41,284	32,752
Assets held for sale		29,482
Other assets	38,484	12,570
	$ 2,398,976	$2,370,420
LIABILITIES AND NET CAPITAL DEFICIENCY		
Current liabilities:		
Accounts payable	$ 59,363	$ 80,878
Accrued liabilities and other	185,920	172,735
Construction accounts payable	30,543	93,497
Current portion of long-term debt	144,196	51,723
Total current liabilities	420,022	398,833
Liabilities held for sale		30,240
Long-term debt, net of current portion	2,321,955	2,215,557
Deferred income taxes	120,687	
Total liabilities	2,862,664	2,644,630
Minority interests in consolidated subsidiaries	22,749	25,089
Commitments and contingencies (Note 10)		
Net capital deficiency:		
Preferred stock, no par value, 50,000,000 shares authorized; no shares issued and outstanding		
Common stock, no par value, 300,000,000 shares authorized; Class A, 72,229,605 and 71,881,603 shares issued and outstanding, respectively, and; Class B, 6,774,724 and 6,981,072 shares issued and outstanding, respectively	669,072	668,158
Deferred compensation	(39)	
Accumulated other comprehensive loss	(26,513)	(24,181)
Deficit	(1,128,957)	(943,276)
Total net capital deficiency	(486,437)	(299,299)
	$ 2,398,976	$2,370,420

See accompanying notes to consolidated financial statements.

WESTERN WIRELESS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME/(LOSS)
(Dollars in thousands, except per share data)

	For the Years Ended December 31,		
	2002	2001	2000
Revenues:			
Subscriber revenues	$ 810,686	$ 693,776	$ 561,191
Roamer revenues	257,935	252,514	229,237
Fixed line revenues	55,751	29,198	2,351
Equipment sales	53,632	46,938	31,686
Other revenues	8,606	15,533	10,489
Total revenues	1,186,610	1,037,959	834,954
Operating expenses:			
Cost of service (exclusive of depreciation included below and stock-based compensation of $0, $151 and $382, respectively)	360,691	287,811	180,236
Cost of equipment sales	118,649	103,352	44,584
General and administrative (exclusive of stock-based compensation of ($4,122), $1,875 and $18,876, respectively)	216,848	222,510	167,367
Sales and marketing (exclusive of stock-based compensation of $0, $281 and $839, respectively)	181,552	194,111	128,731
Depreciation and amortization	240,487	209,926	125,061
Asset dispositions	21,304		
Stock-based compensation, net	(4,122)	2,307	20,097
Total operating expenses	1,135,409	1,020,017	666,076
Other income (expense):			
Interest and financing expense, net	(156,691)	(161,853)	(152,229)
Equity in net income (loss) of unconsolidated affiliates, net of tax	4,219	(7,772)	658
Gain on sale of Latvian joint venture			57,412
Other, net	813	(10,848)	(11,371)
Total other expense	(151,659)	(180,473)	(105,530)
Minority interests in net loss of consolidated subsidiaries	8,408	18,967	2,058
Income (loss) from continuing operations before provision for income taxes and cumulative change in accounting principle	(92,050)	(143,564)	65,406
Provision for income taxes	(123,270)		
Income (loss) from continuing operations before cumulative change in accounting principle	(215,320)	(143,564)	65,406
Discontinued operations:			
Income (loss) from discontinued operations	5,736	(5,933)	
Gain on sale of discontinued operations	23,903		
Total discontinued operations	29,639	(5,933)	
Income (loss) before cumulative change in accounting principle	(185,681)	(149,497)	65,406
Cumulative change in accounting principle		(5,580)	
Net income (loss)	$ (185,681)	$ (155,077)	$ 65,406
Basic income (loss) per share:			
Continuing operations before cumulative change in accounting principle	$ (2.73)	$ (1.82)	$ 0.84
Discontinued operations	0.38	(0.08)	
Cumulative change in accounting principle		(0.07)	
Basic income (loss) per share	$ (2.35)	$ (1.97)	$ 0.84
Diluted income (loss) per share:			
Continuing operations before cumulative change in accounting principle	$ (2.73)	$ (1.82)	$ 0.81
Discontinued operations	0.38	(0.08)	
Cumulative change in accounting principle		(0.07)	
Diluted income (loss) per share	$ (2.35)	$ (1.97)	$ 0.81
Weighted average shares outstanding:			
Basic	78,955,000	78,625,000	77,899,000
Diluted	78,955,000	78,625,000	80,303,000
Comprehensive income (loss):			
Net income (loss)	$ (185,681)	$ (155,077)	$ 65,406
Unrealized gain (loss) on marketable securities:			
Reclassification adjustment	223	(1,984)	
Unrealized holding gain (loss)	(8,777)	(3,067)	7,108
Net unrealized gain (loss)	(8,554)	(5,051)	7,108
Foreign currency translation	12,078	(1,173)	(12,339)
Unrealized loss on hedges	(5,856)	(8,082)	
Total comprehensive income (loss)	$ (188,013)	$ (169,383)	$ 60,175

See accompanying notes to consolidated financial statements.

WESTERN WIRELESS CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
(Dollars in thousands)

	Common Stock				Accumulated Other Comprehensive Income (Loss)		Total Net Capital Deficiency
	Class A Shares	Class B Shares	Paid-in Capital	Deferred Compensation		Deficit	
BALANCE AS OF JANUARY 1, 2000	70,431,554	7,177,302	$690,953	$(17,389)	$ (4,644)	$ (853,605)	$(184,685)
Shares issued:							
Upon exercise of stock options	506,180		2,358				2,358
Class B shares exchanged for Class A shares	117,243	(117,243)					
Deferred compensation			(2,388)	11,686			9,298
Minority interest contributions			(1,339)				(1,339)
Consideration for net operating losses from VoiceStream Wireless			(24,500)				(24,500)
Foreign currency translation adjustment					(12,339)		(12,339)
Unrealized gain on securities					7,108		7,108
Net income						65,406	65,406
BALANCE AS OF DECEMBER 31, 2000	71,054,977	7,060,059	665,084	(5,703)	(9,875)	(788,199)	(138,693)
Shares issued:							
Upon exercise of stock options	747,639		4,596				4,596
Class B shares exchanged for Class A shares	78,987	(78,987)					
Deferred compensation			(1,522)	5,703			4,181
Foreign currency translation adjustment					(1,173)		(1,173)
Unrealized loss on hedges					(8,082)		(8,082)
Unrealized loss on securities					(3,067)		(3,067)
Reclassification adjustment on sale of securities					(1,984)		(1,984)
Net loss						(155,077)	(155,077)
BALANCE AS OF DECEMBER 31, 2001	71,881,603	6,981,072	668,158	—	(24,181)	(943,276)	(299,299)
Shares issued:							
Upon exercise of stock options	81,654	25,000	797				797
Class B shares exchanged for Class A shares	231,348	(231,348)					
Deferred compensation	35,000		117	(39)			78
Foreign currency translation adjustment					12,078		12,078
Unrealized loss on hedges					(5,856)		(5,856)
Unrealized loss on securities					(8,777)		(8,777)
Reclassification adjustment on sale of securities					223		223
Net loss						(185,681)	(185,681)
BALANCE AS OF DECEMBER 31, 2002	72,229,605	6,774,724	$669,072	$ (39)	$(26,513)	$(1,128,957)	$(486,437)

See accompanying notes to consolidated financial statements.

WESTERN WIRELESS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	For the Years Ended December 31,		
	2002	2001	2000
Operating activities:			
Net income (loss)	$(185,681)	$(155,077)	$ 65,406
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Discontinued operations	(5,736)	5,933	
Gain on sale of subsidiary and joint venture, respectively	(23,903)		(57,412)
Cumulative change in accounting principle		5,580	
(Gain) loss on sale of marketable securities	658	(8,006)	
Loss on early extinguishment of debt			12,377
Depreciation and amortization	244,217	214,560	128,204
Deferred income taxes	120,687		
Asset dispositions	21,304		
Stock-based compensation	(4,122)	2,307	20,061
Equity in net (income) loss of unconsolidated affiliates	(4,219)	7,772	(658)
Minority interests in net loss consolidated subsidiaries	(8,408)	(18,967)	(2,058)
Adjustment of interest rate hedges to fair market value	(546)	18,710	
Non-cash interest	7,407	936	
Other, net	569	20	804
Changes in operating assets and liabilities, net of effects from consolidating acquired and disposed of interests:			
Accounts receivable, net	(6,258)	(15,485)	(25,816)
Inventory	10,794	(9,699)	(5,687)
Prepaid expenses and other current assets	7,349	4,957	10,963
Other assets	19	(16,782)	(1,735)
Accounts payable	(28,034)	23,538	(1,273)
Accrued liabilities	(237)	12,633	23,795
Net cash provided by operating activities	145,860	72,930	166,971
Investing activities:			
Purchase of property and equipment	(300,428)	(378,228)	(262,567)
Proceeds from sale of subsidiary and joint venture, respectively	28,897		66,576
Additions to licensing costs and other intangible assets	(15,093)	(33,537)	(32,813)
Proceeds from asset disposition	5,102		
Acquisition of wireless properties, net of cash acquired			(371,004)
Proceeds from sale of marketable securities	1,534	26,636	
Purchase of marketable securities		(3,896)	(31,402)
Investments in and advances to unconsolidated affiliates	(1,096)	(5,204)	(16,479)
Long-term deposits	(23,242)		
Proceeds from (payments to) VoiceStream Wireless		(24,500)	3,438
Purchase of minority interest in Western Wireless International		(14,140)	
Net cash used in investing activities	(304,326)	(432,869)	(644,251)
Financing activities:			
Additions to long-term debt	222,780	795,895	1,641,738
Repayment of long-term debt	(52,024)	(440,910)	(1,200,000)
Minority interest contributions		22,163	13,727
Other	970	4,596	2,358
Net cash provided by financing activities	171,726	381,744	457,823
Effect of exchange rate changes	4,086		
Change in cash and cash equivalents	17,346	21,805	(19,457)
Cash and cash equivalents, beginning of year	45,083	23,278	42,735
Cash and cash equivalents, end of year	$ 62,429	$ 45,083	$ 23,278

See accompanying notes to consolidated financial statements.

1. Organization:

Western Wireless Corporation ("Western Wireless," "the Company," "we," "our" and "us") provides wireless communications services in the United States principally through the ownership and operation of cellular systems. We provide cellular operations primarily in rural areas in 19 western states under the Cellular**ONE**® and Western Wireless® brand names.

We own approximately 98% of Western Wireless International Holding Corporation ("WWI"), which, through consolidated subsidiaries and equity investments, is a provider of wireless communications services around the world. Since 1996, WWI has participated in entities that have built and launched fixed and wireless networks in Slovenia, Ireland, Bolivia, Iceland, Ghana, Haiti, Côte d'Ivoire, Croatia, Georgia and Latvia. In November 2002, WWI sold its majority ownership interest in its Icelandic subsidiary, TAL, h.f. On June 29, 2001, we completed the acquisition of tele.ring Telekom Services GmbH ("tele.ring"), a provider of GSM mobile, Internet, and fixed-line services in Austria, from a subsidiary of Vodafone Group Plc. ("Vodafone"). In October 2000, WWI sold its minority interest in Baltcom GSM ("Baltcom"), a Latvian wireless operator.

2. Summary of Significant Accounting Policies:

Principles of Consolidation:

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and its affiliate investments in which we have a greater than 50% interest. All affiliate investments in which we have a non-controlling interest, but have significant influence are accounted for using the equity method. All significant intercompany accounts and transactions have been eliminated. As of December 31, 2002, we consolidate six of WWI's operating entities: Slovenia, Austria, Ireland, Bolivia, Ghana and Haiti.

U.S. headquarter functions of WWI and majority owned European, South American and Caribbean consolidated subsidiaries are recorded as of the date of the financial statements. Our consolidated Ghanaian entity and entities accounted for using the equity method are presented on a one-quarter lag. We believe presenting financial information on a one-quarter lag for certain entities is necessary to provide adequate time to convert the results into U.S. generally accepted accounting principles ("GAAP") and ensure quality and accurate information to the users of our financial statements.

There have been no intervening events that materially affect the financial position or results of operations presented.

Revenue Recognition:

Service revenues based on customer usage are recognized at the time the service is provided. Access and special feature service revenues are recognized when earned. Activation fees are deferred over the expected length of customer service. International prepaid service revenue is deferred until airtime is used, at which point revenue is recognized into income. Equipment sales, which primarily consist of handsets, are recognized upon delivery to the customer. We consider the sale of a handset to be a separate earnings process from that of providing access and special feature services.

Cash and Cash Equivalents:

Cash and cash equivalents generally consist of cash and marketable securities that have original maturity dates at the time of acquisition not exceeding three months. Such investments are stated at cost which approximates fair value.

Inventory:

Inventory consists primarily of handsets and related accessories. Inventory is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis and market value is determined using replacement cost.

Marketable Securities:

Marketable securities are stated at fair market value as determined by the most recently traded price of each security at the balance sheet date. All marketable securities are defined as available-for-sale securities under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No. 115"). We determine the appropriate classification of our investments in marketable securities at the time of purchase and reevaluate such determination at each balance sheet date. Available-for-sale securities are carried at fair value with the unrealized gains (losses) reported as a separate component of comprehensive income (loss).

Long-Lived Assets:

Property and equipment are stated at cost. Depreciation commences once the assets have been placed in service and is computed using the straight-line method over the estimated useful lives of the assets. Lives for: (i) buildings and improvements range from 3 to 40 years; (ii) wireless communications range from 3 to 20 years; and (iii) furniture and equipment range from 2 to 7 years.

Domestic licensing costs primarily represent costs incurred to acquire Federal Communications Commission's ("FCC") wireless licenses, including cellular licenses principally obtained through acquisitions. Our domestic licensing costs have an indefinite useful life and, beginning January 1, 2002, are no longer amortized.

International licensing costs primarily represent costs incurred to acquire wireless spectrum in foreign markets and are recorded at cost. Amortization begins with the commencement of service to customers using the straight-line method over the estimated useful lives which include known renewal periods. Estimated useful lives range from 15 to 25 years, depending upon the period of issuance by government regulators.

Other intangible assets consist primarily of deferred financing costs and trademarks. Trademarks are amortized over their estimated useful lives, typically 10 years. Deferred financing costs are amortized using the effective interest method over the terms of the respective loans.

We capitalize interest costs associated with the cost of constructing our wireless networks and the cost of acquiring our licenses during the initial construction phase. These costs are amortized over the related assets' estimated useful lives. For the years ended December 31, 2002 and 2001, we capitalized $2.1 million and $1.5 million of interest costs, respectively.

It is our policy to review the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Measurement of the impairment loss is based on the fair value of the asset. Generally, fair value will be determined using valuation techniques such as the present value of expected future cash flows.

As described in Note 6, we must assess the recoverability of our domestic licenses at least annually. This evaluation is performed on our domestic licensing costs as a single unit. We are required to separate individual licensing costs for the combined operating unit at the time we adopt or consider a plan to dispose of an individual market. During late 2002, we began considering the sale of one of our domestic Rural Service Area ("RSA") licenses. Early indication of market values for this RSA reflected that future cash flows upon sale would not exceed the carrying value of the license. Accordingly, we recorded an impairment charge of $15 million related to this RSA which is included in asset dispositions in our consolidated statement of operations. General market prices along with the potential sales price of this RSA still support our aggregate license valuation and do not indicate a broader impairment issue.

Advertising Costs:

We expense advertising costs as incurred. Advertising costs totaled $34.4 million, $39.1 million and $11.2 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Income Taxes:

We file consolidated federal and state income tax returns and our foreign subsidiaries also file separate foreign income tax returns as may be applicable. Deferred tax assets and liabilities are recognized based on temporary differences between the financial statements and the tax basis of assets and liabilities using enacted tax rates expected to be in effect when they are realized. A valuation allowance against deferred tax assets is recorded when it is more likely than not that an uncertainty regarding their realizability exists.

Basic and Diluted Income (Loss) Per Share:

Basic income (loss) per share is calculated using the weighted average number of shares of outstanding common stock during the period. Diluted income (loss) per share is calculated using the weighted average number of shares of outstanding common stock plus the dilutive effect of outstanding stock options and the employee stock purchase plan using the "treasury stock" method. The number of shares outstanding has been calculated based on the requirements of SFAS No. 128, "Earnings Per Share" ("SFAS No. 128"). With respect to net losses incurred during the years 2002 and 2001, all options outstanding are anti-dilutive, thus basic and diluted loss per share are equal.

Stock-based Compensation Plans:

We account for our stock-based compensation plans under Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" ("Opinion No. 25").

Had compensation cost for the Company's stock option plans been determined consistent with SFAS No. 123, "Accounting for Stock-based Compensation" ("SFAS No. 123"), our net income (loss) and basic and diluted income (loss) per share would have changed to the pro forma amounts indicated below:

	Year Ended December 31,		
	2002	2001	2000
	(Dollars in thousands, except per share data)		
Net income (loss):			
As reported	$(185,681)	$(155,077)	$65,406
Deduct: stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	(8,226)	(13,278)	(5,538)
Pro forma	$(193,907)	$(168,355)	$59,868
Basic income (loss) per share:			
As reported	$ (2.35)	$ (1.97)	$ 0.84
Pro forma	$ (2.46)	$ (2.14)	$ 0.77
Diluted income (loss) per share:			
As reported	$ (2.35)	$ (1.97)	$ 0.81
Pro forma	$ (2.46)	$ (2.14)	$ 0.75

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model using the following weighted average assumptions:

	2002	2001
Weighted average risk free interest rates	5.0%	5.0%
Expected dividend yield	0.0%	0.0%
Expected volatility	67.0%	64.0%
Expected lives (in years)	7.5	7.5

There were no stock option grants in 2000; therefore, there are no weighted average assumptions for valuation purposes.

The Black-Scholes option-pricing model requires the input of highly subjective assumptions and does not necessarily provide a reliable measure of fair value.

Foreign Currency Translation:

For operations outside the U.S. that prepare financial statements in currencies other than U.S. dollars, we translate the financial statements into U.S. dollars. Results of operations and cash flows are translated at average exchange rates during the period, and assets and liabilities are translated at end of period exchange rates, except for equity transactions and advances not expected to be repaid in the foreseeable future, which are translated at historical cost. The effects of exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars are accumulated as a separate component in comprehensive income (loss).

Fair Value of Financial and Derivative Instruments:

We enter into interest rate swap, cap and collar agreements to manage interest rate exposure pertaining to long-term debt. We have only limited involvement with these financial instruments, and do not use them for trading purposes. Interest rate swaps and collars are accounted for on an accrual basis, the cost of which is included in interest expense. Premiums paid to purchase interest rate cap agreements are classified as an asset and amortized to interest expense over the terms of the agreements.

We enter into foreign exchange contracts as needed to hedge certain foreign currency commitments. Gains and losses are recognized currently and are generally offset by gains or losses on the related commitments.

On January 1, 2001, we adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). We record all derivative instruments on the balance sheet at fair value. On the date derivative contracts are entered into, we designate the derivative as either: (i) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge); (ii) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge); or (iii) a hedge of a net investment in a foreign operation (net investment hedge).

Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income (loss), depending on whether a derivative is designated as part of a hedge transaction and, if it is, depending on the type of hedge transaction. For fair value hedge transactions, changes in the fair value of the derivative instrument are generally offset in the statement of operations by changes in the fair value of the item being hedged. For cash flow hedge transactions, changes in the fair value of the derivative instrument are reported in other comprehensive income (loss). For net investment hedge transactions, changes in the fair value are recorded as a component of the foreign currency translation account, which is also included in other comprehensive income (loss). The gains and losses on cash flow hedge transactions that are reported in other comprehensive income (loss) are reclassified to earnings in the periods in which earnings are

impacted by the variability of the cash flows of the hedged item or the forecasted transactions are realized. The impact of ineffective hedges is recognized in results of operations in the periods in which the hedges are deemed to be ineffective.

For the years ended December 31, 2002 and 2001, respectively, other expense included a net $0.5 million gain and an $18.7 million loss related to non-qualified cash flow hedges under SFAS No. 133. During the years ended December 31, 2002 and 2001, respectively, other comprehensive income (loss) included a $5.9 million and $8.1 million loss on qualified cash flow hedges.

The impact of the adoption of SFAS No. 133 was a cumulative change in accounting principle loss of $5.6 million on January 1, 2001.

Information regarding the fair value of our financial instruments is summarized as follows:

	December 31,			
	2002		2001	
(Dollars in thousands)	Recorded Value	Fair Value	Recorded Value	Fair Value
Current and long-term debt	$2,466,151	$2,381,880	$2,267,280	$2,281,235
Interest rate swap, cap and collar liabilities	38,700	38,700	33,400	33,400

The carrying value of short-term financial instruments approximates fair value due to the short maturity of these instruments. The estimated fair value of long-term debt is based on incremental borrowing rates currently available on loans with similar terms and maturities and upon quoted market prices for the same or similar debt issues. The fair value of interest rate swaps, caps, collars and foreign currency forwards is based upon quoted market prices of comparable contracts. We do not hold or issue any financial instruments for trading purposes.

Supplemental Cash Flow Disclosure:

Cash paid for interest was $149.8 million in 2002, $154.2 million in 2001 and $144.2 million in 2000.

The effect of exchange rate changes on cash and cash equivalents was not material for the years ended December 31, 2001 and 2000.

There were no significant non-cash investing or financing activities for the years ended December 31, 2002 and 2001. Significant non-cash investing and financing activities for 2000 included a reduction to equity and recording a liability for net operating losses ("NOL") obtained from T-Mobile USA, formerly VoiceStream Wireless, of $24.5 million.

Major Customer:

Our largest roaming partner, AT&T Wireless Services, Inc. ("AT&T Wireless"), accounted for 15%, 17% and 18% of our total domestic revenues in 2002, 2001 and 2000, respectively. Our current contract with AT&T Wireless remains in effect until June 15, 2006.

Estimates Used In Preparation of Financial Statements:

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. On an on-going basis, we evaluate our estimates. We base our estimates on historical experience and on various other

assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

Reclassifications:

Certain amounts in prior years' financial statements have been reclassified to conform to the 2002 presentation.

Recently Issued Accounting Standards:

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN No. 46"), which clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements", relating to consolidation of certain entities. First, FIN No. 46 will require identification of our participation in variable interests entities ("VIE"), which are defined as entities with a level of invested equity that is not sufficient to fund future activities to permit them to operate on a standalone basis, or whose equity holders lack certain characteristics of a controlling financial interest. Then, for entities identified as VIE, FIN No. 46 sets forth a model to evaluate potential consolidation based on an assessment of which party to the VIE, if any, bears a majority of the exposure to its expected losses, or stands to gain from a majority of its expected returns. FIN No. 46 also sets forth certain disclosures regarding interests in VIE that are deemed significant, even if consolidation is not required. We are currently evaluating the impact this statement will have on our future consolidated financial results.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure" ("SFAS No. 148"), which amends SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation (under the fair value based method, compensation cost for stock options is measured when options are issued.) In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require more prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The transition guidance and annual disclosure provisions of SFAS No. 148 are effective for us starting with the year ended December 31, 2002. We intend to continue to account for stock-based employee compensation under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issues to Employees," and will provide the additional SFAS No. 123 disclosures required under SFAS No. 148. The interim disclosure provisions are effective for us starting with the quarter ending March 31, 2003.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others" ("FIN No. 45"). FIN No. 45 requires the disclosure by the guarantor of certain guarantees that it has issued. FIN No. 45 also clarifies that a guarantor is required to recognize at the inception of the guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. FIN No. 45 does not prescribe a specific approach for subsequently measuring the guarantor's recognized liability over the term of the related guarantee. FIN No. 45 incorporates, without change, the guidance in FASB Interpretation No. 34, "Disclosure of Indirect Guarantees of Indebtedness of Others," which is being superceded. FIN No. 45 is to be applied prospectively to guarantees issued or modified after December 31, 2002. We do not anticipate the adoption of FIN No. 45 will have a material effect on our financial position or results of operations.

In November 2002, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor" ("EITF No. 02-16"), addressing the accounting for cash consideration received by a customer from a vendor, including vendor rebates and refunds. The consensus reached states that consideration received should be

presumed to be a reduction of the prices of the vendor's products or services and should therefore be shown as a reduction of cost of sales in the income statement of the customer. The provisions of this consensus are applied prospectively and are consistent with our existing accounting policy.

In October 2002, the FASB reached a consensus on EITF Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables" ("EITF No. 00-21"). EITF No. 00-21 addresses arrangements with multiple deliverables specifying how the arrangement consideration should be measured, whether the arrangement should be divided into separate units of accounting and how the arrangement should be allocated among the separate units of accounting. EITF No. 00-21 is applicable to an arrangement in which some, but not all of its deliverables are within the scope of other existing higher-level authoritative literature that does not provide guidance with respect to determining separate units of accounting. EITF No. 00-21 indicates a need for Staff Accounting Bulletin ("SAB") No 101, "Revenue Recognition in Financial Statements" ("SAB No. 101"), to be modified. EITF No. 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. We are currently evaluating the impact this statement, along with any changes to SAB No. 101, will have on our future consolidated financial results.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS No. 146"). SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 supersedes EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS No. 145"). SFAS No. 145 requires that gains and losses from the extinguishment of debt be classified as extraordinary items only if they meet the criteria in Accounting Principles Board ("APB") Opinion No. 30, ("Opinion No. 30"). Applying the provisions of Opinion No. 30 distinguishes transactions that are part of an entity's recurring operations from those that are unusual and infrequent that meet criteria for classification as an extraordinary item. We adopted the provisions of SFAS No. 145 during the second quarter of 2002 and recognized a gain of $1.3 million in other income on the repurchase of approximately $17 million of our 10½% Senior Subordinated Notes due in 2006 and 2007. The extraordinary loss of $12.4 million on early extinguishment of debt in 2000 has been reclassified to other income to conform with SFAS No. 145.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). This statement deals with the costs of closing facilities and removing assets. SFAS No. 143 requires entities to record the fair value of a legal liability for an asset retirement obligation in the period it is incurred if a reasonable estimate of fair value can be made. This cost is initially capitalized and amortized over the remaining life of the underlying asset. Once the obligation is ultimately settled, any difference between the final cost and the recorded liability is recognized as a gain or loss on disposition. SFAS No. 143 is effective for us beginning January 1, 2003. We do not anticipate that the adoption of SFAS No. 143 will have a material effect on our financial position or results of operations.

3. Marketable Securities:

Marketable securities are classified as available-for-sale and are stated at fair market value. Information regarding our marketable securities is summarized as follows:

	December 31,	
	2002	2001
(Dollars in thousands)		
Available-for-sale equity securities:		
Aggregate fair value	$10,270	$21,016
Historical cost	16,767	18,959
Unrealized holding gain/(loss)	$(6,497)	$ 2,057

Our net unrealized holding gain/(loss) is included as an increase/(decrease) to accumulated other comprehensive income (loss). Realized gains and losses are determined on the basis of specific identification.

4. Prepaid Expenses and Other Current Assets:

	December 31,	
	2002	2001
(Dollars in thousands)		
Value added taxes receivable	$ 9,027	$17,725
Prepaid maintenance	9,055	
Rent	7,651	5,781
Deferred customer acquisition costs	4,962	2,401
Deposits	5,970	6,423
Other	6,413	17,027
	$43,078	$49,357

5. Property and Equipment:

	December 31,	
	2002	2001
(Dollars in thousands)		
Land, buildings and improvements	$ 37,228	$ 33,476
Wireless communications systems	1,333,062	1,104,099
Furniture and equipment	135,561	118,292
	1,505,851	1,255,867
Less accumulated depreciation	(739,437)	(521,660)
	766,414	734,207
Construction in progress	89,181	88,749
	$ 855,595	$ 822,956

Depreciation expense was $233.3 million in 2002, $175.3 million in 2001 and $101.8 million in 2000.

6. Licensing Costs and Other Intangible Assets:

On January 1, 2002, we adopted SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). SFAS No. 142 addresses how acquired goodwill and other intangible assets are recorded upon their acquisition as well as how they are to be accounted for after they have been initially recognized in the financial statements. Under this statement, goodwill, including excess net book value associated with equity method investments, and other intangible assets with indefinite useful lives, on a prospective basis, will no longer be amortized. Our domestic FCC licenses provide us with the exclusive right to utilize certain radio frequency spectrum to provide cellular communications services. FCC licenses are issued for only a fixed time, generally ten years and such licenses are subject to renewal by the FCC. Renewals of FCC licenses have historically occurred routinely and at nominal cost. Moreover, we have determined that there are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of our FCC licenses. As a result, our FCC licenses will be treated as an indefinite-lived intangible asset under the provisions of SFAS No. 142 and will no longer be amortized but rather will be assessed for impairment. We will reevaluate the useful life determination for wireless licenses at regular intervals to determine whether events and circumstances continue to support an indefinite useful life. We began applying the provisions of SFAS No. 142 in the first quarter of 2002, which included assessing our licenses for impairment. This assessment is performed by combining our individual domestic licenses as a single unit and determining their fair value using the discounted present value of expected future cash flows. We consider our domestic licenses to be a single unit as they are operated in aggregate in such a manner that represents their highest and best use. In addition, it is unlikely that a significant portion of our individual RSAs or MSAs would be sold on a stand-alone basis. The determination of fair value is a complex consideration that involves significant assumptions and estimates. Assumptions and estimates made were based on our best judgments and included among other things: (i) an assessment of market and economic conditions including discount rates; (ii) future operating strategy and performance; (iii) competition and market share; and (iv) the nature and cost of technology utilized. We completed the assessment for impairment of our indefinite life intangible assets required upon the implementation of SFAS No. 142 and determined that in the aggregate they were not impaired. We have also completed our annual impairment assessment of our indefinite life intangible assets as of August 31, 2002 and determined that in the aggregate they continue to not be impaired. Impairment must be assessed at least annually for these assets, or when indications of impairment exist. It is possible that future assessments could cause us to conclude that impairment indications exist. Accordingly, there are no assurances that future valuations will result in the conclusion that our domestic licenses are not impaired.

In connection with the adoption of SFAS No. 142, we have incurred a deferred income tax provision of $120.7 million for the year ended December 31, 2002 mainly to increase the valuation allowance related to our net operating loss ("NOL") carryforwards. This charge included $96.9 million as the initial effect as of January 1, 2002. We have significant deferred tax liabilities related to our domestic licenses. Historically, we did not need a valuation allowance for the portion of our NOL carryforward equal to the amount of license amortization expected to occur during the NOL carryforward period. Since we ceased amortizing domestic licenses on January 1, 2002 for book purposes and we can no longer estimate the amount, if any, of deferred tax liabilities related to our domestic licenses which will reverse during the NOL carryforward period, we have increased the valuation allowance accordingly. Subsequent to January 1, 2002, we continue to amortize our domestic licenses for federal income tax purposes, but as previously discussed, domestic license costs are no longer amortized for book purposes. The ongoing difference between book and tax amortization resulted in an additional deferred income tax provision of approximately $23.8 million for the year ended December 31, 2002. The additional continuing deferred income tax provision results from growth in our deferred tax liability that cannot be estimated to reverse during our NOL carryforward period.

Deferred income taxes represent a non-cash charge and are not currently paid or payable and accordingly there is no impact on interim cash flows from operating, investing or financing activities.

(Dollars in thousands)	December 31, 2002	December 31, 2001
Intangible assets subject to amortization:		
International related licensing costs	$ 94,324	$ 88,510
Deferred financing costs	30,487	26,675
Trademark and other	14,347	14,448
	139,158	129,633
Accumulated amortization	(23,838)	(14,219)
	115,320	115,414
Intangible assets not subject to amortization:		
Domestic licensing costs	1,048,079	1,060,710
	$1,163,399	$1,176,124

We include the amortization of deferred financing costs in interest and financing expense. The following table represents current and expected amortization expense, excluding deferred financing costs, for each of the following periods:

(Dollars in thousands)	
Aggregate amortization expense:	
For the year ended December 31, 2002	$7,483
Expected amortization expense:	
For the year ending December 31, 2003	$6,800
For the year ending December 31, 2004	$6,800
For the year ending December 31, 2005	$6,800
For the year ending December 31, 2006	$6,800
For the year ending December 31, 2007	$6,800

The following table reconciles our net loss adjusted to exclude amortization expense related to intangible assets, assuming the adoption of SFAS No. 142 had occurred on January 1, 2000:

	Year Ended December 31,		
	2002	2001	2000
(Dollars in thousands, except per share data)			
Income (loss) from continuing operations before cumulative change in accounting principle	$(215,320)	$(143,564)	$65,406
Add back: license amortization		30,458	22,445
Adjusted income (loss) from continuing operations before cumulative change in accounting principle	(215,320)	(113,106)	87,851
Total discontinued operations	29,639	(5,933)	
Income (loss) before cumulative change in accounting principle	(185,681)	(119,039)	87,851
Cumulative change in accounting principle		(5,580)	
Adjusted net income (loss)	$(185,681)	$(124,619)	$87,851
Basic income (loss) per share:			
Continuing operations before cumulative change in accounting principle	$ (2.73)	$ (1.82)	$ 0.84
Add back: license amortization		0.39	0.29
Adjusted continuing operations before cumulative change in accounting principle	(2.73)	(1.43)	1.13
Total discontinued operations	0.38	(0.08)	
Cumulative change in accounting principle		(0.07)	
Adjusted basic income (loss)	$ (2.35)	$ (1.58)	$ 1.13
Diluted net income (loss) per share:			
Continuing operations before cumulative change in accounting principle	$ (2.73)	$ (1.82)	$ 0.81
Add back: license amortization		0.39	0.28
Adjusted continuing operations before cumulative change in accounting principle	(2.73)	(1.43)	1.09
Total discontinued operations	0.38	(0.08)	
Cumulative change in accounting principle		(0.07)	
Adjusted diluted income (loss)	$ (2.35)	$ (1.58)	$ 1.09

7. Investments In and Advances To Unconsolidated Affiliates:

	December 31,	
	2002	2001
(Dollars in thousands)		
Western Wireless International:		
Croatia	$31,581	$20,555
Georgia	9,703	7,197
Côte d'Ivoire (Note #10)		5,000
	$41,284	$32,752

As of December 31, 2002, our beneficial ownership interests in these unconsolidated affiliates ranged from 15% to 40%.

The following summarized financial information represents the assets, liabilities and results of operations of our unconsolidated Croatian operating company ("VIP-Net") for the periods in which our percentage of VIP-Net's results of operations is deemed to be significant:

	As of December 31,	
	2002	2001
(Dollars in thousands)		
Balance sheet data:		
Total current assets	$121,600	$ 67,500
Total non-current assets	$234,600	$196,900
Total current liabilities	$ 81,200	$ 77,500
Total non-current liabilities	$163,400	$135,400

	Year Ended December 31,	
	2002	2001
(Dollars in thousands)		
Statement of operations data:		
Total revenues	$211,700	$212,200
Operating expenses	151,700	168,800
Operating income	60,000	43,400
Other expenses	(20,000)	(8,500)
Net income	$ 40,000	$ 34,900

8. Accrued Liabilities and Other:

	December 31,	
	2002	2001
(Dollars in thousands)		
Taxes, mainly sales, use and property	$ 31,677	$ 28,793
Payroll and benefits	27,747	23,723
Interest expense	23,356	22,484
Interconnect charges	12,310	8,193
Fair market value adjustment of interest rate hedges	38,701	33,391
Stock appreciation rights	4,142	12,486
Licensing costs	6,194	3,422
Unearned revenue	18,760	11,278
Other	23,033	28,965
	$185,920	$172,735

9. Long-Term Debt:

(Dollars in thousands)	December 31, 2002	December 31, 2001
Credit Facility:		
Revolvers	$ 700,000	$ 640,000
Term Loans	1,100,000	1,100,000
10 ½% Senior Subordinated Notes Due 2006	187,050	200,000
10 ½% Senior Subordinated Notes Due 2007	196,000	200,000
tele.ring Revolver	151,976	62,351
Slovenian Credit Facility	71,391	
Bolivian Bridge Loan	34,700	21,145
Irish Bridge Loan		17,716
Other	25,034	26,068
	2,466,151	2,267,280
Less Current Portion	(144,196)	(51,723)
	$2,321,955	$2,215,557

Credit Facility:

We have a $2.1 billion credit facility with a consortium of lenders (the "Credit Facility") consisting of: (i) a $500 million term loan ("Term Loan A"); (ii) a $600 million term loan ("Term Loan B"); and (iii) two $500 million revolving loans ("Revolver A" and "Revolver B").

Under the terms of Revolver B and Term Loan A, we are required to make quarterly payments on the outstanding principal balance beginning March 31, 2003. These payments typically tend to increase on the anniversary date of the initial payment, until paid in full on March 31, 2008. Under the terms of Term Loan B, we are required to make small quarterly payments on the outstanding principal balance beginning March 31, 2003, with a balloon payment due September 30, 2008. The amount of required principal payments in 2003 is $106 million based on outstanding borrowings at December 31, 2002. Further, the amount available under Revolver A reduces each quarter beginning with the quarter ending March 31, 2003. Such reductions reduce borrowing capacity under the Revolver A portion of the Credit Facility in 2003 by $50 million. Substantially all our domestic assets are pledged as collateral for such indebtedness. The terms of the Credit Facility contain certain quarterly covenants which impose limitations on our operations and activities, including, among other things, limitations on the incurrence of indebtedness, the sale of assets, investments and acquisitions, distribution of dividends or other distributions and loans. Failure to comply with covenants would result in an event of default and would allow the lenders to accelerate the maturity. Based on certain covenants, at December 31, 2002, we had approximately $300 million available to borrow under Revolver A. We were in compliance with financial covenants at December 31, 2002.

Under the Credit Facility, interest is payable at an applicable margin in excess of a prevailing base rate. The prevailing rate is based on the prime rate or the Eurodollar rate. The applicable margin for Revolver A, Revolver B and Term Loan A is determined quarterly based on the leverage ratio of the Company and ranges from 1.125% to 2.25% for Eurodollar advances and 0.125% to 1.25% for prime rate advances. The applicable margin on Term Loan B is 2.75% for Eurodollar advances. We typically borrow under the Eurodollar rate. The Credit Facility also provides for an annual fee ranging from 0.25% to 0.50% on any undrawn commitment of Revolver A and Revolver B, payable quarterly.

The Credit Facility requires us to enter into interest rate hedge agreements to manage the interest rate exposure pertaining to borrowings under the Credit Facility. We had entered into interest rate caps, swaps and collars with a total notional amount of $720 million at both December 31, 2002 and 2001. Generally these instruments have initial terms ranging from three to four years and effectively convert variable rate debt to fixed rate. The weighted average interest rate under these agreements was approximately 6.3% at both December 31, 2002 and 2001.

10½% Senior Subordinated Notes Due 2006:

In May 1996, we issued at par $200 million of 10½% Senior Subordinated Notes that mature on June 1, 2006 (the "2006 Notes"). Interest is payable semi-annually. The 2006 Notes may be redeemed at any time at the option of the Company, in whole or from time to time in part, at redemption prices ranging from 105.25% to 101.75%. During 2002 we repurchased $13.0 million face value of the 2006 Notes in open market transactions. The 2006 Notes contain certain covenants which impose limitations on our operations, including, among other things, limitations on the issuance of other indebtedness, the creation of liens, the sale of assets, issuance of preferred stock of subsidiaries and the making of restricted payments, investments and acquisitions. The 2006 Notes are subordinate in right of payment to the Credit Facility.

10½% Senior Subordinated Notes Due 2007:

In October 1996, we issued at par $200 million of 10½% Senior Subordinated Notes that mature on February 1, 2007 (the "2007 Notes"). Interest is payable semi-annually. The 2007 Notes were issued *pari passu* to the 2006 Notes. As such, the 2007 Notes may be redeemed at any time at the option of the Company, in whole or from time to time in part, at redemption prices ranging from 105.25% to 101.75%. During 2002, we repurchased $4.0 million face value of the 2007 Notes in open market transactions. The 2007 Notes contain certain restrictive covenants that are consistent with that of the 2006 Notes. The 2007 Notes are subordinate in right of payment to the Credit Facility.

tele.ring Term Loan:

In June 2001, under the terms of the transaction to acquire tele.ring from a subsidiary of Vodafone Group Plc ("Vodafone"), an affiliate of Vodafone agreed to make available to tele.ring an unsecured term loan (the "tele.ring Term Loan") for purposes of funding anticipated working capital and system expansion needs. The aggregate amount available under the initial tele.ring Term Loan at inception was approximately 75 million euro increasing quarterly to up to 250 million euro on April 1, 2002. In January 2003, the tele.ring Term Loan was amended decreasing the aggregate availability to 185 million euro and extending the availability period through June 2004. Under the amended terms of the tele.ring Term Loan, repayment terms were extended, such that, all outstanding principal and accrued interest shall be repaid based on predetermined percentages on each of July 1, 2004, 2005, 2006 and December 2006. Interest is payable at EURIBOR plus an applicable margin of 3.5%. For the year and six months ended December 31, 2002 and 2001, the weighted average interest rate was 6.8% and 7.5%, respectively. Terms of the tele.ring Term Loan incorporate certain restrictions that include, among other things, the transfer of assets from tele.ring to WWI. As of December 31, 2002, there was $152.0 million outstanding under the tele.ring Term Loan and $9.2 million of accrued interest. Subsequent to December 31, 2002, tele.ring drew an additional $16.3 million under the tele.ring Term Loan, leaving tele.ring 25 million euro undrawn and available under the tele.ring facility.

Slovenian Credit Facility:

In April 2002, Vega entered into a credit facility agreement (the "Slovenian Credit Facility") with a consortium of banks to provide funding for the implementation and expansion of Vega's network in Slovenia. The total amount available under the Slovenian Credit Facility was 116 million euro. Under the terms of the

Slovenian Credit Facility, all outstanding principal is required to be repaid in predetermined semi-annual installments beginning on May 30, 2004 and ending on November 30, 2009. Interest is accrued primarily at EURIBOR plus an applicable margin, ranging from 0.40% to 2.50%, based on Vega's financial and technical performance. Further, the Slovenian Credit Facility requires Vega to enter into interest rate hedge agreements on a predetermined schedule to manage the interest rate exposure.

The Slovenian Credit Facility contains certain borrowing conditions and restrictive covenants, including: minimum subscribers; population coverage; certain cash flow requirements; minimum contributed capital and debt service coverage. Western Wireless International Corporation ("WWIC"), a subsidiary of WWI, has guaranteed the Slovenian Credit Facility under the following circumstances: failure to meet specified network construction milestones, the subsidiary's insolvency, forfeiture of the licenses, or abandonment of the project. Additionally, WWIC has agreed not to sell or dispose of any majority owned subsidiary without the approval of the Slovenian lenders. Further, WWIC has made a commitment that is collateralized by cash to contribute up to a maximum of 16 million euro in additional capital to provide for revenue or operating cash flow shortfalls and cash balance deficiencies, if any. In October 2002, certain covenants under the Slovenian Credit Facility were amended for which WWI made an additional equity contribution to Vega of $9.1 million.

As provided for under the Slovenian Credit Facility, WWI contributed an additional $1.3 million and committed $0.7 million, paid in February 2003, to Vega as a result of Vega's revenue shortfalls during the year ended December 31, 2002. Based on current operating conditions, Vega believes that it is necessary to amend certain terms and conditions of the Slovenian Credit Facility in 2003 in order to avoid future revenue shortfalls or other covenant breaches, some of which cannot be remedied. WWI is involved in ongoing discussions with the lead arranger bank of the Slovenian Credit Facility. We can offer no assurance that the participating banks will grant an amendment. In the event that Vega breaches one of the covenants that cannot be cured, measured each June 30 and December 31, and does not obtain the amendment, the outstanding balance under the Slovenian Credit Facility could become payable upon demand. As of December 31, 2002, Vega had drawn $71.4 million under the Slovenian Credit Facility and drew an additional $5.6 million subsequent to year-end. We believe it is unlikely that further borrowings will not be permitted.

Bolivian Bridge Loan:

Effective October 2000, NuevaTel, S.A. ("NuevaTel") entered into a two year bridge loan facility agreement ("Bolivian Bridge Loan") to provide funding for the construction and launch of NuevaTel's network in Bolivia. As of December 31, 2002 the outstanding amount of the Bolivian Bridge Loan was $34.7 million and the facility was fully drawn. Interest is payable at LIBOR plus the applicable margin and the Bolivian Bridge Loan is subject to certain restrictive covenants including capital spending limitations and cash flow requirements. For the years ended December 31, 2002 and 2001, the weighted average interest rate was 4.70% and 6.92%, respectively. Terms of the Bolivian Bridge Loan contain certain restrictions that include, among other things, restrictions on the transfer of assets from NuevaTel to its shareholders. In October 2002, the maturity date of the Bolivian Bridge Loan was extended from October 2002 to March 31, 2003. Minimum net worth, minimum EBITDA and capitalization covenants have also been extended. In January 2003, the Overseas Private Investment Corporation ("OPIC") approved a $50 million loan guarantee for the refinancing of the Bolivian Bridge Loan (the "Bolivian Refinancing"). The final terms of the Bolivian Refinancing are still being negotiated with prospective lenders. We fully expect, but there can be no assurances, that the Bolivian Bridge Loan will be refinanced in the second quarter of 2003. Until the refinancing can be secured, WWI intends to obtain an extension on the maturity date of the Bolivian Bridge Loan but there can be no assurance that any necessary extensions will be granted.

WWI and NuevaTel's other shareholder have severally guaranteed the Bolivian Bridge Loan in proportion to their respective share ownership and shares of NuevaTel stock. The Bolivian Bridge Loan is also

collateralized by substantially all of NuevaTel's assets. At December 31, 2002, the portion of WWI's guarantee is $24.8 million.

Irish Bridge Loan:

In April 2001, Meteor Mobile Communications Limited ("Meteor") entered into a bridge loan facility agreement (the "Irish Bridge Loan") with two banks to provide funding for the development and operation of Meteor's network in Ireland. In 2002, the outstanding principal plus interest under the Irish Bridge Loan was repaid.

The aggregate amounts of principal maturities on total debt outstanding as of December 31, 2002, are as follows:

Year Ending December 31,	(Dollars in thousands)
2003	$ 144,196
2004	162,481
2005	318,031
2006	633,706
2007	517,636
Thereafter	690,101
	$2,466,151

None of our international loan facilities have recourse to Western Wireless Corporation. As previously discussed, WWI and certain of its subsidiaries have severally guaranteed the Bolivian Bridge Loan and the Slovenian Credit Facility.

The weighted average domestic interest rate paid to third parties was 6.6%, 8.0% and 9.3% in 2002, 2001 and 2000, respectively. The consolidated international weighted average interest rate paid to third parties was 5.8%, 7.6% and 7.6% for the years ended December 31, 2002, 2001 and 2000, respectively.

Our domestic business plans include capital expenditures during 2003. In 2003, if we attain our subscriber growth projections, we anticipate spending approximately $150 million in capital expenditures for the continued improvements to our domestic network and back office infrastructure.

For 2003, WWI's business plans include funding for capital expenditures and operating losses. Current 2003 business plans estimate that WWI entities will spend approximately $80 million for capital expenditures. WWI plans to fund these needs through local foreign borrowings, including the tele.ring Term Loan, the Bolivian Refinancing, and contributions and advances from Western Wireless. It is anticipated that the net contributions and advances from Western Wireless in 2003 will be approximately $30 million to $40 million.

We believe that domestic operating cash flow and available international loan facilities will be adequate to fund our projected 2003 domestic and international capital expenditures and Credit Facility principal repayments. During 2003, our domestic business plans do not indicate a need to borrow under the Credit Facility, even though borrowing capacity is expected to exist. Future borrowing capacity under the Slovenian Credit Facility has been cancelled. However, if we do not achieve planned domestic operating cash flow targets, quarterly covenants and borrowing limitations contained in the Credit Facility and the 2006 Notes and 2007 Notes may be triggered that would limit the available borrowing capacity under the Credit Facility. Our operating cash flow is dependent upon, among other things: (i) the amount of revenue we are able to generate from our customers; (ii) the amount of operating expenses required to provide our services; (iii) the cost of acquiring and retaining customers; and (iv) our ability to grow our customer base. In order to comply with debt covenants or in the event that the borrowing capacity under the Credit Facility is limited or an amendment is not granted to us under the Slovenian Credit Facility, or we are unable to complete the Bolivian

Refinancing, we may be required to curtail capital spending, reduce expenses, or otherwise modify our planned operations and/or seek additional debt or equity at the domestic or international level and/or restructure or refinance our existing financing arrangements. Our ability to raise additional capital, if necessary, is subject to a variety of factors, including: (i) the commercial success of our operations; (ii) the volatility and demand of the capital markets, conditions in the economy generally and the telecommunications industry specifically; and (iii) other factors we cannot presently predict with certainty. There can be no assurance that such funds will be available to us or if such funding will be available on acceptable terms, if at all.

Subsequent to December 31, 2002, we entered into interest rate swaps on our bonds with a notional amount of $296 million (the "Bond Swap"). The Bond Swaps effectively convert $296 million of our outstanding fixed rate debt at 10½% under the 2006 Notes and the 2007 Notes to variable rate debt. The terms of the Bond Swaps set interest at LIBOR plus 7.45% to 7.75%. In order to maintain compliance under the Credit Facility, we also entered into a three year $300 million notional amount fixed rate collar that limits our interest rate exposure on LIBOR to: between 1.3% and 6.0% for the first year; between 2.0% and 6.0% for the second year; and between 2.85% and 6.0% for the third year.

10. Commitments and Contingencies:

Purchase Commitments:

We have various purchase commitments for materials, supplies and other items incident to the ordinary course of business which are neither significant individually nor in the aggregate. Such commitments are not at prices in excess of current market value.

Operating Leases:

Future minimum payments required under operating leases and agreements that have initial or remaining noncancellable terms in excess of one year as of December 31, 2002, are summarized below:

Year Ending December 31,	(Dollars in thousands)
2003	$ 51,622
2004	30,939
2005	23,621
2006	17,698
2007	12,394
Thereafter	94,686
	$230,960

Aggregate rental expense for all operating leases was approximately $51.6 million in 2002, $34.6 million in 2001 and $18.2 million in 2000.

International Contingencies:

Côte d'Ivoire:

Cora has operated under a provisional operating license since it was formed in 1995. When the provisional license was issued to Cora, the government established certain conditions by which the provisional license would become a long-term license. On July 6, 2001, the government announced its intention to require Cora and the two other wireless operators in Côte d'Ivoire to each pay a license fee of 40 billion CFA francs, or approximately $53 million, in order to obtain their long-term licenses. WWI believes that this requirement violates the terms of the provisional license and is a breach of Cora's contract with the government. However, in February 2002, Cora agreed to an interim payment plan of approximately $0.1 million per month, funded by

Cora's operating cash flows, until Cora is able to obtain additional funding or renegotiates the license fee and terms. Despite the ongoing negotiations, the government issued Cora the long-term license in the second quarter of 2002 and since then Cora has received official confirmation that its interim payment plan has been accepted by the government. As a result of the above events, WWI reassessed the estimated future cash flows related to its investment in Cora and recorded a provision of $10.4 million in 2001 against the carrying value of the investment.

In September 2002, rebels in opposition to the Ivorian government attempted a coup and gained control of northern sections of the country. Fighting continues and attempts at peace talks have failed, furthering the political instability. While Cora continues to be operational, its fourth quarter revenues and cash flows have been substantially negatively impacted. In October 2002, Cora ceased making its interim payments to the government. As a result of increased political instability and diminished operating cash flows of Cora, WWI again reassessed the estimated future cash flows related to its investment in Cora and recorded an additional $5 million provision, thereby fully writing off its investment in Cora. These provisions are included in equity in net income (loss) of unconsolidated subsidiaries.

Ghana:

Under the terms of the Ghana license, Westel was required to meet certain customer levels and build-out requirements by February 2002. Westel was unable to meet the required customer levels due to the inability of the regulator to provide spectrum and enforce interconnection with the incumbent telephone company, and all development has been stifled. The National Communication Authority of Ghana ("NCA") has assessed a penalty claim of $71 million for not meeting these build-out requirements. Westel has contested this fine on the basis that the government and the NCA failed to deliver the key commitments of spectrum and interconnection and does not believe the enforcement of these penalties is probable, but there can be no assurance to that effect. Our net investment in Westel at December 31, 2002 is approximately $5.0 million.

Croatia:

In December 2002, VIP-Net entered into a Term Loan and Revolving Loan Credit Facility (the "Croatian Credit Facility") with a consortium of banks, which provides for a secured term loan facility of up to 150 million euro. Under the terms of the Croatian Credit Facility, all outstanding principal is required to be repaid in predetermined semi-annual installments beginning on December 20, 2003 and ending on June 20, 2008. At December 31, 2002, the USD equivalent outstanding balance was $96 million.

VIP-Net has granted certain security interests over substantially all of its assets in support of the Croatian Credit Facility. In addition, we, along with our partners, have pledged all of our shares of VIP-Net's stock as collateral for the Croatian Credit Facility. The Croatian Credit Facility contains certain restriction including, among other things, restrictions on the transfer of assets from VIP-Net to its shareholders.

General:

Our international investments are subject to the laws and regulations governing telecommunications services in effect in each of the countries in which they operate. These laws and regulations can have a significant influence on our results of operations and are subject to change by the responsible governmental agencies. The financial statements as presented reflect certain assumptions based on laws and regulations currently in effect in each of the various countries. We cannot predict what future laws and regulations might be passed that could have a material effect on our results of operations. Further, certain of the countries in which we have investments have experienced or may experience political instability. We assess the impact of significant changes in laws, regulations and political stability on a regular basis and update the assumptions and estimates used to prepare our financial statements when deemed necessary.

11. Income Taxes:

Significant components of deferred income tax assets and liabilities, at their estimated effective tax rate, are as follows:

	December 31, 2002	December 31, 2001
(Dollars in thousands)		
Deferred tax assets:		
Domestic federal and state net operating loss carryforwards	$ 267,993	$ 209,071
International net operating loss carryforwards	59,957	29,470
Stock-based compensation	13,671	17,679
Other	29,877	10,278
Total deferred tax assets	371,498	266,498
Valuation allowance	(313,576)	(183,293)
Deferred tax liabilities:		
Wireless licenses basis difference	(120,687)	(60,400)
Property and equipment basis difference	(38,386)	(22,805)
Other	(19,536)	
Total deferred tax liabilities	(178,609)	(83,205)
	$(120,687)	$ —

Income tax expense for the year ended December 31, 2002, is comprised of domestic deferred income tax of $120.7 million and foreign taxes currently payable of $2.6 million.

A reconciliation of taxes on results of continuing operations at the federal statutory rate to the actual tax provision is as follows:

	Year Ended December 31, 2002
(Dollars in thousands)	
Income taxes at federal statutory rate	$(32,218)
Impact of foreign operations	(14,133)
Change in valuation allowance	130,283
State income taxes and other	39,338
Provision for income taxes	$123,270

For the years ended December 31, 2001 and 2000, we had no provision for income taxes and no taxes currently payable.

At December 31, 2002, we had available federal NOL carryforwards of approximately $674 million. We also have NOLs related to foreign jurisdictions of approximately $251 million, which are reported at foreign statutory rates. The federal NOL carryforwards will expire between 2006 and 2022. We may be limited in our ability to use these carryforwards in any one year due to ownership changes that preceded the business combination that formed us in July 1994 and changes in shareholdings that occurred during 1999.

We believe that available objective evidence creates sufficient uncertainty regarding the realization of the net deferred tax assets, including a history of recurring operating losses. Accordingly, a valuation allowance

has been provided for the net deferred tax assets of the Company. The valuation allowance increased approximately $130 million in 2002, $67 million in 2001 and $25 million in 2000.

In 1999, at the time of the Spin-off, an estimate of the NOL carryforwards resulting from VoiceStream's cumulative tax losses remained with VoiceStream. Pursuant to a tax sharing agreement entered into at the time that a subsidiary of Hutchison Telecommunications Limited made an investment in VoiceStream, ("the Hutchison Investment"), VoiceStream paid us $20 million; the amount representative of the tax benefit of NOLs generated while VoiceStream was a wholly-owned subsidiary of us. This transaction was accounted for as a return of capital to us. Through operation of tax law we have retained certain of the cumulative tax losses originally transferred to VoiceStream following the Spin-off. Under the tax sharing agreement between the companies, we agreed to pay VoiceStream $24.5 million. This was paid during 2001 and represented the present value of the expected tax benefit of the NOLs retained by us. We have a full valuation allowance against our NOLs.

12. Shareholders' Equity:

The authorized capital stock of the Company consists of 300,000,000 shares of Class A Common Stock and Class B Common Stock, no par value, and 50,000,000 shares of preferred stock, no par value (the "Preferred Stock").

Common Stock:

The holders of our Class A Common Stock have identical rights to holders of Class B Common Stock, except that holders of Class A Common Stock are entitled to one vote per share and holders of Class B Common Stock are entitled to ten votes per share. Shares of Class B Common Stock generally convert automatically into shares of Class A Common Stock on a share-for-share basis immediately upon any transfer of the Class B Common Stock other than a transfer from an original holder of Class B Common Stock to certain affiliates of such holder.

Preferred Stock:

We are authorized to issue 50,000,000 shares of Preferred Stock, which may be issued from time to time in one or more classes or series or both upon authorization by our Board of Directors.

We have no current plans to issue any Preferred Stock.

Stock Issuances:

We issued 106,654, 747,639 and 506,180 shares of our Common Stock in 2002, 2001 and 2000, respectively, as a result of employee stock option exercises.

Other Transactions:

During the second quarter of 1999, as a result of the Spin-off, the Company recognized compensation expense on all options outstanding as of May 3, 1999. On the date of the Spin-off, the Company canceled and reissued all outstanding stock options. All reissued stock options were granted in a manner that ensured employees of both the Company and VoiceStream maintained the value of their options, subject to normal fluctuations in the price of both companies stock, after the Spin-off.

This reissuance did not accelerate benefits to option holders. The Company believes this allows employees to continue to better participate in the success of the company for which they work. At the date of the Spin-off, the Company recorded deferred compensation of approximately $82.8 million and compensation expense for those options in which the service period had passed of $63.4 million. Subsequent to the date of

the Spin-off, the Company has recognized an additional $18.3 million of stock option compensation, net of cancellations, through December 31, 2001. As of December 31, 2001, the Company has fully recognized the stock option compensation associated with these options.

13. Income (Loss) per Common Share:

Statement of Financial Accounting Standards No. 128, "Earnings Per Share," requires two presentations of income per share — "basic" and "diluted". Basic income per share is calculated using the weighted average number of shares outstanding during the period. Diluted income per share is computed on the basis of the weighted average number of common shares outstanding plus the dilutive effect of outstanding stock options and the employee stock purchase plan using the "treasury stock" method.

Income (loss) per share is calculated using the weighted average number of shares of outstanding stock during the period. For those years presented with net losses, the options outstanding are anti-dilutive, thus basic and diluted loss per share are equal. Weighted average shares issuable upon the exercise of stock options, which were not included in the calculation, were 141,000, 1,794,000 and 9,000 for the years ended December 31, 2002, 2001 and 2000, respectively, because they were antidilutive.

The following table sets forth the computation of basic and diluted income per share:

(Dollars in thousands, except per share data)	Year Ended December 31, 2002	2001	2000
Numerator:			
Income (loss) from continuing operations before cumulative change in accounting principle	$ (215,320)	$ (143,564)	$ 65,406
Total discontinued operations	29,639	(5,933)	
Cumulative change in accounting principle		(5,580)	
Net income (loss)	$ (185,681)	$ (155,077)	$ 65,406
Denominator:			
Weighted average shares:			
Basic	78,955,000	78,625,000	77,899,000
Effect of dilutive securities:			
Dilutive options			2,404,000
Weighted average shares:			
Diluted	78,955,000	78,625,000	80,303,000
Basic income (loss) per share:			
Continuing operations	$ (2.73)	$ (1.82)	$ 0.84
Discontinued operations	0.38	(0.08)	
Cumulative change in accounting principle		(0.07)	
Basic income (loss) per share	$ (2.35)	$ (1.97)	$ 0.84
Diluted income (loss) per share:			
Continuing operations	$ (2.73)	$ (1.82)	$ 0.81
Discontinued operations	0.38	(0.08)	
Cumulative change in accounting principle		(0.07)	
Diluted income (loss) per share	$ (2.35)	$ (1.97)	$ 0.81

14. Stock-based Compensation Plans:

The 1994 Management Incentive Stock Option Plan (the "MISOP") as amended, provides for the issuance of up to 10,100,000 shares of common stock as either Nonstatutory Stock Options or as Incentive Stock Options, the terms and conditions of which are at the discretion of the administrator of the MISOP. Typically the vesting period is four years with a maximum term of ten years.

The 1997 Employee Stock Purchase Plan (the "ESPP") provides for the issuance of up to 1,000,000 shares of Class A Common Stock to eligible employees participating in the plan. The terms and conditions of eligibility under the ESPP require that an employee must have been employed by us or our subsidiaries for at least three months prior to participation. A participant may contribute up to 10% of their total annual compensation toward the ESPP, not to exceed the Internal Revenue Service contribution limit each calendar year. Shares are offered under this ESPP at 85% of market value at each offer date. Participants are fully vested at all times.

Options granted, exercised and canceled under the above MISOP are summarized as follows:

	Year Ended December 31,					
	2002		2001		2000	
	Shares	Weighted Average Price	Shares	Weighted Average Price	Shares	Weighted Average Price
	(In thousands, except pricing information)					
Outstanding, beginning of period	2,960	$15.06	3,065	$ 7.64	3,642	$7.32
Options granted	806	$16.61	675	$39.19		
Options exercised	(107)	$ 6.58	(748)	$ 6.57	(506)	$5.26
Options canceled	(368)	$19.71	(32)	$10.24	(71)	$8.25
Outstanding, end of the period	3,291	$15.20	2,960	$15.06	3,065	$7.64
Exercisable, end of period	2,155	$12.44	1,815	$ 9.69	1,991	$6.56

The weighted average fair value of stock options granted was $9.96 in 2002 and $28.67 in 2001. There were no stock options granted in 2000.

The following table summarizes information about fixed price stock options outstanding at December 31, 2002:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
	(In thousands, except pricing information)				
$0.53 - $ 7.66	1,314	5 years	$ 5.87	808	$ 5.52
$8.13 - $ 9.95	929	5 years	$ 8.84	838	$ 8.72
$9.95 - $39.19	1,048	8 years	$32.53	509	$29.54
$0.53 - $39.19	3,291	6 years	$15.20	2,155	$12.44

In September 1998, WWI's Board of Directors approved the 1998 Stock Appreciation Rights ("SAR") Plan (the "SAR Plan"), effective January 1, 1998. Under the SAR Plan, as amended, selected key employees and agents of WWI may receive performance units, which are "rights" to receive an amount based upon 7% of the fair market value of WWI. Fair value is based upon Management's estimates at the time, considering various factors and is approved by WWI's Board of Directors. Effective July 1, 2002, WWI's Board of Directors approved an amendment to the SAR Plan, providing for quarterly valuations and establishing a quarterly 21-day exercise window. Such rights do not represent an equity interest in WWI, only a right to compensation under the terms of the SAR Plan.

The SAR Plan, as amended, authorizes a maximum of 28,000 rights and authorizes the SAR Plan administrator to determine, among other things, the grant of SARs, the price of the grant and vesting provisions. Granted SARs generally vest over a four-year period and provide for a cash payout in a lump-sum distribution or installments over a period not to exceed three years. As of December 31, 2002 and 2001, there were 17,788 and 20,413 rights outstanding under the SAR Plan, respectively.

In connection with a revaluation of the SARs based on current market conditions, WWI recorded a reversal of compensation expense of $5.5 million and $1.9 million in 2002 and 2001, respectively. We recorded compensation expense of $10.8 million in 2000. During 2002 and 2001, 1,394 and 4,600 vested SARs, respectively, were exercised. As a result, WWI paid $0.3 million in 2001, $2.8 million in 2002 and $2.8 million in January 2003.

Other Acquisitions:

In November 2000, we completed the purchase of the Arizona 4 and California 7 RSAs for approximately $202 million. These acquisitions were accounted for as an asset acquisition. Essentially the entire purchase price was recorded to licensing costs.

In July 2000, we completed the purchase of the Oklahoma 4 RSA for approximately $60 million. This acquisition was accounted for as an asset acquisition. Essentially the entire purchase price was recorded to licensing costs.

In May 2000, we completed the purchases of the Arizona 6 RSA for approximately $46 million, and the Wyoming 1 RSA for approximately $20 million. These acquisitions were accounted for as an asset acquisition. Essentially the entire purchase price was recorded to licensing costs.

In January 2000, we completed the purchase of the Utah 5 RSA for approximately $25 million in cash and $5 million in seller subordinate debt. This acquisition was accounted for as an asset acquisition. Essentially the entire purchase price was recorded to licensing costs.

In January 2000, we completed an acquisition of a 40% interest in Comstar Cellular ("Comstar"), a GSM cellular operator in Côte d'Ivoire for $3 million.

16. Selected Quarterly Consolidated Financial Information (unaudited):

As discussed in Note 6, we adopted SFAS No. 142 on January 1, 2002 and prospectively ceased amortizing our domestic licensing cost. In connection with the adoption of SFAS No. 142, our full year financial statements include a deferred income tax provision of $120.7 million. We recently completed a comprehensive analysis of the differences between the book and tax basis of our domestic licensing costs and determined that the deferred income tax provision reported during the first quarter of 2002 associated with the adoption of SFAS No. 142 should be increased because of newly identified basis differences. The reported deferred income tax provisions in the second and third quarters of 2002 should be decreased as a result of these matters. The impact of these adjustments on our quarterly financial results are set forth on the schedule below. The impact to our interim balance sheets for 2002 was an increase in our deficit and our deferred taxes aggregating approximately $21 million through the first three quarters of 2002. Because these adjustments relate to our deferred income tax provision there is no impact on interim cash flows from operations, investing or financing activities. Deferred taxes represent a non-cash charge and are not currently paid or payable.

Selected quarterly consolidated financial information for the years ended December 31, 2002 and 2001 is as follows:

Quarter Ended	Total Revenues	Operating Income (Loss)	Loss Before Provision for Income Taxes	Provision for Income Taxes		Loss From Continuing Operations Before Cumulative Change in Accounting Principle		Net Loss		Basic and Diluted Loss Per Share From Continuing Operations Before Cumulative Change in Accounting Principle		Basic and Diluted Net Loss Per Shar	
				Quarter	Year-to-Date	Quarter	Year-to-Date	Quarter	Year-to-Date	Quarter	Year-to-Date	Quarter	Year-t Date
				(Dollars in thousands, except per share data)									
March 31, 2002, as reported(1)	$284,426	$ 11,783	$(18,177)	$ (79,287)	$ (79,287)	$ (97,464)	$ (97,464)	$ (96,002)	$ (96,002)	$(1.24)	$(1.24)	$(1.22)	$(1.2
March 31, 2002, as recalculated	N/A	N/A	N/A	$(103,933)	$(103,933)	$(122,110)	$(122,110)	$(120,648)	$(120,648)	$(1.55)	$(1.55)	$(1.53)	$(1.5
June 30, 2002, as reported(1)	$290,849	$ 13,213	$(24,887)	$ (7,433)	$ (86,720)	$ (32,320)	$(129,784)	$ (29,755)	$(125,757)	$(0.41)	$(1.64)	$(0.38)	$(1.5
June 30, 2002, as recalculated	N/A	N/A	N/A	$ (5,055)	$(108,988)	$ (29,942)	$(152,052)	$ (27,377)	$(148,025)	$(0.38)	$(1.93)	$(0.35)	$(1.8
September 30, 2002, as reported(1)	$306,307	$ 30,850	$ (9,094)	$ (8,203)	$ (94,923)	$ (17,297)	$(147,081)	$ (15,916)	$(141,673)	$(0.22)	$(1.86)	$(0.20)	$(1.7
September 30, 2002, as recalculated	N/A	N/A	N/A	$ (7,010)	$(115,998)	$ (16,104)	$(168,156)	$ (14,723)	$(162,748)	$(0.20)	$(2.13)	$(0.19)	$(2.0
December 31, 2002, as reported(1)	$305,028	$ (4,645)	$(39,892)	$ (7,272)	$(123,270)	$ (47,164)	$(215,320)	$ (22,933)	$(185,681)	$(0.60)	$(2.73)	$(0.29)	$(2.3
March 31, 2001(1)	$229,150	$ 24,201	$(15,493)			$ (15,493)	$ (15,493)	$ (22,884)	$ (22,884)	$(0.20)	$(0.20)	$(0.29)	$(0.2
June 30, 2001(1)	$245,353	$ 22,051	$(11,405)			$ (11,405)	$ (26,898)	$ (14,027)	$ (36,911)	$(0.15)	$(0.34)	$(0.18)	$(0.4
September 30, 2001(1)	$283,178	$(14,078)	$(65,133)			$ (65,133)	$ (92,031)	$ (66,758)	$(103,669)	$(0.83)	$(1.17)	$(0.85)	$(1.3
December 31, 2001(1)	$280,278	$(14,232)	$(51,533)			$ (51,533)	$(143,564)	$ (51,408)	$(155,077)	$(0.65)	$(1.82)	$(0.65)	$(1.9

(1) As reported amounts exclude the effects of TAL, our Icelandic subsidiary. TAL was sold by us in the fourth quarter of 20(and has been reported as discontinued operations for all periods presented.

17. Segment Information:

Operations of the Company are overseen by domestic and international management teams each reporting to the Chief Executive Officer of the Company. We mainly provide cellular services in rural markets in the western United States. Our international operations consist of consolidated subsidiaries and operating entities around the world. Certain centralized back office costs and assets benefit all of our operations. These costs are allocated to both segments in a manner which reflects the relative time devoted to each of the segments.

The domestic cellular operations comprise the majority of our total revenues, expenses and total assets as presented in the table below:

	Domestic Operations	International Operations	Consolidated
	(Dollars in thousands)		
Year Ended December 31, 2002			
Total revenues	$ 883,704	$302,906	$1,186,610
Depreciation and amortization expense	194,003	46,484	240,487
Asset dispositions	21,304		21,304
Stock-based compensation, net	1,328	(5,450)	(4,122)
Provision for income taxes	120,687	2,583	123,270
Interest and financing expense, net	110,080	46,611	156,691
Equity in net income (loss) of unconsolidated affiliates	(678)	4,897	4,219
Total assets	1,798,758	600,218	2,398,976
Total capital expenditures	160,676	139,752	300,428
Year Ended December 31, 2001			
Total revenues	$ 913,471	$124,488	$1,037,959
Depreciation and amortization expense	190,601	19,325	209,926
Stock-based compensation, net	4,183	(1,876)	2,307
Interest and financing expense, net	138,384	23,469	161,853
Equity in net income (loss) of unconsolidated affiliates	1,550	(9,322)	(7,772)
Total assets	1,857,743	512,677	2,370,420
Total capital expenditures	261,431	116,797	378,228
Year Ended December 31, 2000			
Total revenues	$ 812,540	$ 22,414	$ 834,954
Depreciation and amortization expense	120,826	4,235	125,061
Stock-based compensation	9,334	10,763	20,097
Interest and financing expense, net	141,182	11,047	152,229
Equity in net income of unconsolidated affiliates	623	35	658
Total assets	1,759,255	237,214	1,996,469
Total capital expenditures	207,939	54,628	262,567

18. Related Party Transactions:

During 2002 and 2001, tele.ring earned interconnect and roaming revenues of $28.4 million and $13.4 million, respectively, and incurred roaming and interconnect expenses of $49.2 million and $26.3 million, respectively, with an organization affiliated with WWI. As of December 31, 2002, a payable of

$4.6 million was included in current liabilities and a receivable of $2.7 was included in accounts receivable. At December 31, 2001, a payable of $7.9 million was included in current liabilities and a receivable of $2.9 million was included in accounts receivable.

In the fourth quarter of 2001, WWI's Austrian subsidiary sold at fair market value 0.5% of its share capital to an officer of the same subsidiary. Under this agreement the officer has the right to put the shares to the subsidiary, and the subsidiary has the right to call the shares, on certain dates and at certain prices at fair value depending on the time period.

In April 2001, Bradley J. Horwitz, Executive Vice President of the Company and President of WWI exercised a fair value put agreement exchanging a 2.02% interest in WWI for approximately $14.1 million. Mr. Horwitz still holds the right to put his remaining interest in WWI to us at fair value. We now own approximately 98% of the outstanding shares of WWI.

In 1999, at the time of the Spin-off, an estimate of the NOL carryforwards resulting from VoiceStream's cumulative tax losses remained with VoiceStream. Pursuant to a tax sharing agreement entered into at the time of the Hutchison Investment, VoiceStream paid us $20 million; the amount representative of the tax benefit of NOLs generated while VoiceStream was a wholly-owned subsidiary of us. This transaction was accounted for as a return of capital to us. Through operation of tax law, we have retained certain of the cumulative tax losses originally transferred to VoiceStream following the Spin-off. Under the tax sharing agreement between the companies, we agreed to pay VoiceStream $24.5 million. This was paid during 2001. This amount represented the present value of the expected tax benefit of the NOLs retained by us. We have a full valuation allowance against our NOLs.

WESTERN WIRELESS CORPORATION

SCHEDULE I — CONDENSED FINANCIAL INFORMATION
COMBINED BALANCE SHEETS
(Parent Company Only)
(Dollars in thousands)

	As of December 31, 2002	2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 34,005	$ 7,564
Accounts receivable, net of allowance for doubtful accounts of $12,957 and $13,742, respectively	105,263	107,672
Inventory	12,223	23,052
Prepaid expenses and other current assets	8,901	11,544
Total current assets	160,392	149,832
Property and equipment, net of accumulated depreciation of $676,600 and $502,525, respectively	543,170	583,102
Licensing costs and other intangible assets, net of accumulated amortization of $14,473 and $10,112, respectively	1,076,992	1,093,275
Investments in and advances to unconsolidated affiliates	191,559	179,583
Other assets	285	
	$ 1,972,398	$2,005,792
LIABILITIES AND NET CAPITAL DEFICIENCY		
Current liabilities:		
Accounts payable	$ 9,556	$ 14,027
Accrued liabilities	130,586	130,387
Construction accounts payable	6,583	15,236
Current portion of long-term debt	106,094	
Total current liabilities	252,819	159,650
Long-term debt	2,082,307	2,145,441
Deferred income taxes	120,687	
Total liabilities	2,455,813	2,305,091
Net capital deficiency:		
Preferred stock, no par value, 50,000,000 shares authorized; no shares issued and outstanding Common stock, no par value, 300,000,000 shares authorized; Class A, 72,229,605 and 71,881,603 shares issued and outstanding, respectively, and:		
Class B, 6,774,724 and 6,981,072 shares issued and outstanding, respectively	669,072	668,158
Deferred compensation	(39)	
Accumulated other comprehensive loss	(23,491)	(24,181)
Deficit	(1,128,957)	(943,276)
Total net capital deficiency	(483,415)	(299,299)
	$ 1,972,398	$2,005,792

See accompanying notes to condensed financial information.

WESTERN WIRELESS CORPORATION

SCHEDULE I — CONDENSED FINANCIAL INFORMATION
COMBINED STATEMENTS OF OPERATIONS
(Parent Company Only)
(Dollars in thousands)

	For the Years Ended December 31,		
	2002	2001	2000
Revenues:			
Subscriber revenues	$ 609,406	$ 619,214	$ 548,202
Roamer revenues	228,878	244,538	228,694
Equipment sales and other revenues	44,277	45,450	33,805
Total revenues	882,561	909,202	810,701
Operating Expenses:			
Cost of service	176,190	188,434	169,405
Cost of equipment sales	79,047	79,770	42,750
General and administrative	144,563	165,692	150,509
Sales and marketing	115,574	127,630	124,635
Depreciation and amortization	193,994	187,704	120,502
Asset disposition	21,304		
Stock-based compensation	1,328	4,183	9,297
Total operating expenses	732,000	753,413	617,098
Other income (expense):			
Interest and financing expense, net	(146,328)	(158,861)	(151,626)
Equity in net income (loss) of unconsolidated affiliates	(70,961)	(127,841)	31,608
Other, net	1,734	(18,584)	(8,179)
Total other expense	(215,555)	(305,286)	(128,197)
Income (loss) from continuing operations before provision for income taxes and cumulative change in accounting principle	(64,994)	(149,497)	65,406
Provision for income taxes	(120,687)		
Cumulative change in accounting principle		(5,580)	
Net income (loss)	$(185,681)	$(155,077)	$ 65,406

See accompanying notes to condensed financial information.

WESTERN WIRELESS CORPORATION

SCHEDULE I — CONDENSED FINANCIAL INFORMATION
COMBINED STATEMENTS OF CASH FLOWS
(Parent Company Only)
(Dollars in thousands)

	For the Years Ended December 31,		
	2002	2001	2000
Operating activities:			
Net income (loss)	$(185,681)	$(155,077)	$ 65,406
Adjustments to reconcile net income (loss) to net cash provided by operating activities	414,472	340,432	107,150
Net cash provided by operating activities	228,791	185,355	172,556
Investing activities:			
Purchase of property and equipment	(160,675)	(261,577)	(206,785)
Investments in and advances to unconsolidated affiliates	(80,715)	(134,761)	(72,468)
Receipts from and (payments to) VoiceStream Wireless		(24,500)	3,438
Additions to licensing costs and other intangible assets	(9,472)	(8,325)	(12,799)
Acquisition of wireless properties, net of cash acquired			(356,606)
Purchase of minority interest in Western Wireless International		(14,140)	
Proceeds from asset disposition	5,102		
Net cash used in investing activities	(245,760)	(443,303)	(645,220)
Financing activities:			
Additions to long-term debt	70,000	690,000	1,640,485
Repayment of debt	(27,040)	(440,044)	(1,200,000)
Other	450	4,596	2,358
Net cash provided by financing activities	43,410	254,552	442,843
Change in cash and cash equivalents	26,441	(3,396)	(29,821)
Cash and cash equivalents, beginning of year	7,564	10,960	40,781
Cash and cash equivalents, end of year	$ 34,005	$ 7,564	$ 10,960

See accompanying notes to condensed financial information.

WESTERN WIRELESS CORPORATION

SCHEDULE I — CONDENSED FINANCIAL INFORMATION
(Parent Company Only)

NOTES TO CONDENSED FINANCIAL INFORMATION

This Schedule I and the related notes should be read in conjunction with the Consolidated Financial Statements and Notes thereto.

1. Basis of Presentation:

The condensed financial information presented in Schedule I represents the balance sheets, statements of operations and cash flows for us as if our subsidiary, WWI, was an unconsolidated entity. Certain, but not all, of the net assets of WWI's consolidated subsidiaries and equity based investments are restricted under loan agreements including those of Slovenia, Austria, Bolivia, Ireland, Croatia and Georgia. The Company less WWI is referred to as "Parent Company Only" in Schedule I. Our ownership in WWI has been reflected in this condensed financial information as if the investment was accounted for using the equity method.

2. Long-Term Debt Maturities:

The aggregate amounts of principal maturities as of December 31, 2002, of our debt excluding the debt of the restricted subsidiary are as follows (dollars in thousands):

Year Ending December 31,	
2003	$ 106,094
2004	156,099
2005	256,104
2006	518,104
2007	502,000
Thereafter	650,000
	$2,188,401

WESTERN WIRELESS CORPORATION

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

Description (Dollars in thousands)	Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts(1)	Deductions(2)	Balance at End of Period
Year ended December 31, 2002					
Allowance for doubtful account	$ 20,407	$ 19,051	$1,090	$(18,489)	$ 22,059
Valuation allowance for deferred tax assets	$183,293	$130,283			$313,576
Year ended December 31, 2001					
Allowance for doubtful account	$ 15,801	$ 31,807	$7,093	$(34,294)	$ 20,407
Valuation allowance for deferred tax assets	$116,028	$ 67,265			$183,293
Year ended December 31, 2000					
Allowance for doubtful account	$ 11,199	$ 26,963	$ (387)	$(21,974)	$ 15,801
Valuation allowance for deferred tax assets	$ 91,360	$ 24,668			$116,028

(1) Primarily reflects opening/ending allowance for doubtful accounts related to market acquisitions/dispositions, fraud credits given to customers and currency translation adjustments.

(2) Write-offs, net of bad debt recovery.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WESTERN WIRELESS CORPORATION

BY: /s/ JOHN W. STANTON

John W. Stanton
Chairman of the Board and
Chief Executive Officer

Date: March 26, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ JOHN W. STANTON John W. Stanton	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 26, 2003
/s/ THERESA E. GILLESPIE Theresa E. Gillespie	Vice Chairman	March 26, 2003
/s/ MIKAL J. THOMSEN Mikal J. Thomsen	President and Director	March 26, 2003
/s/ M. WAYNE WISEHART M. Wayne Wisehart	Executive Vice President and Chief Financial Officer	March 26, 2003
/s/ SCOTT A. SOLEY Scott A. Soley	Vice President and Controller	March 26, 2003
/s/ JOHN L. BUNCE JR. John L. Bunce, Jr.	Director	March 26, 2003
/s/ MITCHELL R. COHEN Mitchell R. Cohen	Director	March 26, 2003
/s/ DANIEL J. EVANS Daniel J. Evans	Director	March 26, 2003
/s/ JONATHAN M. NELSON Jonathan M. Nelson	Director	March 26, 2003

Signatures	Title	Date
/s/ TERENCE M. O'TOOLE Terence M. O'Toole	Director	March 26, 2003
/s/ PETER H. VAN OPPEN Peter H. van Oppen	Director	March 26, 2003

CERTIFICATION

I, John W. Stanton, certify that:

1. I have reviewed this annual report on Form 10-K of Western Wireless Corporation.

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

(c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

By: /s/ JOHN W. STANTON

John W. Stanton

Chairman and Chief Executive Officer

Dated: March 26, 2003

CERTIFICATION

I, M. Wayne Wisehart, certify that:

1. I have reviewed this annual report on Form 10-K of Western Wireless Corporation.

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

(c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

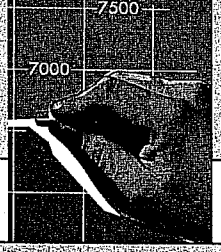
(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

By: /s/ M. WAYNE WISEHART

M. Wayne Wisehart
Executive Vice President and
Chief Financial Officer

Dated: March 26, 2003



Corporate Information

Executive Officers
John W. Stanton
Chairman and Chief Executive Officer

Donald Guthrie
Vice Chairman

Theresa E. Gillespie
Vice Chairman

Mikal J. Thomsen
President

Wayne Wisehart
Executive Vice President and
Chief Financial Officer

Eric Hertz
Chief Operating Officer

Bradley J. Horwitz
Executive Vice President and
President - International

Jeffrey A. Christianson
Senior Vice President, General Counsel
and Corporate Secretary

Thorpe M. "Chip" Kelly
Senior Vice President

Gerald J. "Jerry" Baker
Senior Vice President - Engineering
and Technical Operations

Board of Directors
John W. Stanton
Chairman and Chief Executive Officer

John L. Bunce, Jr.
Hellman & Friedman

Mitchell R. Cohen
Hellman & Friedman

Daniel J. Evans
Daniel J. Evans and Associates

Theresa E. Gillespie
Vice Chairman

Jonathan M. Nelson
Providence Ventures

Terence M. O'Toole
Goldman Sachs & Co.

Mikal J. Thomsen
President

Peter H. van Oppen
Advanced Digital Information Corporation

Vice Presidents
Eugene A. DeJordy
Gaetano "Tom" Favillo
Sheri G. Fonnesbeck
Jerry M. Gallegos
E. Todd Heiner
Scott A. Hopper
Scott A. Soley
Michelle M. Stern
Rietta C. Stoneman
Steven R. Winslow

Western Wireless International Vice Presidents
Scott P. Alderman
Natashia E. Press
W. Stewart Sherriff
Peter K. Simpson

Independent Accountants
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999 Third Avenue
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Phone (206) 398-3000

Transfer Agent
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85 Challenger Road
Ridgefield Park, NJ 07660
Phone (800) 522-6645
URL: http://www.melloninvestor.com

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Western Wireless Corporation
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Bellevue, WA 98006
www.wwireless.com

Annual Meeting
The annual meeting will be held on
Wednesday, May 14, 2003

Cellular One Website
www.cellularonewest.com

Corporate Headquarters
3650 131st Avenue SE
Bellevue, WA 98006
Phone (425) 586-8700

Cautionary statement for purposes of the "Safe Harbor" provisions of the Private Litigation Reform Act of 1995: Statements contained in or incorporated by reference in this document that are not based on historical fact are "forward-looking statements" within the meaning of the Private Securities Reform Act of 1995. Forward-looking statements may be identified by use of forward-looking terminology such as "believe," "may," "will," "expect," "estimate," "anticipate," "continue," or similar terms, variations of those terms, or the negative of those terms.

Note: A full discussion of the company's financial results is contained in the Form 10-K.

LUKAS, NACE, GUTIERREZ & SACHS
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WRITER'S DIRECT DIAL
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November 12, 2003

VIA ELECTRONIC FILING

Marlene H. Dortch, Secretary
Office of Managing Director
Federal Communications Commission
445 12th Street, S.W.
Room TW-B204
Washington, DC 20554

Attn: Wireline Competition Bureau

Re: Virginia Cellular, LLC
Petition for ETC Status
Docket No. 96-45

Dear Madam Secretary:

Virginia Cellular, LLC ("Virginia Cellular") hereby amends its above-referenced petition for ETC status in the Commonwealth of Virginia to provide additional information requested by the Commission, through its Wireline Competition Bureau ("WCB").

1. CTIA's Consumer Code for Wireless Services.

The Commission has requested Virginia Cellular to abide by the CTIA's Consumer Code for Wireless Services.[1]

If designated as an ETC, Virginia Cellular commits to abide by the CTIA Consumer Code for Wireless Services, as it may be amended from time to time, for all of its operations in the Commonwealth of Virginia.

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1 http://www.wow-com.com/pdf/The_Code.pdf

EXHIBIT
Ent. 17

2. Consumer Complaint Reporting.

The Commission has indicated that as a condition of obtaining ETC status, Virginia Cellular must file with the Commission an annual report of its customer complaints. Virginia Cellular fully supports the Commission's efforts to collect service quality data that will permit it to develop meaningful service quality rules, to the extent necessary. If designated, Virginia Cellular shall provide the FCC with an annual report providing the number of consumer complaints per 1000 handsets in service.

Collection of quality of service data is consistent with the Commission's determination in 1997 to monitor service quality standards so that rules may be developed if trends in service quality reveal the need for regulation.[2] Virginia Cellular believes that collection of data on customer complaints of all CMRS carriers, irrespective of their status as ETCs, will enable the Commission to determine whether rules should be adopted, and encourages the Commission to collect such data from all CMRS carriers operating in Virginia.

Based on our review of comments filed in the ongoing Joint Board proceeding in CC Docket No. 96-45, we are constrained to note that some parties have launched a misguided attack on competitive ETCs ("CETCs") over the past year, claiming that competitive neutrality requires all ETCs to have similar regulatory obligations, including service quality standards similar to those applicable to ILECs. This view was squarely rejected by the Commission in 1997 when it ruled:

> Several ILECs assert that the Joint Board's recommendation not to impose additional criteria is in conflict with its recommended principle of competitive neutrality because some carriers, such as those subject to COLR obligations or service quality regulation, perform more burdensome and costly functions than other carriers that are eligible for the same amount of compensation. The statute itself, however, imposes obligations on ILECs that are greater than those imposed on other carriers, yet section 254 does not limit eligible telecommunications carrier designation only to those carriers that assume the responsibilities of ILECs.

Further complicating designation of CETCs is the assertion that service quality standards should be imposed by states (or the FCC) ***as a condition of designation.*** Once again, the Commission could not have been more clear in ruling that "states may adopt and enforce service quality ***rules*** that are competitively neutral, pursuant to section 253(b), and that are not otherwise inconsistent with rules adopted herein."[3] Rules must be adopted in the course of rulemaking proceedings, not imposed *ad hoc* in the course of individual ETC designation proceedings.

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2 Federal-State Joint Board on Universal Service, Report and Order, 12 FCC Rcd 8776, 8857-8 (1997).

3 Id., at 8833.

It scarcely bears mention that service quality rules were not enacted as a *quid pro quo* for ILECs being designated as ETCs. Service quality rules are in place across the country for ILECs because almost without exception they are monopoly carriers. Consumers require appropriate protection from monopoly business practices. The discipline that is applied by robust marketplace competition is far preferable to regulation. Introduction of effective competition will lessen the need for full monopoly regulation on ILECs in Virginia.

If service quality is a problem for wireless carriers, then the problem is best addressed in a rulemaking proceeding of general applicability wherein all interested parties and stakeholders may participate. The Commonwealth of Virginia is fully empowered to enact statutes and conduct rulemaking proceedings to impose service quality standards on CMRS carriers should it so choose. Moreover, this Commission is permitted to adopt necessary rules to advance the goals of universal service and see that consumers receive high quality services as mandated by the Act.

Virginia Cellular believes its customer service to be superior to its wireless and wireline competition. It looks forward to providing the Commission with the requested data and to participating in any rulemaking proceedings which address this important issue.

3. Service Provisioning Commitment.

As an ETC, Virginia Cellular must take on federal carrier of last resort obligations which require the company to respond to all reasonable requests for service within its ETC service area.[4] The Commission requested Virginia Cellular to describe specifically how it will provision service to requesting customers. Upon review of service provisioning commitments made and approved in other states,[5] Virginia Cellular is pleased to make the following commitment to provision service to requesting customers:

In response to such requests for service at a residence or business, Virginia Cellular will take the following steps:

1. If a request comes from a customer within its existing network, Virginia Cellular will provide service immediately using its standard customer equipment.

2. If a request comes from a customer residing in any area where Virginia Cellular does not provide service, Virginia Cellular will take a series of steps to provide service.

* First, it will determine whether the customer's equipment can be modified or replaced to provide acceptable service.

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[4] See, Western Wireless Corporation Petition for Preemption of an Order of the South Dakota Public Utilities Commission, FCC 00-248 (Aug. 10, 2000) ("A new entrant, once designated as an ETC, is required, as the incumbent is required, to extend its network to serve new customers upon reasonable request").

[5] See, e.g., Highland Cellular, Inc. (West Virginia), Case No. 02-1453-T-PC (Recommended Decision, Sept. 15, 2003); Alaska DigiTel, LLC (Alaska), Docket U-02-39, Order No. 10 (August 28, 2003).

Churchville, Middlebrook, Central Nelson, Hinton, Afton, and West Augusta cell sites, all contain substantial areas that are underserved (one wireless carrier or no wireless carriers). These construction plans, projected to be carried out in the first year and a half following designation, represent significantly greater levels of financial commitment than the company projects to receive from the high-cost fund. In addition, none of these projected expenses include maintenance or upgrading of existing plant in high-cost areas.

For the Commission's reference, Virginia Cellular has prepared a spread sheet, attached hereto, that sets forth the twelve site names, locations, populations covered, and estimated budget amounts. The order in which cell sites are to be constructed is tentative, and subject to change depending up on where requests for service come from within the ETC service area. The company anticipates that initial construction will proceed at a pace of approximately two cell sites per quarter following designation.

The company has also prepared a map, also attached hereto, showing the predicted 32 dBu contours of each of the twelve proposed cell sites. Although it is very difficult to plan cell site construction more than one year in advance, Virginia Cellular hopes that these exhibits demonstrate the need for substantial additional facilities within high-cost areas in its service territory.

5. Advertising Commitment.

Virginia Cellular specifically commits to advertise the availability of its services throughout its ETC service area. The company will provide notices at local unemployment, social security and welfare offices so that consumers who may not have telephone service can learn about Virginia Cellular's service and that Lifeline and Linkup discounts are available. In addition, the company commits to locally publicize the construction of all new facilities in unserved or underserved areas so that consumers understand that the new facilities provide improved service in their area of interest.

We trust that you will find this information to be useful. Should you have any questions or require any additional information, please contact undersigned counsel directly.

Respectfully submitted,

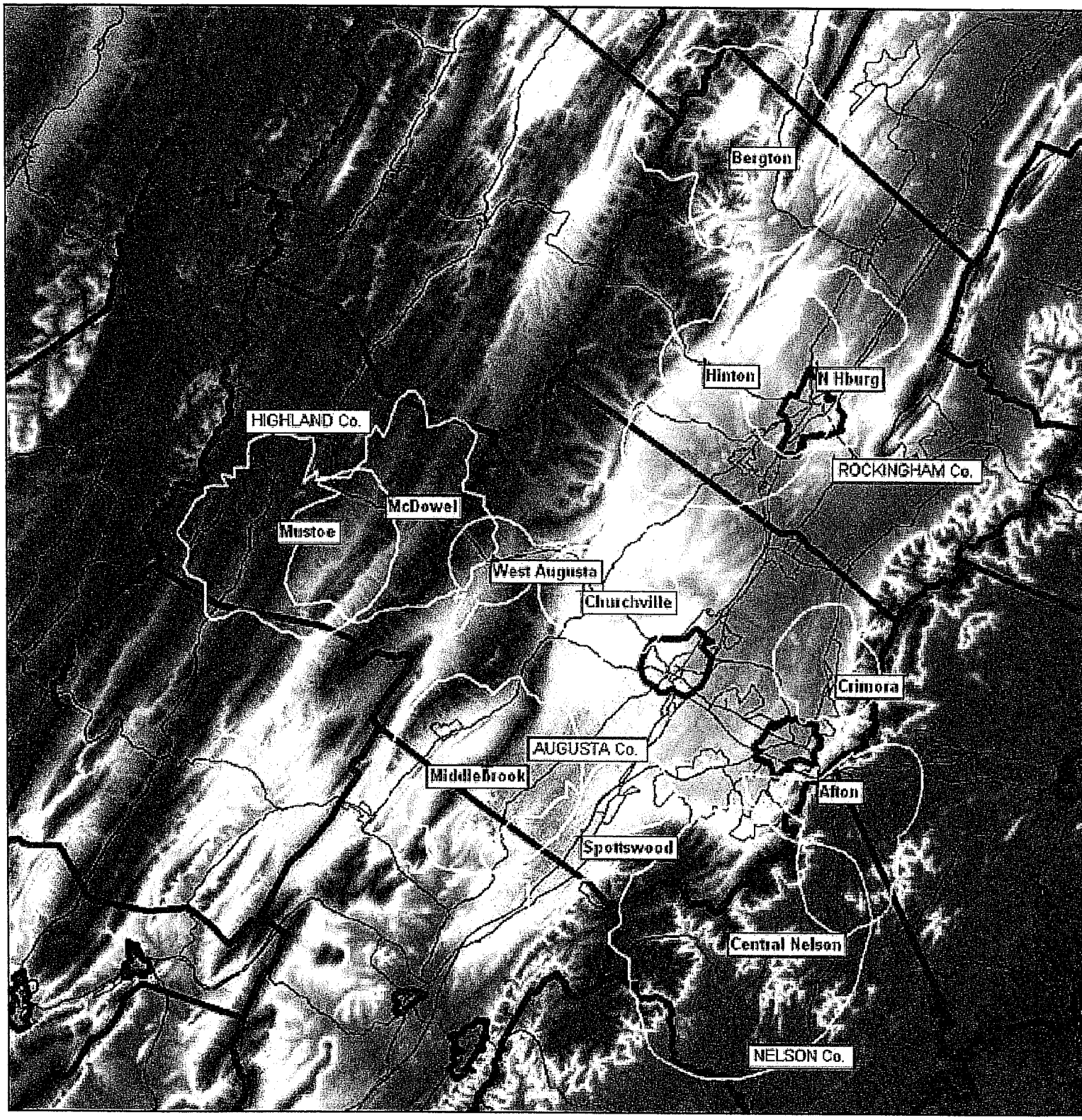
VIRGINIA CELLULAR, LLC

By:_____/s/_____
David LaFuria
Its Counsel

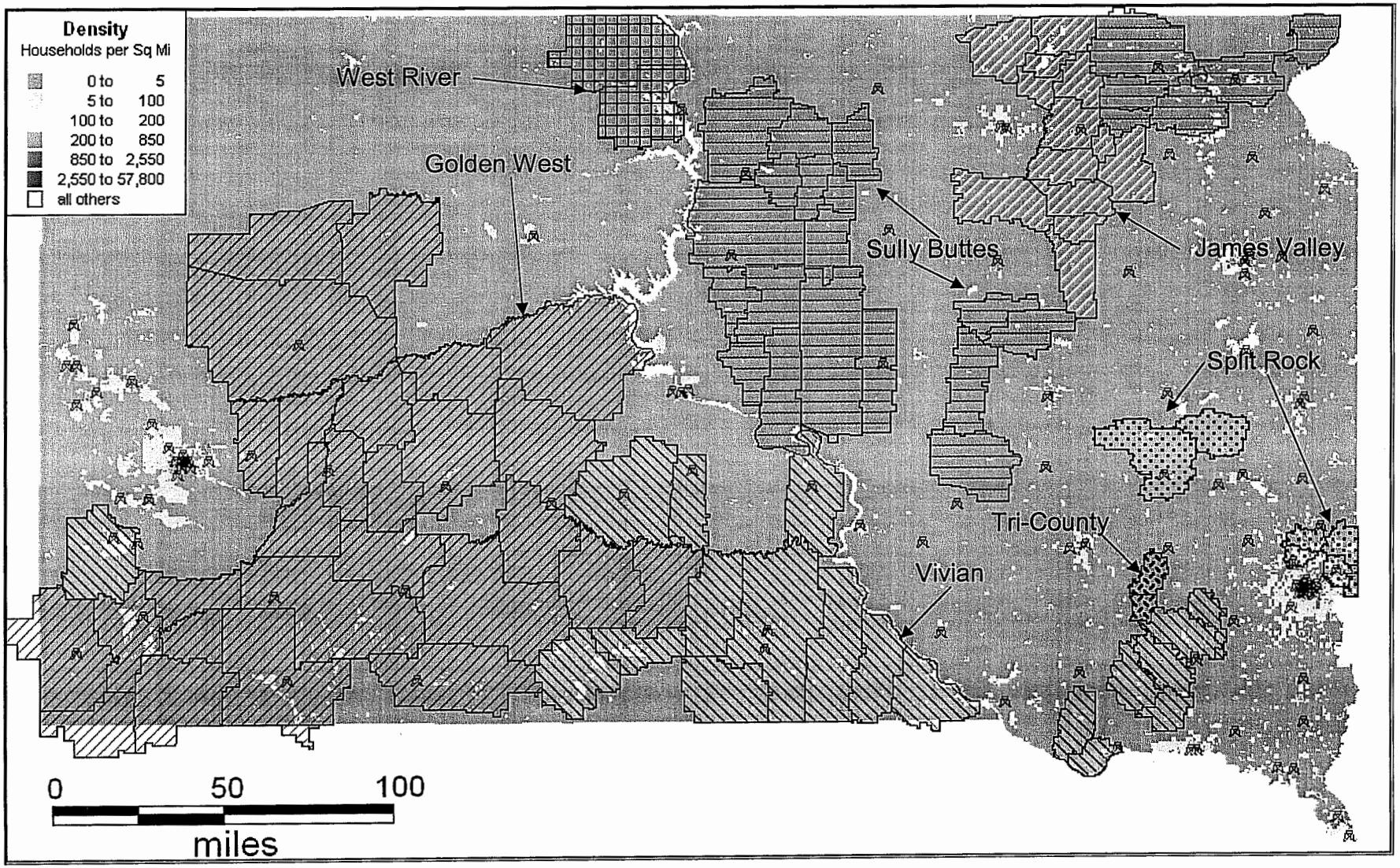
Enclosures

Virginia Cellular LLC
Proposed Sites Constructed with ETC funds

1st Qtr			
Site Name	**Location**	**Population within contour**	**Budget***
Crimora	Augusta County	7,019	$ 250,000.00
Hinton	Rockingham County	65,027	$ 250,000.00
Total (estimate)		**72,046**	**$ 500,000.00**
2nd Qtr			
Site Name	**Location**	**Population within contour**	**Budget***
North Harrisonburg	Rockingham County	52,750	$ 250,000.00
Churchville	Augusta County	5,865	$ 250,000.00
Total (estimate)		**58,615**	**$ 500,000.00**
3rd Qtr			
Site Name	**Location**	**Population within contour**	**Budget***
Spottswood	Augusta County	7,114	$ 250,000.00
Central Nelson	Nelson County	9,354	$ 250,000.00
Total (estimate)		**16,468**	**$ 500,000.00**
4th Qtr			
Site Name	**Location**	**Population within contour**	**Budget***
Middlebrook	Augusta County	4,749	$ 250,000.00
Bergton	Rockingham County	2,987	$ 250,000.00
Total (estimate)		**7,736**	**$ 500,000.00**
5th Qtr			
Site Name	**Location**	**Population within contour**	**Budget***
Afton	Nelson County	7,064	$ 250,000.00
McDowel	Highland County	731	$ 250,000.00
Total (estimate)		**7,795**	**$ 500,000.00**
6th Qtr			
Site Name	**Location**	**Population within contour**	**Budget***
Mustoe	Highland County	1,094	$ 250,000.00
West Augusta	Augusta County	325	$ 250,000.00
Total (estimate)		**1,419**	**$ 500,000.00**
* Estimate based on current network costs.			


Bergton
Hinton
N Hburg
HIGHLAND Co.
ROCKINGHAM Co.
McDowel
Mustoe
West Augusta
Churchville
Crimora
AUGUSTA Co.
Middlebrook
Afton
Spottswood
Central Nelson
NELSON Co.

111 Actual Western Wireless Towers



Source: Western Wireless Response to Interrogatory No. 6 - PROPRIETARY

EXHIBIT

Int. 18

TC03-191

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of WWC Holding Co., Inc. d/b/a CellularOne© for Designation as an Eligible Telecommunications Carrier	)))))	DOCKET NO. _____

FAX Received NOV 05 2003

RECEIVED
NOV 06 2003
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

VERIFIED PETITION FOR DESIGNATION AS AN ELIGIBLE TELECOMMUNICATIONS CARRIER AND REQUEST TO EXPEDITE PROCEEDINGS

1. COMES NOW, WWC Holding Co., Inc., d/b/a CellularOne© ("Western Wireless" or the "Company") and hereby applies to be designated as an eligible telecommunications carrier ("ETC") for purposes of qualifying to obtain federal universal service support in the study areas of certain rural telephone companies. The Commission has previously designated Western Wireless as an ETC in study areas of other rural telephone companies. *In the Matter of the Filing By GCC License Corporation For Designation As An Eligible Telecommunications Carrier*, Docket No. TC 98-146, Findings of Fact and Conclusions of Law; Notice of Filing of Entry of Order (Oct. 18, 2001) ("*Western Wireless ETC Order*"). This Petition seeks an order immediately designating Western Wireless as an ETC in the study areas of other rural telephone companies listed on Attachment A pursuant to 47 U.S.C. § 214(e) and S.D. Codified Laws §49-31-78. This Petition is made pursuant to and based upon 47 U.S.C. § 214(e), S.D. Codified Laws §49-31-78 and A.R.S.D. 20:10:32:43

2. Section 214(e) of the federal Telecommunications Act of 1996 ("Act"), the rules and regulations of the FCC, specifically 47 C.F.R. § 54.101(a), and S.D. Codified Laws §49-31-78 establish the mandatory and exclusive criteria for designation as a federal ETC in South Dakota. This Petition affirms and demonstrates that Western Wireless meets all applicable requirements and is entitled to be designated an ETC. *See The Filing by GCC License*

EXHIBIT
WW 1

Corporation for Designation as an Eligible Telecommunications Carrier, 2001 SD 32, 623 N.W.2d 474 (2001).

I. GENERAL BACKGROUND

3. Since 1992, Western Wireless, through its subsidiaries (including WWC Holding Co., Inc.), has provided telecommunications services to rural communities in the western United States. Western Wireless currently provides commercial mobile radio service ("CMRS") under the CellularOne© national brand name in 19 states west of the Mississippi River. The Company owns cellular licenses covering about 25 percent of the land and two percent of the population of the continental United States.

4. The FCC has regulatory jurisdiction over Western Wireless' provision of CMRS services in all states in which it provides services. The services provided by Western Wireless in South Dakota include mobile telephony, data/facsimile, 911, voice mail, and other features and services. WWC Holding Co., Inc. is the non-wireline FCC licensee in all of the cellular license areas in South Dakota.

II. ETC REQUIREMENTS

5. Under 47 U.S.C. § 214(e)(2) and S.D. Codified Laws §49-31-78, the Commission has the authority to designate Western Wireless as an ETC in its requested designated areas. The requirements for ETC designation are set forth in 47 U.S.C. § 214(e)(1)-(2), 47 C.F.R. § 54.101, and incorporated by reference in S.D. Codified Laws §49-31-78.

A. Western Wireless is a Common Carrier

6. The first requirement for ETC designation is that the applicant is a common carrier. 47 U.S.C. §§ 153(10) and 214(e)(1). Western Wireless is a CMRS provider and, as such, is a common carrier. *See Western Wireless ETC Order*, Conclusions of Law, ¶ 6. *See also* 47 C.F.R. § 20.9(a)(7).

B. Western Wireless Offers the Supported Services

7. The second requirement for ETC designation is that the applicant provide the services set forth in 47 C.F.R. § 54.101(a)(1)-(9) throughout the requested designated service areas. 47 U.S.C. § 214(e)(1)(A). Western Wireless currently offers and is able to provide the services and functionalities identified by the FCC in 47 C.F.R. § 54.101(a)(1)-(9). *See Western Wireless ETC Order*, Conclusions of Law, ¶ 6. In implementing Sections 214(e) and 254, the FCC identified the specific services that a carrier must provide to be designated as an ETC and receive universal service support. *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45 Report and Order (rel. May 8, 1997) ("*Universal Service Order*"). The required services are as follows:

Supported Service	**Does Western Wireless currently provide the service or function**
1. Voice-grade access to the public switched network	Y
2. Local Usage	Y
3. Dual tone multi-frequency (DTMF) signaling or its functional equivalent	Y
4. Single-party service or its functional equivalent	Y
5. Access to emergency services	Y
6. Access to operator services	Y
7. Access to interexchange service	Y
8. Access to directory assistance	Y
9. Toll limitation for qualifying Lifeline customers	Y

8. Western Wireless currently provides the nine supported services set forth in 47 C.F.R. § 54.101(a)(1)-(9) over its existing network infrastructure in South Dakota as follows:

a. Voice-grade access to the public switched telephone network. Voice-grade access means the ability to make and receive phone calls within a voice frequency range of between 300 and 3500 Hertz, a bandwidth of approximately 2700 Hertz. 47 C.F.R. § 54.101(a)(1). All customers of Western Wireless are able to make and receive calls on the public switched network within the prescribed frequency range.

b. Local usage. Western Wireless provides its customers with an amount of local usage, free of charge, as required by 47 C.F.R. § 54.101(a)(2). Unlimited local usage is not required of any ETC. *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket 96-45, Order and Order on Reconsideration, FCC 03-170, ¶ 14 (rel. July 14, 2003) ("*July 2003 Order*"). Western Wireless will include local usage in all of its universal service offerings, and intends to offer unlimited local usage as part of at least one of its universal service offerings. In addition, Western Wireless will comply with any and all specific local usage requirements adopted by the FCC in the future and required of federal ETCs.

c. Dual-tone, multi-frequency ("DTMF") signaling, or its functional equivalent. DTMF is a method of signaling that facilitates the transportation of call set-up and call detail information. 47 C.F.R. § 54.101(a)(3). The FCC recognized that "wireless carriers use out-of-band digital signaling mechanisms . . . . [I]t is appropriate to support out-of-band signaling mechanisms as an alternative to DTMF signaling." *Universal Service Order*, ¶ 71. Western Wireless currently uses out-of-band digital signaling and in-band multi-frequency signaling that is functionally equivalent to DTMF signaling and, therefore, the Company meets this requirement.

d. Single-party service or its functional equivalent. "Single party service" means that only one party will be served by each subscriber loop or access line, in contrast to a multi-party line. The FCC determined that a CMRS provider meets the requirement of offering single party service when it offers a dedicated message path for the length of a user's particular transmission. 47 C.F.R. § 54.101(a)(4); *Universal Service Order*, ¶ 162. Western Wireless meets the requirement of single-party service by providing a dedicated message path for the length of all customer calls.

e. Access to emergency services. The fifth supported service is the ability to reach the appropriate public service answering point (PSAP) by dialing "911." 47 C.F.R. § 54.101(a)(5); *Universal Service Order*, ¶ 72. The FCC also requires that a carrier must provide access to enhanced 911, or "E911," which includes the capability of providing both automatic numbering information ("ANI") and automatic location information ("ALI"), when the PSAP submits a compliant request to the carrier. In order to qualify as a compliant Phase I E911 request under the FCC's rules, the PSAP must "be capable of receiving and utilizing the data elements associated with the service, and a mechanism for recovering the Public Safety Answering Point's costs of the enhanced 911 service [must be] in place." 47 C.F.R. § 20.18(j). Western Wireless currently provides all of its customers with access to emergency services by dialing 911 and stands ready to provide E911 service to its customers once a PSAP submits a compliant request for E911 service. The Company will work with PSAPs within its designated service areas to make E911 service available according to federal requirements.

f. Access to operator services. Access to operator services means any automatic or live assistance provided to a consumer to arrange for the billing or

completion, or both, of a telephone call. 47 C.F.R. § 54.101(a)(6). Western Wireless meets this requirement by providing all of its customers with access to operator services provided by either the Company or other entities.

g. Access to interexchange service. As explained by the FCC, an ETC must offer consumers access to interexchange service for the purposes of making and receiving toll or interexchange calls. 47 C.F.R. § 54.101(a)(7); *Universal Service Order*, ¶ 78; *see also* 47 U.S.C. § 332(c)(8). Equal access to interexchange service, *i.e.,* the ability of a customer to access a presubscribed long distance carrier by dialing 1+number, is not required. *Universal Service Order*, ¶ 78; *July 2003 Order*, ¶¶ 14-15. Western Wireless presently meets this requirement by providing all of its customers with the ability to make and receive interexchange or toll calls through direct interconnection arrangements the Company has with several interexchange carriers ("IXCs"). Additionally, customers are able to reach their IXC of choice by dialing the appropriate access code. Consequently, Western Wireless satisfies this universal service requirement.

h. Access to directory assistance. The eighth supported service is access to directory assistance. 47 C.F.R. § 54.101(a)(8). Western Wireless meets this requirement by providing all of its customers with access to directory assistance by dialing "411" or "555-1212."

i. Toll limitation for qualifying low-income consumers. The final supported service to be provided by an ETC is either "toll control" or "toll limitation" services to qualifying low-income consumers receiving subsidies pursuant to the federal Lifeline program. 47 C.F.R. § 54.101(a)(9). The FCC no longer requires an ETC to provide both services if the carrier is unable to do so. *See Universal Service Fourth Order on*

Reconsideration, FCC 97-240 (rel. Dec. 30, 1997). The FCC made toll limitation for Lifeline customers a supported service because it determined that uncontrolled toll charges were a significant factor in low subscribership levels among low-income consumers. *Universal Service Order*, ¶ 82. Today, the Company provides toll-blocking services for international calls and customer selected toll calls, as well as for Lifeline customers in states in which it has been designated as an ETC, including South Dakota. Once designated as an ETC in these new South Dakota study areas, Western Wireless will continue to offer toll blocking to Lifeline customers at no additional charge.

C. Western Wireless Advertises the Supported Services

9. The third requirement for ETC designation is that the applicant advertise the availability of the supported services and charges using media of general distribution. 47 U.S.C. § 214(e)(1)(B). The Company currently offers and advertises the federally supported services throughout its requested designated service area, through several different media, including newspaper, television, radio, and billboard advertising. Western Wireless also maintains various retail store locations throughout its authorized service areas, which provide an additional source of advertising. Once designated, Western Wireless will advertise the availability of and charges for its universal service offerings through media of general distribution, in accordance with the requirements of 47 C.F.R. § 54.201(d)(2).

D. Western Wireless Complies With The Service Area Requirements

10. For areas served by a rural telephone company, Section 214(e)(5) of the Act and S.D. Codified Laws §49-31-78 provide that the ETC's designated service area must be equivalent to the rural telephone company's study area. A rural telephone company's "study area" is generally defined as all of the company's existing certificated exchange area in a given state. *Universal Service Order*, ¶ 172, n. 434. Moreover, the FCC's rules recognize that the

study area is subject to redefinition if the FCC and the Commission establish a different service area in accordance with 47 C.F.R. § 54.207(c)-(d) and 47 U.S.C. § 214(e)(5).

11. Western Wireless seeks designation as an additional ETC in the study areas of the rural telephone companies identified on Attachment A. Western Wireless currently provides signal coverage in these rural telephone company study areas and will offer and advertise its universal service offerings throughout these designated service areas.

E. The Public Interest Determination Applicable to Rural Telephone Company Areas

12. The final requirement for ETC designation relates to the public interest. Section 214(e)(2) of the Act and S.D. Codified Laws §49-31-78 require that the Commission find, before designating an additional ETC in an area served by a rural telephone company, that the designation is in the public interest. The Commission has already determined that it is in the public interest to designate Western Wireless as an additional ETC in study areas of rural telephone companies. *See Western Wireless ETC Order*, Conclusions of Law, ¶ 6.

13. The Commission has determined that the public interest analysis under 47 U.S.C. § 214(e)(2) should balance consumer benefits from increased competition against any proven detrimental impacts on the preservation and advancement of universal service. *Western Wireless ETC Order*, Findings of Fact, ¶¶ 9-17.

14. The public interest determination required under Section 214(e) of the Act depends on whether the proposed universal service offering will promote competition, and if so whether consumers will ultimately realize benefits related to competition and the new services provided. The express purposes of the Act in this regard are as follows:

> To promote competition and reduce regulation in order to secure lower prices and higher quality services for American telecommunications consumers and encourage the rapid deployment of new telecommunications technologies.

Pub. L. No. 104-104, 110 Stat. 56 (1996) (emphasis added).

15. Competition in the telecommunications industry is, as a general matter, in the public interest, and the hallmark of a competitive marketplace is the maximization of consumer choice. It is also clear that the public interest is served where there is a reasonable expectation that competition may have beneficial impacts for consumers.

16. As it applies to the designation of an additional ETC in an area served by a rural telephone company, the public interest necessarily must focus on the benefits of competition to the rural consumer. *Western Wireless ETC Order*, Findings of Fact, ¶¶ 10-11.

17. The Commission must also apply the public interest factor in a way that advances universal service as contemplated by the Act. Congress gave the FCC responsibility to create rules and policies "for the preservation and advancement of universal service." 47 U.S.C. § 254(b). States must respect and defer to those FCC determinations. States cannot use a public interest standard to affect a result contrary to FCC directives. The FCC, for example, has directed that a state cannot deny an application because a CMRS provider may not meet "the regulatory requirements that govern ILECs, including privacy, marketing, service provisioning, and service quality requirements, as well as carrier of last resort (COLR) obligations." *Universal Service Order*, ¶ 142. The Commission must always remain consistent with the Act and FCC directives as it makes the public interest determination under Section 214(e)(2).

18. To further these general principles of public interest, the Commission should utilize the following four-part standard to determine whether designating Western Wireless as an additional ETC in the rural telephone company service areas is in the public interest:

a. Will the ETC designation facilitate competition in the provision of universal services to the benefit of South Dakota's rural consumers?

b. Will the ETC designation advance universal service by bringing new telecommunications services to South Dakota's rural consumers?

c. Will ETC designation promote the rapid deployment of new technologies in the rural areas of South Dakota?

d. Will any rural LEC experience any significant adverse impact resulting from ETC designation so significant as to justify denying rural consumers the benefits of competition?

i. Granting ETC Designation Will Facilitate Competition to the Benefit of Consumers

19. Granting ETC status to Western Wireless will recognize the importance of allowing rural consumers a choice of providers for their telecommunications needs. Consumers should be able to choose services based on their own needs, and not just the service of the incumbent LEC. When the Commission designates a competing carrier as an additional ETC, rural consumers choose their service provider on the basis of the most advantageous pricing, services, service quality, customer service, and service availability.

20. Having this choice is important to rural consumers because Western Wireless' universal service offerings will provide benefits not otherwise available from the landline LECs. For example, current universal service offerings by incumbent LECs have restricted local calling areas and are bound by the limitations of landline technology. Western Wireless provides an expanded local calling area, which is of great benefit to rural consumers who otherwise have to pay toll charges to reach local government offices, health care providers, businesses or family outside of a restricted landline calling area. *See Western Wireless ETC Order*, Findings of Fact, ¶ 10; *Universal Service Order*, ¶ 114. Western Wireless' service also provides the benefits of mobility, which has great appeal to many rural consumers. Western Wireless provides innovative service offerings that will be tailored to consumers' needs.

21. In addition to increased choices, South Dakota's rural consumers can also expect lower rates and better service resulting from competition in the marketplace. Western Wireless provides 24-hour customer service, technical and operational support, which is more responsive

than the support currently available from many LECs. In designating Western Wireless an ETC in Minnesota, the Minnesota Commission found that the designation would provide consumers with benefits of "affordability, reliability, and service quality" and noted that Western Wireless' "service would include specific features and enhancements not available, or available only at a premium, from the incumbents." *Order Granting Preliminary Approval and Requiring Further Filings*, Minnesota Public Utilities Commission Docket No. P-5695/M-98-1285, p. 16 (Oct. 27, 1999). The Commission further reasoned that Western Wireless' designation would further "at least three of the goals underlying federal and state policies favoring competition—customer choice, innovative services, new technologies." *Id.*

22. The FCC has confirmed that competition and universal service are to be accomplished together, and that rural consumers are entitled to achieve universal service goals through the benefits of competition:

> Commenters who express concern about the principle of competitive neutrality contend that Congress recognized that, in certain rural areas, competition may not always serve the public interest and that promoting competition in these areas must be considered, if at all, secondary to the advancement of universal service. We believe these commenters present a false choice between competition and universal service. A principal purpose of section 254 is to create mechanisms that will sustain universal service as competition emerges. We expect that applying the policy of competitive neutrality will promote emerging technologies that, over time, may provide competitive alternatives in rural, insular, and high cost areas and thereby benefit rural consumers. For this reason, we reject assertions that competitive neutrality has no application in rural areas or is otherwise inconsistent with section 254.

Universal Service Order, ¶ 50 (emphasis added).

23. The FCC and other state commissions have considered and rejected speculative claims that competition will hurt rural consumers. The FCC has rejected arguments that the designation of an additional ETC in rural telephone company service areas would reduce

investment in infrastructure, raise local service rates, reduce service quality to consumers, or result in loss of network efficiency:

> We reject the general argument that rural areas are not capable of sustaining competition for universal service support. We do not believe that it is self-evident that rural telephone companies cannot survive competition from wireless providers. Specifically, we find no merit to the contention that designation of an additional ETC in areas served by rural telephone companies will necessarily create incentives to reduce investment in infrastructure, raise rates, or reduce service quality to consumers in rural areas. To the contrary, we believe that competition may provide incentives to the incumbent to implement new operating efficiencies, lower prices, and offer better service to its customers.

In the Matter of Western Wireless Corporation Petition for Designation as an Eligible Telecommunications Carrier In the State of Wyoming, CC Docket No. 96-45, Memorandum Opinion and Order, DA 00-2896, ¶ 22 (rel. Dec. 26, 2000) ("*Wyoming Order*"). Faced with claims that rural LECs could not respond to competition and would go out of business, the Minnesota Commission found it more likely that competition would "perform its widely recognized function of motivating the incumbents to find and implement new operating efficiencies, lowering prices and offering better service in the process." *Order Granting Preliminary Approval and Requiring Further Filings*, Minnesota Public Utilities Commission Docket No. P-5695/M-98-1285, p. 17 (Oct. 27, 1999). Similarly, the Washington Commission dismissed as "overly speculative" rural LEC concerns that ETC designation would erode universal service for consumers. *In the Matter of the Petition of United States Cellular Corp., et al. for Designation as Eligible Telecommunications Carriers*, Third Supplemental Order Granting Petition for Designation as Eligible Telecommunications Carrier, Docket No. UT-970345, ¶ 46 (Jan. 2000) ("*US Cellular Order*").

ii. Granting ETC Designation Will Advance Universal Service by the Provision of New Telecommunications Services to Rural Consumers

24. Granting Western Wireless ETC status in rural areas will improve choices for rural consumers, thereby advancing universal service for South Dakotans. Different services, improved quality and lower rates not only give the consumer additional options, but also make it more likely that high cost areas of the state will have affordable phone service as implicit subsidies are phased out. In addition, the designation of Western Wireless as an ETC may allow those consumers who are not currently receiving telephone service of any kind an opportunity to obtain telephone service for the first time. There is simply no question that the designation of Western Wireless as an ETC will advance universal service by increasing consumer choices and bringing new telecommunications services to rural areas consistent with the public interest.

iii. Granting ETC Designation Will Promote The Deployment of New Telecommunications Technologies.

25. Designating Western Wireless an ETC will also lead to the further deployment of Western Wireless' cellular network, which will be available to benefit South Dakota's rural consumers. Western Wireless is a facilities-based telecommunications provider serving a substantial portion of the state utilizing state-of-the-art wireless technology.

26. Western Wireless' network will have the capability of providing advanced services that meet or exceed what can be provided on a landline network. The Commission should continue to facilitate the development of the Western Wireless network so that South Dakota's rural consumers will have access to these developing technologies to the same degree as urban consumers. The Washington Commission made a similar determination when it designated a CMRS provider in rural LEC areas:

> Cellular providers are offering access to the Internet over wireless hand-held telephones. Consumers now have access to electronic mail over wireless telephones. These two innovations reflect the

> rapid deployment of new technology Congress intended to promote with the Act. It is in the public interest that all consumers in Washington should have access to this technology.

US Cellular Order, ¶ 42.

27. Competition also provides an incentive for the incumbent LECs to invest in new technologies and additional infrastructure, which likewise will benefit the consumers. Ultimately, the Commission should apply the public interest factor in a way that will bring providers and new technologies to rural, high cost areas, consistent with the FCC's stated goals:

> As noted above, in the *Universal Service Order* the [FCC] sought to adopt rules that would facilitate the entry of new providers and promote competition in the context of universal service . . . . We seek comment here on the success of that goal. . . . We also seek comment on whether, in practice, any of our universal service rules discourage wireless service providers or cable service providers from offering supported services to low-income subscribers and rural, insular, and high cost subscribers.

In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Memorandum Opinion and Order and Further Notice of Proposed Rulemaking, FCC 98-278, ¶¶ 44-45 (rel. Oct. 26, 1998).

iv. No Rural LEC Will Experience Any Significant Adverse Impact from Western Wireless' ETC Designation to Justify Denying Consumers the Benefits of Competition

28. The designation of Western Wireless as an ETC will not result in any significant adverse impact to any rural telephone company. None of the areas in which Western Wireless is seeking designation is incapable of supporting more than one ETC.

F. Western Wireless already has provided the documentation necessary to comply with the conditions placed on ETC designation previously required by the Commission

29. In the Commission's Findings of Fact and Conclusion of Law providing for ETC designation entered in file number TC 98-146 on October 18, 2001, the Commission conditioned ETC designation on Western Wireless providing the Commission local calling area, revising

service agreements to advise customers who may qualify for assistance under federal link up and lifeline programs and providing information on how to file for such programs, and to file with the Commission a service agreement intended to be offered to universal service customers that would be consistent with the Commission's service quality rules. See Findings of Fact 21 through 23. Western Wireless has complied with those requirements for the areas where the Commission has previously designated Western Wireless as an ETC and will use the same service agreements and procedures as approved by the Commission in its final order designating Western Wireless as an ETC in those areas entered on January 6, 2003.

III. CONCLUSION

30. The Act and the South Dakota Code establish clear, consistent and competitively fair mechanisms for allowing carriers, including a CMRS provider, to be designated as an ETC for the purpose of federal universal service support. Western Wireless provides the supported services, satisfies all applicable requirements, will, subject to the redefinition of the service areas, provide the supported services throughout the entire service area, and can and will meet the obligations of an ETC. For rural customers, designation will bring new technology, lower rates, and better service, and so is clearly in the public interest.

31. Western Wireless respectfully requests the Commission to follow the directives and principles of the Act and to grant its Petition by issuing an order designating Western Wireless as an ETC in the study areas of the rural telephone companies listed on Attachment A pursuant to 47 U.S.C. § 214(e) and S.D. Codified Laws §49-31-78 and, Western Wireless further respectfully requests that the Commission proceed on this Petition in an expedited matter providing for expedited proceedings.

GUNDERSON, PALMER, GOODSELL & NELSON

Dated: November 4, 2003

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ATTACHMENT A

Rural Telephone Company Study Areas For Which Western Wireless Seeks ETC Designation

- Golden West Telephone Cooperative Inc.
- James Valley Cooperative Telephone Company
- Splitrock Properties Inc.
- Sully Buttes Telephone Cooperative Inc.
- Tri-County Telecom Inc.
- Vivian Telephone Co.
- West River Telecommunications Coop (Mobridge) – SD
- West River Telecommunications Cooperative – SD

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF SOUTH DAKOTA

In the Matter of the Petition of WWC Holding Co., Inc. d/b/a CellularOne© for Designation as an Eligible Telecommunications Carrier	)))))	DOCKET NO. _____

CERTIFICATION OF JAMES H. BLUNDELL

I, the undersigned, James H. Blundell, do hereby certify as follows:

1. I serve as Director – External Affairs for WWC Holding Co., Inc. d/b/a CellularOne© ("Western Wireless").

2. This Certification is submitted in support of Western Wireless' Petition for Designation as an Eligible Telecommunications Carrier and Request for Expedited Review ("Petition").

3. I further declare that I have reviewed the Petition and that the facts stated therein, of which I have personal knowledge, are true and correct to the best of my knowledge and belief.

I certify that the foregoing is true and correct to the best of my knowledge, information and belief.

Date: November 4, 2003

James H. Blundell

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

RECEIVED
DEC 31 2003
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

In the Matter of the Filing by	)	
WWC Holding Co., Inc. d/b/a	)	
Cellular One® for Designation as	)	Docket No. TC03-191
an Eligible Telecommunications	)	
Carrier in Other Rural Areas	)	

FAX Received DEC 30 2003

DIRECT TESTIMONY OF JAMES H. BLUNDELL ON BEHALF OF WWC HOLDING CO., INC., AND WWC LICENSE LLC

December 30, 2003

EXHIBIT
WW2

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DIRECT TESTIMONY OF JAMES H. BLUNDELL

I. IDENTIFICATION OF WITNESS, FACTUAL BACKGROUND, AND PURPOSE OF TESTIMONY

Q. PLEASE STATE YOUR NAME, PLACE OF EMPLOYMENT, AND BUSINESS ADDRESS.

A. My name is James H. Blundell. I am the Director of External Affairs for Western Wireless Corporation.

Q. WHAT ARE YOUR RESPONSIBILITIES WITHIN WESTERN WIRELESS?

A. My primary responsibility is to represent the Company in all government and industry affairs. I am responsible for many regulatory and legislative matters for Western Wireless and its subsidiaries, including WWC License LLC (collectively, Western Wireless), at both the state and federal levels.[1] I have lead responsibility for the filing and management of Western Wireless' applications for eligible telecommunications carrier ("ETC") status in several state commission and Federal Communications Commission ("FCC") dockets. In that capacity, I have gained substantial knowledge about the products and services offered by Western Wireless, as well as the Company's network and business operations. I have substantial knowledge about the service offerings Western Wireless offers in South Dakota, including its features, pricing, and services. I am also responsible for the management of regulatory proceedings in several states involving the reform of state universal service rules, slamming/cramming, E911, numbering, and the like.

Q. PLEASE DESCRIBE YOUR WORK EXPERIENCE.

---

[1] The Application was filed under the name WWC Holding Co., Inc. However, the Western Wireless operating entity in South Dakota is WWC License LLC, and WWC License LLC is the appropriate applicant.

A. Since January 1999, I have worked for Western Wireless as the Director of External Affairs. Prior to joining Western Wireless, I served as House Counsel to the Washington State House of Representatives. Before working for the Washington State House of Representatives, I was an associate at the law firm of Owens Davies Mackie in Olympia, Washington, where I practiced primarily in the areas of land use and municipal law.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

A. I hold a Juris Doctorate degree from Santa Clara University in Santa Clara, California and a Bachelor of Arts degree in Political Science from the University of Washington in Seattle, Washington.

Q. DOES WESTERN WIRELESS CURRENTLY PROVIDE TELECOMMUNICATIONS SERVICE IN SOUTH DAKOTA?

A. Western Wireless is a "telecommunications carrier" as defined in 47 U.S.C. §153(49). Western Wireless is authorized by the FCC and provides commercial mobile radio services ("CMRS") under the brand name "Cellular One" throughout South Dakota. The CMRS services provided by Western Wireless in South Dakota include mobile telephony, data/facsimile, 911, voice mail, and several other features and services. Western Wireless has been instrumental in serving the communications needs of South Dakota consumers in these areas.

Q. TURNING TO THE MATTER OF UNIVERSAL SERVICE, DOES WESTERN WIRELESS OR ITS SUBSIDIARIES CURRENTLY CONTRIBUTE TO THE FUNDING FOR UNIVERSAL SERVICE?

A. At the present time, federal regulations require a carrier such as Western Wireless to contribute approximately 9 percent of its revenues to the funding of federal universal service. Many states also require Western Wireless to contribute to the funding of state universal service.

Q. IS THE COMPANY PRESENTLY ABLE TO DRAW FROM THE FEDERAL UNIVERSAL SERVICE FUND FOR THE PROVISION OF THE SUPPORTED SERVICES IN THE WIRE CENTERS AT ISSUE IN THIS PROCEEDING?

A. No. Until Western Wireless is designated as an ETC in the study areas referenced in the Application, it is not able to receive support from the federal universal service funds for those areas. Upon designation as an ETC, Western Wireless will be eligible to receive universal service support in the requested study areas, which will allow the Company to compete equitably with the referenced incumbent rural telephone companies, which are currently eligible for and actually receiving federal universal service support. Without access to universal service support, a competitive carrier like Western Wireless will be severely limited in its ability to provide a competitive telecommunications service to consumers in high-cost areas such as those served by the rural telephone companies. Unlike urban areas where carriers are able to compete based upon the cost of providing service, rural high-cost areas will not experience the full benefits of competition unless competitive carriers are designated as ETCs, and are, thereby, allowed entry to the universal service market.

Q. DID WESTERN WIRELESS FILE AN APPLICATION FOR DESIGNATION AS AN ETC IN THE STATE OF SOUTH DAKOTA?

A. Yes. The Application in this proceeding was originally filed with the South Dakota Public Utilities Commission on November 4, 2003.

Q. HAS WESTERN WIRELESS PREVIOUSLY BEEN DESIGNATED AS AN ETC IN SOUTH DAKOTA?

A. Yes. On October 18, 2001, Western Wireless was designated as an ETC by the Commission in certain study areas of rural telephone companies.[2] In addition, the Commission issued a separate Order in Docket TC98-146 dated October 18, 2001 designating Western Wireless as

[2] See In the Matter of the Filing by GCC License Corporation For Designation As An Eligible Telecommunications Carrier, Docket No. IC98-146, Findings of Fact and Conclusion of Law; Notice of Entry of Order (Oct. 18, 2001) ("Western Wireless ETC Order").

an ETC in certain wire centers of Qwest, throughout South Dakota.[3] In Western Wireless Qwest Order, the Commission acted in accordance with the Findings of Fact, Conclusions of Law and Order dated March 22, 2000 from the Hughes County Circuit Court in Civil Case No. 99-235, as affirmed by the South Dakota Supreme Court, which determined that Western Wireless meets all applicable criteria for ETC designation under 47 U.S.C. § 214(e). Western Wireless was not designated as an ETC in the study areas referenced in this Application because it could not, at the time, serve throughout the entire "service area" of the referenced rural telephone companies, which is defined as the company's "study area" for purposes of designating an additional ETC. Western Wireless now commits to offer and advertise the supported services throughout the service areas referenced in this Application through a combination of signal coverage that has been expanded since the time of the original ETC application and future investment in network infrastructure.

Q. WHAT FINDINGS AND CONCLUSIONS DID THE SOUTH DAKOTA COMMISSION MAKE IN THAT PRIOR ORDER DESIGNATING WESTERN WIRELESS AS AN ETC?

A. In addition to its findings of fact and conclusions of law regarding Western Wireless' demonstrated satisfaction of the basic requirements to be designated a federal ETC, as set forth in 47 U.S.C. § 214(e) and the FCC's regulations, the Commission made the following findings regarding the public interest determination necessary to designate Western Wireless as an additional ETC in areas served by a rural telephone company:

- The Commission finds that GCC's ability to offer an expanded local calling area along with its other offerings will benefit the public. Western Wireless ETC Order, Finding 10, p. 4.

[3] See In the Matter of the Filing by GCC License Corporation For Designation As An Eligible Telecommunications Carrier, Docket No. TC98-146, Order Designating GCC License Corporation As An Eligible Telecommunications Carrier In Non-Rural Telephone Company Exchanges (Oct. 18, 2001) ("Western Wireless Qwest Order").

- The Commission finds that a mobility component to local telephone service is also a benefit to the public. Western Wireless ETC Order, Finding 11, p. 4.

- Based on the record presented at the December 17, 1998, hearing, the Commission is unable to find that the addition of GCC as a second ETC will detrimentally affect the incumbent carriers' ability to provide universal service to their customers. Western Wireless ETC Order, Finding 17, p. 5.

- Based on these findings, **the Commission finds that it is in the public interest** to designate [Western Wireless] as an ETC for the study areas of the rural telephone companies listed in Attachment A, subject to the conditions listed in findings of fact 20-24. The Commission finds that [Western Wireless'] provisioning of a basic universal service throughout the study areas will be **beneficial to the public**. Further, the Commission finds that the evidence presented at the hearing does not support a finding that the incumbent rural telephone companies will be unable to continue to provide the supported services to their customers. Western Wireless ETC Order, Finding 19, p. 5 (emphasis added).

And the Commission adopted the following conclusion of law:

- Based on the evidence presented at the December 17, 1998, hearing, the Commission finds that it is **in the public interest** to designate [Western Wireless] as an ETC for the study areas of the rural telephone companies listed in Attachment A, upon [Western Wireless'] compliance with the conditions listed in findings of fact 20-24. Western Wireless ETC Order, Conclusion of Law 6, pp. 6-7 (emphasis added).

Q. IS WESTERN WIRELESS' APPLICATION IN THIS CASE SEEKING AN EXTENSION OF ITS PRIOR ETC DESIGNATION ORDER?

A. No. Western Wireless considers this to be a new docket, and, as such, has filed a new Application. However, the Circuit Court and the Commission's prior findings and conclusions in Docket No. TC98-146 under the Western Wireless Qwest Order and the Western Wireless ETC Order apply equally in this proceeding for the service areas requested in this Application.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to describe how Western Wireless provides the supported services in South Dakota, to identify the Company's plans for providing universal service

offerings within the state of South Dakota in compliance with the federal ETC criteria, and to show how the designation of Western Wireless as an ETC in the proposed service areas is in the public interest.

Q. WHY IS WESTERN WIRELESS SEEKING DESIGNATION AS AN ETC?

A. Section 214(e) of the Communications Act of 1934, as amended by the Telecommunications Act of 1996 ("Act"), provides that a carrier must obtain designation as an ETC from a state commission in order to be eligible to receive universal service support.

Q. IS IT WESTERN WIRELESS' INTENT TO OBTAIN UNIVERSAL SERVICE SUPPORT FOR THE PROVISION OF TELECOMMUNICATIONS SERVICES TO THE PUBLIC?

A. Yes.

II. STANDARDS FOR ETC DESIGNATION

Q. ARE WIRELESS PROVIDERS SUCH AS WESTERN WIRELESS ELIGIBLE TO BE DESIGNATED AS ETCs?

A. Yes. Both the Act and the FCC's decision In the Matter of Federal-State Joint Board on Universal Service, CC Docket 96-45, Report and Order, FCC 97-157 (May 8, 1997) ("Universal Service Order") establish the directives for the Commission to follow in making ETC designations. In fact, the Commission has followed these same directives, as required by the South Dakota Supreme Court, in designating Western Wireless as a federal ETC under the Western Wireless Qwest Order and the Western Wireless ETC Order. Section 214(e) specifically provides for the designation of all telecommunications carriers, which includes a

wireless provider such as Western Wireless, as ETCs for federal universal service support.

The FCC has further concluded as follows:

> We agree with the Joint Board's analysis and recommendation that any telecommunications carrier using any technology, including wireless technology, is eligible to receive universal service support if it meets the criteria under Section 214(e)(1).

Universal Service Order, ¶ 145. In fact, the state commissions for California, Iowa, Kansas, Minnesota, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, and Utah, and the FCC for Wyoming and the Pine Ridge Reservation, have already determined that Western Wireless meets the ETC requirements under Section 214(e)(1), which are as follows:

> A common carrier designated as an eligible telecommunications carrier under paragraph (2) or (3) shall be eligible to receive universal service support in accordance with section 254 and shall, throughout the service area for which the designation is received---
>
> > (A) Offer the services that are supported by Federal universal service support mechanisms under Section 254(c), either using its own facilities or a combination of its own facilities and resale of another carrier's services (including the services offered by another eligible telecommunications carrier); and
> >
> > (B) Advertise the availability of such services and the charges therefor using media of general distribution.

47 U.S.C. § 214(e)(1) (emphasis added).

Q. IN WHAT AREAS IS WESTERN WIRELESS SEEKING DESIGNATION AS AN ETC?

A. Western Wireless is seeking designation as an additional ETC in certain referenced study areas within the Rural Service Areas ("RSAs") for which Western Wireless has been granted licenses in South Dakota. A list of Western Wireless' proposed designated service areas is attached as Exhibit A to this testimony. I discuss the appropriateness of these requested service area designations later in my testimony.

Q. UNDER THE TELECOMMUNICATIONS ACT OF 1996, WHAT ARE THE PREREQUISITES FOR DESIGNATION AS AN ETC?

A. Section 214(e)(2) provides that a "state commission shall upon its own motion or upon request designate a common carrier that meets the requirement of paragraph (1) as an eligible telecommunications carrier for a service area designated by the commission." 47 U.S.C. § 214(e)(2) (emphasis added). An applicant meets the requirements of paragraph (1) of section 214(e) if it: (1) is a common carrier; (2) will offer the supported services; (3) will advertise the availability of the supported services; and (4) will make the supported services available throughout a designated service area.

Q. THE FIRST CRITERION FOR ETC DESIGNATION UNDER SECTION 214(e)(1) IS THAT OF A COMMON CARRIER. IS WESTERN WIRELESS A COMMON CARRIER?

A. Yes. Western Wireless is a "common carrier" for purposes of obtaining ETC designation under 47 U.S.C. sec. 214(e)(1). A common carrier is generally defined in 47 U.S.C. § 153(10) as a person engaged as a common carrier on a for-hire basis in interstate communications utilizing either wire or radio technology. The FCC's regulations specifically provide that a cellular service, such as that provided by Western Wireless, is a common carrier service. See 47 C.F.R. § 20.9(a)(7). The Circuit Court in Docket TC98-146 rendered the same conclusion.

Q. **AS FOR THE SECOND REQUIREMENT, THAT WESTERN WIRELESS OFFER THE SUPPORTED SERVICES, WHAT ARE THE SUPPORTED SERVICES THAT MUST BE OFFERED?**

A. The FCC has identified the following services and functionalities as the core services to be offered by an ETC and supported by federal universal service support mechanisms:

1. Voice-grade access to the public switched network,
2. Local usage,

3. Dual tone multi-frequency signaling or its functional equivalent,

4. Single-party service or its functional equivalent,

5. Access to emergency services,

6. Access to operator services,

7. Access to interexchange service,

8. Access to directory assistance, and

9. Toll limitation for qualifying low-income consumers.

47 C.F.R. § 54.101(a) (1)-(9).

III. DESCRIPTION OF WESTERN WIRELESS' SERVICE

Q. COULD YOU EXPLAIN EACH OF THE SUPPORTED SERVICES AND HOW WESTERN WIRELESS PROVIDES THESE SERVICES?

A. Yes. Western Wireless currently offers and is able to provide its South Dakota customers the services and functionalities identified by the FCC in 47 C.F.R. § 54.101(a) (1)-(9). Each of these federal universal services is discussed more fully below.

a. Voice-grade access to the public switched telephone network. The FCC concluded that voice-grade access means the ability to make and receive phone calls, within a bandwidth of approximately 2700 Hertz within the 300 to 3000 Hertz frequency range. See Universal Service Fourth Order on Reconsideration, FCC 97-420 (Dec. 30, 1997). There is no requirement to support high-speed data transmissions. See Universal Service Order, ¶¶ 63-64. Western Wireless meets this requirement of providing voice-grade access to the public switched network. Through its interconnection arrangements with local telephone companies, including Qwest, all customers of Western Wireless are able to make and receive calls on the public switched network within the specified bandwidth.

b. Local usage. Beyond providing access to the public switched network, an ETC must include an amount of free local usage as part of its universal service offerings. To date, the FCC has not quantified any minimum amount of local usage required to be included in a universal service offering. 47 C.F.R. § 545.101(a)(2). Earlier this year, the FCC declined to add unlimited local usage to the list of supported services. In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45, FCC 03-170, Order and Order on Reconsideration, 7-8 (rel. July 14, 2003) ("July 2003 Order"). Western Wireless will meet the local usage requirement by including local usage as part of all universal service offerings. For example, as explained below, Western Wireless intends to offer unlimited local usage as part of at least one of its universal service offerings.

c. Dual-tone, multi-frequency ("DTMF") signaling, or its functional equivalent. DTMF is a method of signaling that facilitates the transportation of call set-up and call detail information. Consistent with the principles of competitive and technological neutrality, the FCC permits carriers to provide signaling that is functionally equivalent to DTMF in satisfaction of this service requirement. 47 C.F.R. § 54.101(a)(3). Western Wireless currently uses out-of-band digital signaling and in-band multi-frequency ("MF") signaling that is functionally equivalent to DTMF signaling. Western Wireless therefore meets the requirement to provide DTMF signaling or its functional equivalent.

d. Single-party service or its functional equivalent. "Single-party service" means that only one party will be served by a subscriber loop or access line, in contrast to a multi-party line. Universal Service Order, ¶ 62. Western Wireless meets the requirement of single-party service by providing a dedicated message path for the length of all customer calls.

e. Access to emergency services. The ability to reach a public safety answering point ("PSAP") by dialing 911 is a required service in any universal service offering. Enhanced

911 or E911, which includes the capability of providing both automatic numbering information ("ANI") and automatic location information ("ALI"), is only required if a PSAP certifies that it is capable of receiving and utilizing ANI and ALI and formally requests such information from the carrier. See Universal Service Order, ¶¶ 72-73. Western Wireless currently provides all of its customers with access to emergency services by dialing 911 in satisfaction of this requirement. Western Wireless stands ready to provide E911 service to its customers once a PSAP submits a compliant request from Western Wireless. The Company will continue to work with PSAPs within its designated service areas to make E911 service available to its customers.

f. Access to operator services. Access to operator services is defined as any automatic or live assistance provided to a consumer to arrange for the billing or completion, or both, of a telephone call. Universal Service Order, ¶ 75. Western Wireless meets this requirement by providing all of its customers with access to operator services provided by either the Company or other entities. (e.g. LECs, IXCs, etc.).

g. Access to interexchange service. A universal service provider must offer consumers access to interexchange service to make and receive interexchange calls. Equal access, however, is not required. "The FCC do[es] not include equal access to interexchange service among the services supported by universal service mechanisms." Universal Service Order, ¶ 78. Western Wireless presently meets this requirement by providing all of its customers with the ability to make and receive interexchange or toll calls through direct interconnection arrangements the Company has with several interexchange carriers (IXCs). Additionally, customers are able to reach their IXC of choice by dialing the appropriate access code.

h. Access to directory assistance. The ability to place a call directly to directory assistance is a required service offering. White pages directories and listings are not required

service offerings. Universal Service Order, ¶¶ 80-81. Western Wireless meets this requirement by providing all of its customers with access to directory assistance by dialing "411" or "555-1212."

i. Toll limitation for qualifying low-income consumers. An ETC must offer either "toll control" or "toll blocking" services to qualifying Lifeline customers at no charge. The FCC no longer requires an ETC to provide both services as part of the toll limitation service required under 47 C.F.R. § 54.101(a)(9). See Universal Service Fourth Order on Reconsideration, FCC 97-420 (Dec. 30, 1997). In particular, all ETCs must provide toll blocking, which allows customers to block the completion of outgoing toll calls. Universal Service Order, ¶ 82. Once designated an ETC, Western Wireless will participate in Lifeline and Link Up, as required, and will provide toll blocking in satisfaction of federal requirements. Today, the Company provides toll-blocking services for international calls and customer selected toll calls. Western Wireless can and will utilize the same toll blocking technology to provide the service to its Lifeline and Link Up customers, at no charge, as part of its universal service offerings once designated as an ETC.

Q. HAS THE COMMISSION ALREADY DETERMINED THAT WESTERN WIRELESS HAS THE ABILITY TO PROVIDE THE SUPPORTED SERVICES?

A. Yes. The question has already been answered in the affirmative in the Western Wireless Qwest Order and Western Wireless ETC Order, as directed by the Court. Specifically, the Court found and determined Western Wireless currently provides all of the supported services required by the FCC through its existing mobile cellular services provisioned by its network throughout South Dakota.

Q. HOW WILL WESTERN WIRELESS COMBINE THE SUPPORTED SERVICES INTO A UNIVERSAL SERVICE OFFERING?

A. Western Wireless currently provides the supported services using its existing network

infrastructure and licensed CMRS spectrum. Western Wireless will continue to deliver the supported services to consumers using the same antennae, cell sites, towers, trunk lines, mobile switching center, and interconnection facilities used to provide service today. Western Wireless also regularly deploys additional cell sites and channels, as necessary, to maximize signal coverage and service availability.

Western Wireless intends to offer the supported services to universal service customers in a number of different offerings and using a variety of customer equipment choices. The universal service offerings will include unlimited local usage offerings and usage sensitive offerings, and will include wireless local loop service as well as cellular service offered using cellular handsets. All of these offerings can be made without any changes to Western Wireless' existing network.

Q. WHAT IS WIRELESS LOCAL LOOP SERVICE?

A. As previously demonstrated in Docket TC98-146 and found by the Commission, a wireless local loop offering involves the use of a wireless access unit at a customer's location to transmit the signal to the nearest cell site. The wireless access unit is a piece of equipment that serves as the interface to the Western Wireless network over the CMRS spectrum in the same manner as a conventional handset. A wireless access unit is more powerful than a conventional handset, simulates dial-tone, and allows customers to plug in fax machines, answering machines, or other peripheral devices.

Q. HOW IS WIRELESS LOCAL LOOP SERVICE DIFFERENT FROM CONVENTIONAL CELLULAR SERVICE?

A. The only difference is in the type of the customer's equipment used as the transmitter/receiver. The network does not distinguish the type of service provided by the two types of equipment. However, although wireless local loop technology is identical to

conventional cellular service, it is marketed more as a residence-based service that competes more directly with landline service offerings. As a result, advertising materials and the customer service agreement reflect this difference.

Q. HOW DOES WIRELESS LOCAL LOOP SERVICE GIVE WESTERN WIRELESS AN ADVANTAGE AS IT PROVIDES UNIVERSAL SERVICES?

A. There are spots within its coverage area where a conventional cellular customer may not have a consistently strong signal coverage. In these areas, the wireless local loop offering might be more appropriate for the customer. Because the wireless access unit is typically more powerful than a conventional mobile handset, reception is greatly improved. This offering gives the customer another option as Western Wireless seeks to meet requests for universal services within its designated ETC service areas.

Q. WHAT OTHER MEANS CAN WESTERN WIRELESS EMPLOY TO MEET REQUESTS FOR SERVICE?

A. The FCC has made clear that an ETC must be given an opportunity to expand its network, over time, to meet reasonable requests for service. Western Wireless accepts that obligation, and fully expects that as its network expands over time, it will be able to meet all such requests. If Western Wireless receives a request for service in an area outside its existing cellular signal coverage, there are numerous ways for Western Wireless to provide service. A technician can install a high-gain antenna at the location, the power at an existing cell site can be turned up or redirected, or new cell sites could be built. Through one or more of these options, Western Wireless will be able to meet reasonable requests for service throughout its requested designated ETC service areas.

Q. IS THE FCC CURRENTLY CONSIDERING WHETHER ETC DESIGNATION FOR A WIRELESS CARRIER IS APPROPRIATE?

A. No. The FCC has already definitively concluded that ETC designation for a wireless carrier is appropriate. The FCC's Universal Service Order discusses at length the different types of carriers eligible to receive universal service support. Universal Service Order, ¶¶ 127-181. Specifically, the FCC determined that a wireless carrier, such as Western Wireless, may be designated as an ETC under Section 214(e). The FCC stated that "any telecommunications carrier using any technology, including wireless technology, is eligible to receive universal service support if it meets the criteria established in Section 214(e)(1). We agree with the Joint Board that any wholesale exclusion of a class of carriers by the [FCC] would be inconsistent with the language of the statute and the pro-competitive goals of the 1996 Act. The treatment granted to certain wireless carriers under section 332(c)(3)(A) does not allow states to deny wireless carriers eligible status."

Q. IS THERE ANY DOUBT THAT THE DESIGNATION OF WIRELESS CARRIERS AS ETCs IS APPROPRIATE?

A. No. Over the past five years, the FCC and state commissions in more than 20 jurisdictions have designated CMRS carriers as ETCs. Moreover, Western Wireless has already been designated in South Dakota by the Commission. The appropriateness and authority of the FCC and state commissions to designate wireless carriers as ETCs is well settled.

IV. ADVERTISING OF WESTERN WIRELESS' SERVICE

Q. A THIRD REQUIREMENT FOR DESIGNATION AS AN ETC IS TO ADVERTISE THE AVAILABILITY OF THE SUPPORTED SERVICES. HOW DOES WESTERN WIRELESS INTEND TO ADVERTISE THE AVAILABILITY OF THE SUPPORTED SERVICES?

A. Based upon the recommendations of the Joint Board, the FCC has not adopted particular standards regarding advertising using media of general distribution under Section 214(e)(1).

Universal Service Order, ¶ 148. The Commission has similarly not established any guidelines for meeting the advertising requirements of Section 214(e)(1) for any ETC.

As a result, Western Wireless will advertise the availability of the supported services and the corresponding charges in a manner that fully informs the general public within the designated service areas of the services and charges, consistent with its obligation under the Western Wireless Qwest Order and Western Wireless ETC Order. Western Wireless currently advertises its wireless services through several different media, including newspaper, television, radio, and billboard advertising. Western Wireless also maintains various retail store locations throughout its authorized service areas, which provide an additional source of advertising. Western Wireless' current advertising is not limited to advertising in business publications alone, but rather includes publications targeted to the general residential market. Western Wireless will use the same media of general distribution that it currently employs to advertise its universal service offerings throughout the service areas designated by the Commission. Western Wireless will also comply with all form and content requirements, if any, adopted by the FCC or the Commission in the future and required of all designated ETCs.

V. SERVICE AREAS IN WHICH WESTERN WIRELESS SEEKS ETC DESIGNATION

Q. YOU STATE THAT WESTERN WIRELESS WILL MAKE AVAILABLE UNIVERSAL SERVICE OFFERINGS TO ALL CONSUMERS WITHIN ITS DESIGNATED SERVICE AREAS. HOW SHOULD THE COMMISSION ESTABLISH THE DESIGNATED SERVICE AREAS?

A. The Commission clearly has the authority to establish universal service areas.

> A State Commission shall upon its own motion or upon request designate a common carrier that meets the requirements of paragraph

(1) as an eligible telecommunications carrier for a service area designated by the State commission.

47 U.S.C. § 214(e)(2) (emphasis added). The service areas established by the Commission must be consistent with the universal service goals of competitive and technological neutrality. Western Wireless seeks designation as an ETC in certain study areas of the referenced rural telephone companies that fall within Western Wireless' signal coverage and authorized service areas under its FCC licenses in South Dakota. Set forth in Exhibit A to this testimony is a listing of the specific study areas in which Western Wireless is seeking ETC designation. Western Wireless will make the supported services available to all consumers within its designated service areas using its own facilities, but recognizes that under federal law it retains the right to offer the supported services using a combination of its own facilities and resale of the services of other facilities-based carriers.

Q. HOW ARE THE SERVICE AREAS DETERMINED UNDER SECTION 214(e) FOR PURPOSES OF ETC DESIGNATION?

A. Section 214(e)(5) of the Act defines the term "service area" as a geographic area established by a state commission for the purpose of determining universal service obligations and support mechanisms. For an area served by a rural telephone company, Section 214(e)(5) and FCC Rule 54.207(b) provide that the term "service area" means the rural telephone company's "study area," unless and until the FCC and the state Commission establish a different definition for such a company under the FCC's procedures prescribed in Rule 54.207(c) and (d). A "study area" is generally considered to be the rural incumbent LEC's existing certificated service areas in a given state. Universal Service Order, ¶ 172, fn. 434.

Q. IS WESTERN WIRELESS SEEKING ETC DESIGNATION IN EACH STUDY AREA CONTAINED WITHIN ITS AUTHORIZED CELLULAR LICENSED AREA?

A. No. Based on its review and analysis of certain data and information, Western Wireless has done its best to identify the study areas where it can meet its obligation to respond over time to reasonable requests for service. To do that we looked first at our existing signal coverage and authorized cellular licensed area. Using publicly available mapping software and the Company's own radio frequency signal propagation information (i.e., coverage), Western Wireless determined the extent to which each study area is covered by Western Wireless today, and where coverage will be expanded in the future. Second, Western Wireless analyzed the percentage of the population within each study area that is covered by Western Wireless' existing network today. Western Wireless included only those study areas where its existing and future network reaches at least 85% of the population in each wire center within the study area. Exhibit A sets forth by name each study area in South Dakota determined by Western Wireless to meet this standard.

Q. WHERE WESTERN WIRELESS' SIGNAL COVERAGE DOES NOT APPEAR TO EXTEND OVER AN ENTIRE WIRE CENTER, DOES THE COMPANY'S PARTIAL COVERAGE DISQUALIFY IT FOR DESIGNATION AS AN ETC?

A. No. An ETC application need not show full coverage of a study area to be designated throughout that service area. The FCC has determined that ubiquitous coverage throughout a service area is not required in order for a competitive carrier to be designated an ETC.

> We find the requirement that a carrier provide service to every potential customer throughout the service area before receiving ETC designation has the effect of prohibiting the provision of service in high-cost areas. As an ETC, the incumbent LEC is required to make service available to all consumers upon request, but the incumbent LEC may not have facilities to every possible consumer. We believe the ETC requirements should be no different for carriers that are not incumbent LECs. A new entrant, once designated as an ETC, is required, as the incumbent is required, to extend its network to serve new customers upon reasonable request. We find, therefore, that new entrants must be allowed the same reasonable opportunity to provide service to requesting customers as the incumbent LEC, once designated as an ETC. Thus, we find that a telecommunications carrier's inability to demonstrate that it can provide ubiquitous service at the

time of its request for designation as an ETC should not preclude its designation as an ETC.

Declaratory Ruling, Western Wireless Corporation Petition for Preemption of an Order of the South Dakota Public Utilities Commission, CC Docket 96-45, FCC 00-248, ¶ 17 (rel. Aug. 10, 2000) (footnotes omitted) ("*South Dakota Preemption Order*").

Q. WILL WESTERN WIRELESS MEET THE ETC SERVICE OBLIGATION, AS ARTICULATED IN THE *SOUTH DAKOTA PREEMPTION ORDER*, IN ALL OF THE SERVICE AREAS FOR WHICH IT SEEKS ETC DESIGNATION?

A. Yes. Western Wireless commits to meet the service obligation of an ETC, as articulated in the *South Dakota Preemption Order*, to "extend its network to serve new customers upon reasonable request." Western Wireless is comfortable making this commitment and confident it will meet it based on the thorough analysis and selection of service areas and the variety of alternative service offerings the Company can offer to its customers in South Dakota.

VI. PUBLIC INTEREST

Q. BEFORE DESIGNATING WESTERN WIRELESS AS AN ETC IN THE REFERENCED SERVICE AREAS, IS THE COMMISSION REQUIRED TO FIND THAT THE DESIGNATION IS IN THE PUBLIC INTEREST?

A. Yes. In territories served by a rural telephone company, a public interest finding is required and is a prerequisite for designation as an additional ETC.

Q. IS THE DESIGNATION OF WESTERN WIRELESS AS AN ADDITIONAL ETC IN THE PUBLIC INTEREST?

A. Yes. Designating Western Wireless as an ETC in the requested service areas in South Dakota will bring competition to rural, high-cost areas, and competition is in the pubic interest. One of the underlying purposes of the Act is to "promote competition and reduce regulation in order to secure lower prices and higher quality services for American

telecommunications consumers and encourage the rapid deployment of new telecommunications technologies." 100 Stat. 56 (1996). The public interest standard under Section 214(e)(2) emphasizes competition and consumer benefits, not incumbent protection. As explained by Senator Dorgan, who offered the amendment to the Senate bill inserting the public interest requirement in Section 214(e)(2), " The best interests of rural consumers are paramount." 141 Cong. Rec. S7951 (June 8, 1995).

The failure to designate Western Wireless as an ETC would deprive consumers of the benefits of competition, including increased choices, higher quality service, and lower rates. Rural consumers should be allowed to choose services from a carrier that best meets the consumer's communications needs. Absent a choice of service providers, the consumer is unable to make a selection based upon service quality, service availability or rates. The incumbent provider has little or no incentive to introduce new, innovative or advanced service offerings. Competition promises to bring new and exciting services to rural consumers in additional areas of rural South Dakota.

Western Wireless will offer universal services to rural consumers, as well as services not currently provided by the landline LEC. For example, the Company will provide an expanded local calling area, which will benefit rural consumers who currently pay toll charges to reach government offices, health care providers, business and family located outside of a restricted landline local calling area. Universal service offerings, which include mobility, will also have great appeal and benefits to rural consumers.

In addition to increased choices, South Dakota rural consumers may also experience lower rates. At this time, Western Wireless has not finalized its pricing for the universal service offerings, but, when the entire package of services and their value are compared side-by-side, the pricing will be comparable to, if not less than, the local service rates charged by

the incumbent LEC. Otherwise, Western Wireless will not likely attract any customers. Likewise, Western Wireless' service quality will need to meet or exceed the quality of services provided by the incumbent LEC in order for the Company to attract and retain customers. Designating Western Wireless as an additional ETC will also further the deployment of Western Wireless' facilities-based network in South Dakota.

Through the establishment of a competitive universal service system, the rural consumers will be able to keep pace with, and quite possibly outpace, the consumer's urban counterpart in terms of the availability of telecommunications services. Western Wireless stands ready, willing and able to bring competition to consumers in South Dakota, which will result in better consumer pricing, better service quality, immediate service availability, and better customer service. The increased choices for rural consumers will advance universal service. There can be no dispute that giving consumers a choice in services and service providers is in the public interest. These are the same factors previously considered and adopted by the Commission in the Western Wireless ETC Order which apply with equal force in the requested service areas.

VII. COMMISSION OVERSIGHT OF WESTERN WIRELESS

Q. TO WHAT EXTENT WILL WESTERN WIRELESS BECOME SUBJECT TO THE OVERSIGHT OF THE COMMISSION ONCE IT IS GRANTED ETC STATUS?

A. The FCC was keenly aware that not all telecommunications carriers are subject to the jurisdiction of a state commission. See 47 U.S.C. § 332(c)(3)(A). Nevertheless, the FCC stated, "Nothing in section 214(e)(1), however, requires that a carrier be subject to the jurisdiction of a state commission in order to be designated an eligible telecommunications carrier. Thus, tribal telephone companies, CMRS providers, and other carriers not subject to the full panoply of state regulation may still be designated as eligible telecommunications

carriers." Universal Service Order, ¶ 147. (emphasis added). The FCC also specifically recognized that federal preemption of state regulation of wireless carriers under 47 U.S.C. § 332(c)(3)(A) prohibits states from denying wireless carriers ETC status. Universal Service Order, ¶ 145. Since Western Wireless will utilize its federally-licensed CMRS spectrum to provide the services, Western Wireless' universal service offerings will be governed by federal law as a CMRS service rather than by state law as a local exchange service. However, because this Commission is responsible for making designations under Section 214(e), this Commission will have continuing oversight over Western Wireless—or any ETC—to ensure that it continues to meet the requirements of Section 214(e).

Q. HOW WILL WESTERN WIRELESS ADDRESS THE CONDITIONS ESTABLISHED BY THE COMMISSION IN DOCKET NO. TC 98-146 AS IT RELATES TO THE NEWLY DESIGNATED AREAS?

A. In the Western Wireless ETC Order, the Commission conditioned Western Wireless' ETC designation on filing with the Commission information relating to local calling areas and revised service agreements. Western Wireless has complied with these requirements for the areas where the Commission has previously granted ETC status. Upon the granting of this Application, Western Wireless will use the same service agreements and procedures in the requested service areas as previously filed with the Commission.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

EXHIBIT A

Rural Telephone Company Study Areas For Which Western Wireless Seeks ETC Designation

- Golden West Telephone Cooperative Inc.
- James Valley Cooperative Telephone Company
- Splitrock Properties, Inc.
- Sully Buttes Telephone Cooperative, Inc.
- Tri-County Telecom Inc.
- Vivian Telephone Co.
- West River Telecommunications Coop (Mobridge) - SD
- West River Telecommunications Cooperative - SD

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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Petition of WWC Holding Co., Inc. d/b/a CellularOne© for Designation as an Eligible Telecommunications Carrier	)))))	DOCKET NO. TC03-191

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 30th day of December, 2003, I served a true and correct copy of the WWC's Direct Testimony by facsimile and U.S. Mail, postage prepaid, to:

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SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Filing by WWC License, LLC d/b/a CellularOne® for Designation as an Eligible Telecommunications Carrier in Other Rural Areas	))))	Docket No. TC03-191

REBUTTAL TESTIMONY OF JAMES H. BLUNDELL
ON BEHALF OF WWC LICENSE, LLC

April 5, 2004

EXHIBIT
WW 3

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I. INTRODUCTION

Q: PLEASE STATE YOUR NAME, PLACE OF EMPLOYMENT, AND BUSINESS ADDRESS.

A: My name is James Blundell. I am employed by Western Wireless Corporation as the Executive Director of External Affairs. My business address is as follows:

James Blundell
Executive Director of External Affairs
Western Wireless Corporation
3650 131st Avenue SE - Suite 400
Bellevue, Washington 98006

Q: ARE YOU THE SAME JAMES BLUNDELL THAT FILED DIRECT TESTIMONY ON BEHALF OF WWC LICENSE, LLC ("WESTERN WIRELESS") ON DECEMBER 30, 2003?

A: Yes.

Q: SINCE FILING YOUR DIRECT TESTIMONY, HAVE YOU REVIEWED THE DIRECT TESTIMONY OF THE RURAL ILEC COMPANY WITNESSES GEORGE STRANDELL, JAMES GROFT AND RANDY HOUDEK?

A: Yes.

Q: HAVE YOU ALSO REVIEWED THE DIRECT TESTIMONY OF THE SOUTH DAKOTA TELEPHONE ASSOCIATION'S ("SDTA") HIRED CONSULTANTS SUE VANICEK AND GLENN BROWN?

A: Yes.

Q: WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A: The purpose of my rebuttal testimony is two-fold. First, I will review and address Western Wireless' satisfaction of the requirements for ETC designation in this proceeding. And, second, I will respond to certain issues raised in the direct testimony of the Rural ILEC company witnesses George Strandell, James Groft, Randy Houdek and also the direct testimony of SDTA consultants Sue Vanicek and Glenn Brown. In addition to my testimony, Don J. Wood will also present testimony on behalf of Western Wireless to address certain arguments raised by the intervenors in this proceeding.

II. STANDARDS FOR ETC DESIGNATION

A. WESTERN WIRELESS SATISFIES EACH OF THE STATUTORY AND REGULATORY PREREQUISITES FOR ETC DESIGNATION

Q: IN YOUR DIRECT TESTIMONY YOU OUTLINED THE BASIC FEDERAL REQUIREMENTS TO BE DESIGNATED AS AN ETC. (BLUNDELL DIRECT, PP. 8-16). DO THE RURAL LECS DISPUTE WESTERN WIRELESS' SATISFACTION OF THESE CRITERIA?

A: No. None of the Rural ILEC witnesses has offered any evidence to dispute that: (1) Western Wireless is a common carrier under federal law; (2) Western Wireless offers the required supported services identified in 47 C.F.R. § 54.101(a)(1)-(9) (the "supported services"), and (3) Western Wireless will appropriately advertise the availability of and charges for the supported services using media of general distribution.

Q: WHAT SHOULD THE COMMISSION FIND WITH REGARD TO THESE CRITERIA?

A: The Commission should find that Western Wireless meets these requirements to be designated as an ETC.

Q: DO ANY OF THE RURAL ILECS DISPUTE THAT A WIRELESS CARRIER, LIKE WESTERN WIRELESS, IS ELIGIBLE TO BE DESIGNATED AS AN ETC?

A: No. In fact, SDTA witness Glenn Brown agrees that a "valid public goal" of the federal universal service program could be to "make wireless service more widely available and affordable in remote areas where it would not otherwise be available, absent [federal universal service] support." (Brown Direct, p. 35.)

B. WESTERN WIRELESS HAS IDENTIFIED APPROPRIATE SERVICE AREAS IN WHICH IT SEEKS TO BE DESIGNATED AS A COMPETITIVE ETC

Q: DO THE RURAL ILECS DISPUTE WESTERN WIRELESS' COMMITMENT AND ABILITY TO PROVIDE THE SUPPORTED SERVICES THROUGHOUT ITS REQUESTED ETC SERVICE AREAS?

A: Only to a limited extent. Despite Mr. Brown's concession that federal universal service funds should support wireless expansion into unserved or underserved areas, he contests

Western Wireless' ability to meet its obligation to provide service to customers throughout these areas over time. However, he seems to primarily take issue with *how* we provide service (*i.e.*, using a combination of conventional wireless handsets, enhanced customer equipment or a wireless local loop), rather than with *where* we can provide service, which I will address later in my testimony.

Q: DO YOU HAVE A RESPONSE TO MR. BROWN'S ANALYSIS OF THE SCOPE AND EXTENT OF WESTERN WIRELESS' SIGNAL COVERAGE (BROWN DIRECT, PP. 38-39)?

A: Yes. First, there is no foundation for his speculative assumptions. Mr. Brown's arbitrary assignment of a 5-mile radius to each cell site for conventional handheld cellular service, and a 25-mile radius for 3-watt wireless local loop service is based on a fundamental misunderstanding of how wireless technology works. Actual coverage is not uniform across cell sites, and depends on numerous technical and geographic considerations. As a result, his analysis does not accurately reflect the actual radio frequency ("RF") propagation of Western Wireless' network in South Dakota and his faulty conclusions cannot be adopted.

Q: CAN YOU THEN CLARIFY WESTERN WIRELESS' RF PROPAGATION COVERAGE FOR THE RECORD ?

A: Yes. Western Wireless currently has ~~in excess of 215~~ 111 cell sites and extenders in its South Dakota network that, today, substantially cover the requested ETC service areas. In addition, we are currently planning construction of several cell sites during 2004, and have projected even greater construction if designated as an ETC in the requested service areas. As demonstrated on the attached **Exhibit JHB-1**, Western Wireless' propagated RF coverage substantially covers these service areas today, and with the additional projected construction will provide virtually complete coverage. Western Wireless is, therefore,

confident that it can meet requests for service within the requested ETC service areas consistent with its obligation as an ETC.

Q: IS GEOGRAPHIC COVERAGE REALLY THE ISSUE THOUGH?

A: No. Mr. Brown arbitrarily assumes that geographic coverage equates to the ability of Western Wireless to provide service to requesting customers in the requested ETC service areas. This is a faulty assumption and one that, if true, would be equally damaging to Mr. Brown's Rural ILEC clients who themselves do not have facilities in place to serve every square inch of their respective study areas. Just like the Rural ILECs before it, Western Wireless has allocated its resources and developed its existing network over time to serve the population of its licensed service areas, not simply the geography.

Q: DOES MR. BROWN UNDERSTAND HOW YOU USED POPULATION COVERAGE IN DETERMINING YOUR REQUESTED SERVICE AREAS?

A: Apparently not. The Company did not simply include service areas where it has an "ability" of reaching 85% of the population. Rather, I personally reviewed Western Wireless' service areas to determine where we could commit to provide service as an ETC. After conducting that analysis we excluded any areas where we reached fewer than 85% of all consumers today. Given the Company's current ability to serve 85% of all residents, and our commitment to provide service to any requesting customer in these areas upon reasonable request, our ability to meet the obligation of an ETC in these areas is beyond question.

Q: IN YOUR DIRECT TESTIMONY, YOU ADDRESSED THE FCC'S *SOUTH DAKOTA PREEMPTION ORDER* IN WHICH THE FCC HELD THAT A COMPETITIVE ETC IS NOT REQUIRED TO PROVIDE UBIQUITOUS COVERAGE THROUGHOUT A SERVICE AREA PRIOR TO ETC DESIGNATION. (BLUNDELL DIRECT, PP. 18-19). DO ANY OF THE RURAL ILEC WITNESSES DISPUTE THAT UBIQUITOUS SERVICE IS NOT REQUIRED?

A: No. The required standard is not at issue, nor would I expect any dispute on this issue since the FCC's requirement arose out of Western Wireless' prior ETC proceeding before this Commission.

Q: HAS WESTERN WIRELESS COMMITTED TO PROVIDING SERVICE TO CONSUMERS WITHIN ITS ETC SERVICE AREAS CONSISTENT WITH FEDERAL LAW?

A: Absolutely. Western Wireless commits to respond to all reasonable requests for service pursuant to the standards set forth in the *South Dakota Preemption Order*. Western Wireless is comfortable making this commitment and confident it will be met based on our thorough analysis and selection of the service areas, as well as the variety of alternative service offerings the Company can offer to customers in South Dakota.

Q: BUT DIDN'T YOU SAY THAT WESTERN WIRELESS MAY NOT HAVE UBIQUITOUS COVERAGE THROUGHOUT ITS REQUESTED SERVICE AREAS PRIOR TO BEING DESIGNATED AS AN ETC?

A: Yes. It is not necessary that a competitive ETC have facilities already in place in order to meet the obligation to respond to a reasonable request for service.

Q: THEN HOW WILL WESTERN WIRELESS MEET REQUESTS FOR SERVICE WHERE IT DOES NOT CURRENTLY HAVE FACILITIES?

A: The question wrongly assumes that the only method available for meeting a request for service is to build new facilities. This is the same misunderstanding expressed by Mr. Brown when he suggests it is necessary for the Commission to require an applicant for ETC status to provide formal build-out plans subject to an annual review and enforceable commitments for investment as a precondition to designation in order to ensure service throughout the ETC service area. (Brown Direct, pp.47-48.) In fact, there are several

steps that a wireless carrier, such as Western Wireless, can and will take to enhance a customer's ability to send and receive wireless signals that do not include network expansion. First, the Company can ensure that the customer's equipment is working properly and that it is the appropriate equipment for the customer's location and usage. Second, enhancements can be made to the customer's premises to enhance receipt of the signal, including the addition of a high-powered antenna or the reconfiguration of the customer's equipment. Third, new technology is now available that can be added to the customer's equipment to boost the signal. Fourth, the wireless network in the area of the customer's use can be enhanced by adjusting power levels, signal strength and directional transmission of cell sites and by deploying network signal boosting technology. Finally, it is possible to enhance a customer's signal coverage by network expansion, such as the construction of cell site extenders and cell sites.

Q: YOU MENTIONED NEW TECHNOLOGY THAT CAN BE ADDED TO THE CUSTOMER'S EQUIPMENT TO BOOST THE SIGNAL. DOES THIS MEAN THE CUSTOMER CAN STILL USE A MOBILE WIRELESS HANDSET?

A: Yes. This equipment is basically a signal amplifier that the customer can plug a mobile handset into. The customer can also add an external high-gain antenna to increase signal strength. The amplifier can be installed in the customer's home, car or anywhere else there is an appropriate AC or DC power supply.

Q: IS THIS TYPE OF EQUIPMENT COMMERCIALLY AVAILABLE?

A: Yes. For example, at least one brand of signal enhancer, SignalReach™, is available directly from Western Wireless. Information about SignalReach™ may be found at www.signalreach.com.

Q: MR. BROWN SUGGESTS THAT WESTERN WIRELESS SHOULD BE DENIED ETC DESIGNATION EVERYWHERE IT CANNOT PROVIDE SERVICE TO A CUSTOMER USING A MOBILE WIRELESS HANDSET (BROWN DIRECT, PP. 34-36). DO YOU AGREE?

A: No. This is the same kind of circular and illogical argument that rural LECs have been making – unsuccessfully – for years. Ironically, rural LECs used to complain that customers using a mobile wireless handset were ineligible for support. Now they complain that Western Wireless should be denied ETC designation where it cannot provide service to a customer using a wireless handset. While I am pleased that the Rural ILECs in this case have embraced mobile wireless services, and have acknowledged the substantial and tangible benefits that wireless carriers can provide, Mr. Brown misses the point. It is not the device used to access the network that is at issue in this ETC proceeding, it is the network itself. And, as Mr. Brown agrees, Western Wireless' network is fully capable of providing the supported services to any customer, whether it is via a wireless local loop, enhanced customer equipment or a mobile wireless handset.

Q: WHAT INCENTIVE DOES WESTERN WIRELESS HAVE TO MEET REASONABLE REQUESTS FOR SERVICE?

A: Western Wireless is in the business of providing service to customers, not preventing customers from receiving service. There is a business incentive to enhance and provide service in areas currently outside the Company's current signal coverage because there are potential subscribers there. Furthermore, it is a general principle of universal service that encourages the extension of telecommunications service to those currently unserved or only partially served areas. Western Wireless is applying for ETC designation with this very principle in mind and with the hope that the Commission will help it fulfill this principle by designating Western Wireless as an additional ETC in the proposed areas

and by allowing the Company access to universal service support to help facilitate such expansion in rural areas of South Dakota.

III. PUBLIC INTEREST

A. THE COMMISSION'S PUBLIC INTEREST ANALYSIS

Q: HAS THE COMMISSION PREVIOUSLY APPLIED THE PUBLIC INTEREST ANALYSIS REQUIRED BY SECTION 214(e)(2) OF THE ACT AND RULE 20:10:32:42?

A: Yes. The Commission applied the public interest analysis in designating Western Wireless as a federal ETC in certain rural telephone company service areas in South Dakota. *See In the Matter of the Filing by GCC License Corporation For Designation As An Eligible Telecommunications Carrier*, Docket No. IC98-146, *Findings of Fact and Conclusion of Law; Notice of Entry of Order* (Oct. 18, 2001) ("*Western Wireless ETC Order*").

Q: WHAT FACTORS DID THE COMMISSION PREVIOUSLY CONSIDER IN APPLYING THE PUBLIC INTEREST ANALYSIS?

A: In its prior ETC Order, the Commission first recognized that designating Western Wireless would benefit rural consumers. The Commission then considered whether there was any evidence that the designation of a competitive ETC in the rural telephone company service areas would detrimentally affect the incumbent carriers' ability to provide universal service to their customers. As with this case, the rural LECs at that time simply focused on speculative "uncertainties with respect to the levels of universal support for rural telephone companies" and failed to provide any empirical evidence that they would be unable to continue to provide universal service if a competitive carrier were granted ETC status. *Western Wireless ETC Order*, ¶ 13 (emphasis added).

Q: HAS ANYTHING CHANGED THAT WOULD MAKE IT MORE DIFFICULT FOR THE RURAL ILECS IN THIS CASE TO PROVIDE UNIVERSAL SERVICE IN COMPETITION WITH WESTERN WIRELESS?

A: No. There is no evidence to suggest that the Rural ILECs in this case will not be able to compete with Western Wireless.

Q: THEN HOW DO YOU RESPOND TO MS. VANICEK'S ARGUMENT THAT IF THE FCC ADOPTS THE JOINT BOARD'S "PRIMARY LINE" FUNDING RECOMMENDATION, DESIGNATING WESTERN WIRELESS AS A COMPETITIVE ETC WOULD HARM THE RURAL ILECS?

A: Ms. Vanicek's analysis is built on a faulty premise. First of all, the Joint Board's recommendations have no immediate legal effect and should not be considered by the Commission in this proceeding. As the legislative history makes clear, until the FCC acts to adopt or decline a recommended decision of the Joint Board, the recommendations are merely advisory:

> Consistent with all Joint Boards established under section 410(c), the recommendations of the Joint Board are advisory in nature, and the FCC is not required to adopt the recommendations. However, the Committee [on Commerce, Science and Transportation] intends that the FCC shall give substantial weight to the Joint Board recommendations.

Senate Report No. 104-23, p. 25 (March 30, 1995) (emphasis added). Moreover, pursuant to 47 U.S.C. § 254(a)(2), the FCC has up to one year in which to act on the Joint Board's recommendations. Thus, Ms. Vanicek is certainly premature in speculating when, whether and how the FCC will respond to the Joint Board's recommendations. Indeed, the FCC has already rejected an earlier Joint Board recommendation to fund only single lines. *Universal Service Order*, ¶¶ 95-96. And as Ms. Vanicek herself observed, several members of the Joint Board expressed grave concerns about the wisdom of limiting USF support to a "primary line." (Vanicek Direct, pp. 19-20.) Thus, it is equally plausible that the FCC will again reject the Joint Board's primary line funding

recommendation this time around. Second, the Commission should follow the guidance of the North Dakota courts, which determined that it is unlawful for a state commission to consider the sufficiency of federal universal service support in determining whether it is in the public interest to designate an additional ETC in rural telephone company service areas.

Q: DID THE JOINT BOARD RECOMMEND IMMEDIATE ADOPTION OF A PRIMARY LINE FUNDING RULE?

A: No. Recognizing that a change in the federal universal service funding mechanisms will affect both incumbent and competitive ETCs alike, the Joint Board's most recent recommendations were made expressly contingent on the FCC receiving further comments and conducting a rulemaking proceeding to develop competitively neutral rules and procedures for the determination of what is meant by a customer's "primary line." *Joint Board Recommendation*, ¶ 57. The Joint Board also took great pains to encourage the FCC to adopt some type of "hold harmless" mechanism to ameliorate any negative effect the primary line funding rule may have on rural telephone companies. *Id.*, ¶¶ 72-76.

Q: IS IT APPROPRIATE FOR THE COMMISSION TO CONSIDER THESE COMPLEX FUNDING ISSUES IN THE CONTEXT OF THIS PROCEEDING?

A: Absolutely not. These are the same type of speculative funding "uncertainties" the Commission rejected in the earlier *Western Wireless* proceeding. *See Western Wireless ETC Order*, ¶ 15 ("[T]he Commission does not believe that it can delay, or indefinitely postpone, the designation of additional ETCs due to the lack of finality or the fact that future changes could affect universal service funding.")

Moreover, the FCC is solely responsible for the administration of the universal service fund under federal law. In May 2001, the FCC established a five-year interim

funding plan that substantially benefited the Rural ILECs by including the adoption of an imbedded cost recovery mechanism and the guarantee that a rural LEC will not lose funding even if it loses lines to a competitor. *See generally In the Matter of Federal-State Joint Board on Universal Service, Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers,* CC Docket 96-45, CC Docket No. 00-256, *Fourteenth Report and Order*, FCC 01-157 (rel. May 23, 2001). The FCC intended to use the transition period to further consider USF polices and to develop new, competitively-neutral funding rules. Thus, while the FCC has indicated that the impact of multiple designations on the universal service fund may become relevant, it has deferred consideration of this issue in ETC designation proceedings conducted under Section 214(e)(6) pending the outcome of further rulemaking. *See Virginia Cellular Order*, ¶ 31. Indeed, under the current funding mechanisms, the FCC has observed that the impact of any one competitive ETC on the universal service fund is at best "inconclusive." *See Id.*, ¶ 31 n. 96.

Q: MS. VANICEK AND THE RURAL ILECS ALSO DISCUSS THE PER-LINE USF SUPPORT RECEIVED BY THE COMPANIES IN THE AREAS WHERE WESTERN WIRELESS IS SEEKING ETC DESIGNATION (VANICEK DIRECT PP. 14-15). IS THIS INFORMATION RELEVANT?

A: No. All it tells us is that, on average, these service areas are high-cost areas to serve, which is not in dispute. The fact that the areas served by the Rural ILECs are high-cost is precisely why Western Wireless is seeking to become eligible to receive USF support so that it can better serve the rural consumers living there and compete with the incumbent carriers.

Q: WHAT ABOUT MR. BROWN'S AND THE RURAL ILECS' DISCUSSION OF THE POPULATION DENSITY IN THESE AREAS (BROWN DIRECT, PP. 26-30), IS THIS RELEVANT?

A: No. For the same reasons discussed above, all it tells us is that it may be more costly to serve these areas, which is the reason Western Wireless seeks ETC designation there. Mr. Wood further addresses in his testimony the faulty basis for Mr. Brown's conclusions on this point.

Q: IS THERE ANY EVIDENCE TO SUGGEST THAT THE RURAL ILEC SERVICE AREAS WHERE WESTERN WIRELESS IS SEEKING DESIGNATION IN THIS CASE HAVE SIGNIFICANTLY HIGHER PER-LINE LEVELS OF SUPPORT OR LOWER POPULATION DENSITIES THAN THOSE AREAS WHERE THE COMPANY IS ALREADY OPERATING AS AN ETC?

A: No. The Rural ILECs in this case have introduced no evidence to suggest that their respective service areas differ at all from those at issue in the earlier ETC case, or that they are so exceptional as to deny the consumers in these areas the benefits of competition.

Q: IS THERE ANY EVIDENCE THAT WESTERN WIRELESS' PRIOR DESIGNATION IN THOSE OTHER RURAL SERVICE AREAS HAS DETRIMENTALLY AFFECTED THE INCUMBENT CARRIERS' ABILITY TO PROVIDE UNIVERSAL SERVICE TO THEIR CUSTOMERS?

A: No. In the areas of South Dakota where Western Wireless has already been designated, none of the Rural ILECs has gone out of business, filed for bankruptcy or otherwise suffered any financial harm as a result of Western Wireless' designation as a competitive ETC. To my knowledge, the Rural ILECs appear to be competing with Western Wireless as expected, and the consumers are the beneficiaries.

Q: HAVE THE RURAL ILECS IN THIS CASE INTRODUCED ANY EMPIRICAL EVIDENCE THAT THEIR SERVICE AREAS CANNOT SUPPORT COMPETITION FROM WESTERN WIRELESS FOR UNIVERSAL SERVICE CUSTOMERS?

A: No, quite the opposite. Each of the Rural ILECs that filed testimony in opposition to Western Wireless' ETC application appears well suited to compete with Western Wireless for customers within its service area. For example, Golden West (including its

subsidiary Vivian Telephone Co.) – South Dakota's "largest independent telecommunications company" – is thoroughly diversified in telephone, cable, Internet, paging, cellular telephone licenses and other services and revenue generating enterprises. *See* attached **Exhibit JHB-2.** James Valley has also expanded its services to include "cable television, direct broadcast satellite service, Web TV, Internet access [and the sale of] telecommunication equipment including pre-paid phone cards, travel cards, telephones, cordless phones, answering machines, caller ID boxes, multiple line phones, novelty phones and headsets." *See* attached **Exhibit JHB-2.** Likewise, Venture Communication provides telephone, Internet and cable services. *See* attached **Exhibit JHB-2.** And West River – the "second largest independent telephone company" in North Dakota – provides telephone, Internet and cellular services. *See* attached **Exhibit JHB-2.**

Q: IS THERE ANY EVIDENCE THAT THE RURAL ILECS IN THIS CASE WILL RELINQUISH THEIR ETC STATUS IF WESTERN WIRELESS IS DESIGNATED AS A COMPETITIVE ETC IN THEIR SERVICE AREAS?

A: No, not in this case. In fact, there is no evidence anywhere that the designation of a competitive ETC is driving incumbent LECs out of business. Western Wireless has been designated as an ETC in 14 different States for almost four years now. During that time, not one single ILEC has sought to relinquish its ETC designation and forego the receipt of federal universal support.

Q: ASSUMING IT WERE APPROPRIATE FOR THE COMMISSION TO CONSIDER THE POTENTIAL IMPACT OF A PRIMARY LINE FUNDING RULE, DO EITHER MS. VANICEK OR THE RURAL ILECS ADDRESS THE JOINT BOARD'S "HOLD HARMLESS" RECOMMENDATIONS?

A: No. Both Ms. Vanicek and the Rural ILECs attempt to highlight the primary line funding proposal, but they completely ignore any discussion of the Joint Board's corresponding hold harmless recommendations and simply assume that the FCC will implement primary line funding without such protections for the benefit of the incumbent ETCs.

Q: WHAT EFFECT, OR EFFECTS, DO MS. VANICEK AND THE RURAL ILECS CLAIM A PRIMARY LINE FUNDING RULE WOULD HAVE IF ADOPTED?

A: They each assume that the Rural ILECs could lose up to one-fifth of their USF support to a competitive ETC if the FCC adopts a primary line funding rule. (Vanicek Direct, pp. 21-22; Strandell Direct, p. 6; Groft Direct, p. 6; Houdek Direct, p. 5.)

Q: WHAT IS THE BASIS FOR THIS "ONE-FIFTH" (OR 20%) ASSUMED LOSS?

A: Neither Ms. Vanicek nor the Rural ILECs offer any empirical evidence or analysis to support this assumption. Rather, they rely on a Western Wireless survey finding that approximately one-fifth of consumers consider their wireless phone to be their "primary" line.

Q: ASSUMING THAT A 20% LOSS OF USF SUPPORT IS AN ACCURATE ASSUMPTION, DOES THAT MEAN THE RURAL ILECS WOULD NO LONGER BE ABLE TO PROVIDE UNIVERSAL SERVICE IN THEIR SERVICE AREAS?

A: That's highly unlikely. In fact, based on the revenue and cost estimates provided in the Rural ILECs' filed testimony, it is clear that each of these carriers (*i.e.*, Golden West, Vivian, James Valley and Venture) would remain very profitable even assuming a 20% loss of federal universal service support. And as the remaining Rural ILECs affected by this proceeding submitted no company-specific data, there is no evidence whatsoever to believe they would be compromised by Western Wireless' ETC designation.

Q: COULD YOU PLEASE EXPLAIN HOW YOU REACHED YOUR CONCLUSIONS?

A: Yes. Each of the Rural ILECs named above provided an estimate of its USF support received in 2003, as well as an estimate of the percentage of its overall revenues represented by that USF support. With this information, I simply extrapolated each company's total revenues. For example, Mr. Strandell testified that Golden West received approximately $5.5 million in USF support in 2003 and that this amount equaled

approximately 22% of the company's total revenue. If $5.5 million is 22% of the total, then Golden West must have had total revenues of approximately $25 million in 2003. Mr. Strandell also testified that Golden West will have estimated operating costs of approximately $14.8 million in 2004. Assuming that Golden West similarly receives $5.5 in USF support in 2004, and that this again accounts for approximately 22% of total revenue, Golden West should have net revenues of approximately $10.2 million after expenses in 2004.

Q: SO WHAT IMPACT WOULD THE LOSS OF 20% OF GOLDEN WEST'S USF SUPPORT HAVE ON THE COMPANY?

A: Very little. Because USF support only accounts for only 22% of the company's revenue, a loss of 20% of that amount would amount to just 4% of the company's total revenues.

Q: DID YOU PERFORM THIS SAME ANALYSIS FOR EACH RURAL ILEC THAT FILED TESTIMONY?

A: Yes. In summary, and relying solely on the Rural ILECs' own figures, Vivian posted gross revenues in 2003 of approximately $21.43 million; James Valley $6.32 million; and Venture $16.67 million. Because Vivian (21%), James Valley (19%) and Venture (21%) all estimate that USF support accounts for approximately 20% of their revenue, each company would be expected, to lose, at most, 4% of its total revenue to competition from a wireless ETC. This analysis is summarized in the attached **Exhibit JHB-3**. In each case, the Rural ILECs would still project revenues well in excess of their expenses, and would remain profitable companies. This further assumes that none of the companies is able to reduce expenses, operate more efficiently or continue to develop new sources of revenues, which certainly must be factored into the analysis.

Q: BASED ON THE ABOVE, SHOULD THE COMMISSION FIND THAT WESTERN WIRELESS' ETC DESIGNATION IS IN THE PUBLIC INTEREST?

A: Absolutely. Western Wireless' designation as a competitive ETC will bring undeniable benefits to rural consumers within its requested service areas, and there is no credible evidence to suggest that its designation would adversely affect the provision of universal service in these areas.

B. *VIRGINIA CELLULAR*

Q: DOES THE FCC'S RECENT DECISION IN THE *VIRGINIA CELLULAR* PROCEEDING CHANGE THIS PUBLIC INTEREST ANALYSIS IN ANY WAY?

A: Not substantively. In designating Virginia Cellular as an ETC in certain rural service areas, the FCC – consistent with the earlier findings of this Commission – recognized the public benefits of designating a wireless carrier as an ETC. Like this Commission, the FCC then weighed these benefits against any demonstrable harm to the provision of universal service that may result from designating a competitive ETC within the specific rural service areas. Therefore, this Commission's analysis is perfectly consistent with the FCC's approach in *Virginia Cellular*.

Q: HOW DID THE FCC DESCRIBE ITS PUBLIC INTEREST ANALYSIS?

A: As part of its discussion in *Virginia Cellular*, the FCC adopted a balancing test under which it weighed the following factors:

- The benefits of increased competitive choice;
- The impact of multiple designations on the universal service fund;
- The unique advantages and disadvantages of the competitor's service offering;
- Commitments made regarding customer service and service quality; and
- The competitive ETC's ability to serve its designated service areas within a reasonable time frame.

Virginia Cellular Order, ¶ 28.

Q: YOU ADDRESS THE BENEFITS OF COMPETITIVE CHOICE, FUNDING ISSUES, WESTERN WIRELESS' SERVICE OFFERINGS AND COMMITMENT TO PROVIDE SERVICE UPON REASONABLE REQUEST ELSEWHERE IN YOUR TESTIMONY. CAN YOU IDENTIFY WHAT COMMITMENTS WESTERN WIRELESS HAS MADE TO CUSTOMER SERVICE AND SERVICE QUALITY?

A: Yes. Western Wireless has always been committed to providing outstanding customer service. The wireless industry is different from traditional telecommunications services because of its high level of competition. Customers demand high-quality, responsive service and will find an alternative if they are not satisfied.

In addition, Western Wireless is a member of the Cellular Telecommunications and Internet Association ("CTIA"). CTIA has adopted a voluntary "Consumer Code" for wireless carriers. Western Wireless is a voluntary signatory to the Consumer Code and has adopted the principles, disclosures, and practices that consumers expect from wireless carriers. Western Wireless will comply with the CTIA Consumer Code for the benefit of consumers within its requested service areas as part of its ETC designation to ensure high customer service and service quality. More information about the Consumer Code can be obtained on the CTIA website at www.ctia.org. A copy of the Consumer Code is attached as **Exhibit JHB-4.**

Q: CAN YOU DESCRIBE SOME OF THE CONSUMER BENEFITS GUARANTEED BY THE CTIA CONSUMER CODE?

A: It includes such provisions as mandatory disclosure of terms and conditions, disclosure of maps, implementation of a fourteen-day trial period without an early termination penalty, and the processing and written response to all complaints made to governmental entities within 30 days.

Q: DID THE FCC ADDRESS THE CTIA CONSUMER CODE IN *VIRGINIA CELLULAR*?

A: Yes. Even prior to *Virginia Cellular*, the FCC applauded the wireless industry's voluntary adoption of the CTIA Consumer Code. And in the *Virginia Cellular Order*, the FCC determined that, because there are no mandatory service quality standards that apply to wireless carriers, the commitment to meet the Consumer Code was sufficient to mitigate and address any service quality concerns a commission may have about a wireless carrier consistent with the public interest. *Virginia Cellular Order*, ¶ 30.

Q: DOES WESTERN WIRELESS DO ANYTHING ELSE TO ENSURE ITS CUSTOMERS ARE SATISFIED WITH THEIR SERVICE?

A: Yes. Western Wireless tracks all customer complaints that are received by the Company's Customer Care Centers. Complaints are logged and recorded by the Company's Customer Relations Specialists, who then work with individual customers on an ongoing basis to resolve specific inquiries, disputes and grievances. Western Wireless tracks complaints until they are resolved. Pursuant to the CTIA Consumer Code, Western Wireless will also respond to any customer complaints that are forwarded to the Company by a state governmental entity within 30 days and in writing.

Q: IS THERE ANY EVIDENCE THAT WESTERN WIRELESS' CUSTOMERS VALUE THE COMPANY'S SERVICE QUALITY?

A: Yes. The overall usage of Western Wireless' services by consumers suggests that it is providing a high-quality service. If consumers found that Western Wireless' service was not of sufficient quality, they simply would not subscribe to the service. On the whole, the relative adoption and usage of wireless services as compared to wireline services also suggests that consumers place a relatively high value on wireless services and a dwindling value on wireline services. The number of wireless subscribers and the number of minutes of use on wireless networks – including Western Wireless' – is

increasing as the number of wireline access lines and the number of minutes of use on wireline networks is decreasing. This is the most powerful indicator of high-quality service in my opinion.

C. THE JOINT BOARD RECOMMENDATIONS

Q: WHAT ABOUT THE RECENT JOINT BOARD RECOMMENDATIONS. DO THEY CHANGE THE PUBLIC INTEREST ANALYSIS IN THIS CASE?

A: Again, the question wrongly assumes that the Joint Board recommendations have any legal effect. As I addressed above, until the FCC acts to adopt, modify or decline a Joint Board recommendation, it is merely advisory and does not represent any change in the existing law and standards.

Q: IF ADOPTED, WOULD ANY OF THE JOINT BOARD RECOMMENDATIONS AFFECT THE PUBLIC INTEREST ANALYSIS?

A: No. Like *Virginia Cellular*, the Joint Board recommendations do not substantively alter the public interest standard. Rather, the Joint Board simply recommended that the FCC adopt certain "permissive guidelines," which, if adopted, would generally require that an applicant for ETC designation demonstrate the following additional items at the time of application:

- Adequate financial resources;
- The commitment and ability to provide the supported services throughout the designated service area; and
- The ability to remain functional during emergencies.

Joint Board Recommendations, ¶¶ 21-30.

Q: AGAIN, YOU HAVE ALREADY ADDRESSED WESTERN WIRELESS' COMMITMENT TO PROVIDE SERVICE UPON REASONABLE REQUEST ELSEWHERE. DO YOU WISH TO ADDRESS THE COMPANY'S FINANCIAL RESOURCES OR ABILITY TO REMAIN FUNCTIONAL DURING EMERGENCIES HERE?

A: Yes. But I do so reluctantly. The submission of this information is not required of any ETC under federal or state law, and I do not believe it is relevant to the Commission's consideration in this proceeding. Yet, it has been raised by SDTA's witnesses and I am compelled to provide a response.

Q: ASSUMING THE COMMISSION DID CONSIDER THE COMPANY'S FINANCIAL RESOURCES, IS THERE ANY DOUBT THAT WESTERN WIRELESS HAS SUFFICIENT FINANCIAL RESOURCES TO MEET ITS OBLIGATIONS AS AN ETC IN THE REQUESTED SERVICE ARES?

A: There is no doubt as I suspect Western Wireless' financial qualifications exceed those of the Rural ILECs who raise the question. Western Wireless Corporation, the parent company of WWC License, LLC, is a company with a market capitalization of $2.17 billion (as of 3:08 p.m. EST, March 30, 2004), annual revenues of $970,237,000 (as of December 31, 2003) and available cash on hand of approximately $69 million (as of December 31, 2003). Thus, the Company is well positioned to assume and perform the obligations of an ETC in the areas requested in this proceeding.

Q: COULD YOU PLEASE ADDRESS WESTERN WIRELESS' ABILITY TO REMAIN FUNCTIONAL DURING EMERGENCIES.

A: Yes. Each cell site and switch within the Western Wireless network has a sufficient, alternative source of power. In the event of an outage of commercial power, each switch and cell site immediately begins operating on battery power. In fact, there is no interruption of power because the operations are powered directly from the batteries, which during normal operations are being continuously recharged by commercial power. All batteries used on the network maintain a minimum of 4 hours of power and some maintain 8 hours of power. Further reinforcing the fact that power continues

uninterrupted is the availability of gas-powered generators at many cell site and switch locations. In the event of a commercial power outage, the generators ignite and can be maintained indefinitely, assuming a continuing source of fuel.

In addition, a wireless network includes redundant components that allow for functionality in the case of network breakdown. First, cell sites are constructed in such a way that their signal coverage overlaps with adjacent cell sites. Customers may still have signal coverage from an adjacent cell site in the event of an outage at another cell site. Second, in most areas of the Western Wireless network there are other carriers with networks using the same technology. A customer might be able to roam on such networks in the event of network outages on the Western Wireless network. Third, Western Wireless maintains numerous "Cells On Wheels", or COWs, that can be deployed on a temporary basis in the event of a loss of a single cell site. Finally, the network's connection to the public switched telephone network is accomplished through trunks that have redundant backups, thereby allowing continued connection in the event of a break in the first set of trunks.

D. CREAMSKIMMING

Q: MS. VANICEK MENTIONS "CREAM SKIMMING" AS BEING A FACTOR THAT THE FCC HAS EVALUATED AS PART OF THE PUBLIC INTEREST ANALYSIS (VANICEK DIRECT, P. 10), BUT THIS IS NOT IDENTIFIED IN EITHER *VIRGINIA CELLULAR* OR THE JOINT BOARD RECOMMENDATIONS AS A PUBLIC INTEREST FACTOR. IS SHE WRONG?

A: Yes. Ms. Vanicek is clearly mistaken. The potential for cream skimming is only relevant in those cases where a competitive carrier is seeking ETC designation in an area smaller than the Rural ILEC's study area. Western Wireless has committed to serving the entire study area of each Rural ILEC at issue in this case. The potential for cream skimming is, therefore, completely irrelevant to the Commission's analysis.

E. AFFORDABILITY

Q: MS. VANICEK ALSO QUESTIONS WHETHER WESTERN WIRELESS' RATES ARE AFFORDABLE (VANICEK DIRECT, PP. 23-25). DO YOU HAVE A RESPONSE?

A: Yes. I believe we provide a good value to our customers, and our customers seem to agree. We provide large local calling areas that save customers money by avoiding landline long distance calls. The Company also provides the benefit of mobility, something the FCC has recognized as being of particular importance to rural customers:

> [T]he mobility of Virginia Cellular's wireless service will provide other benefits to consumers. For example, the mobility of telecommunications assists consumers in rural areas who often must drive significant distances to places of employment, stores, schools, and other critical community locations. In addition, the availability of a wireless universal service offering provides access to emergency services that can mitigate the unique risks of geographic isolation associated with living in rural communities. Virginia Cellular also submits that, because its local calling area is larger than those of the incumbent local exchange carriers it competes against, Virginia Cellular's customers will be subject to fewer toll charges.

Virginia Cellular Order, ¶ 29 (emphasis added). Western Wireless also provides a variety of flexible calling plans that allow a consumer to choose how to best maximize the consumer's own value and benefits from our services. If a customer wants a plan with nationwide service and calling, they can obtain that service. If they do not, they are not required to pay for it.

But, ultimately, it is neither Ms. Vanicek's nor my opinion that matters. Consumers in a competitive market vote with their feet. If they value our service they use it; if they do not, they use another carrier's service. Customers tell us whether our service is reasonable and affordable based on their purchasing decisions. This market pressure requires us to continually strive to provide the best value and the best service to our customers. We think consumers are in the best position to decide whether our rates

in a competitive market are affordable and reasonable. Simply put, if Western Wireless fails to keep pace with the market and provide service offerings that rural consumers find valuable, the Company will lose customers and, consequently, will not receive universal service support. As the FCC has recognized: "only an eligible carrier that succeeds in attracting and/or maintaining a customer base to whom it provides universal service will receive universal service support." *Universal Service Order*, ¶ 138.

Q: SHOULD WESTERN WIRELESS' RATES BE COMPARED TO THE RURAL ILECS' RATES?

A: No. Such a comparison would be meaningless. The companies provide inherently different services, features and functionalities. In other words, it would be a proverbial "apples to oranges" comparison to simply compare basic rates. The fact is that every consumer will value different technologies, options and services in a different way. Moreover, if any comparison is to be made, then it should be a comparison of Western Wireless' rates in rural areas to the rates charged by wireless carriers in urban areas. One of the stated goals of the Act is to ensure that rural consumers have access to telecommunications services that are "reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas." 47 U.S.C. § 254(b)(3) (emphasis added). Thus, what the Rural ILECs charge for their wireline service offerings is really irrelevant.

Q: MS. VANICEK ALSO SUGGESTS THAT WESTERN WIRELESS' INCLUSION OF TOLL SERVICE IN CERTAIN RATE PLANS SHOULD NOT BE CONSIDERED IN DETERMINING WHETHER ITS RATES ARE AFFORDABLE (VANICEK DIRECT, P. 24). DO YOU AGREE?

A: I agree that toll service is not a supported service. However, Western Wireless' inclusion of an expanded local calling area to enable customers to avoid wireline toll service is certainly something that a customer will consider in deciding whether to purchase the Company's services and whether the service is "affordable" (even though Ms. Vanicek

fails to explain how such a standard would be defined). Indeed, it is this kind of packaging, or "bundling," of services that can distinguish competitors in a free market. If a customer can purchase a service package that includes the nine supported services plus additional services and functionalities, and finds value in the packaged deal, the customer will buy it. On the other hand, if the customer finds no value in the packaged deal, the customer will go somewhere else.

Q: SHOULD THE COMMISSION EVEN CONSIDER "AFFORDABILITY" AS A PUBLIC INTEREST FACTOR IN THIS PROCEEDING?

A: No. First of all, Ms. Vanicek appears to rely on 47 U.S.C. § 254(b)(1) as the basis for her "affordability" argument. Section 254(b) is not, however, a directive to the state commissions to consider in designating ETCs. Rather, it is a directive to the FCC and Joint Board to guide their consideration of larger universal service policies. Thus, the affordability factor has already been addressed by the FCC and Joint Board in the way in which they defined the specific "core" services to be supported by the universal service funding mechanisms and in other adopted polices. Moreover, this Commission has already implicitly found that Western Wireless' services are affordable by designating the Company as an ETC in other rural service areas.

Q: COULD THE COMMISSION DENY WESTERN WIRELESS' ETC DESIGNATION BECAUSE IT DOES NOT PROVIDE SERVICE AT THE SAME RATES AS THE RURAL LECS?

A: No. Such a decision would have the same effect as entry and rate regulation of a wireless carrier, which the Commission is prohibited from doing under 47 U.S.C. § 332(c)(3)(A).

F. USE OF USF SUPPORT

Q: MR. BROWN ACCUSES WESTERN WIRELESS OF NOT APPROPRIATELY USING UNIVERSAL SERVICE SUPPORT THAT IT HAS RECEIVED AS AN ETC IN SOUTH DAKOTA (BROWN DIRECT, PP. 41-42). IS THIS TRUE?

A: Absolutely not. I take great exception to this spurious and unfounded allegation, and the Commission should be similarly offended by such a suggestion. Western Wireless takes its obligations as an ETC very seriously. The Company – as every other ETC – is obligated by federal law to use the USF support it receives "only for the provision, maintenance, and upgrading of facilities and services for which the support is intended." 47 U.S.C. § 254(e). In addition, the FCC's regulations require the Commission to annually certify that Western Wireless (and all other designated ETCs) is in compliance with this obligation. This Commission, in turn, requires that Western Wireless (and all other designated ETCs) provide it with certain information and certify the use of USF support it has received each year. The Commission has never questioned Western Wireless' annual filing and certification when it certified Western Wireless' compliance in 2002 and 2003. Thus, unlike the Rural ILECs that have filed testimony in this case, there can be no question that Western Wireless is in full compliance with federal law and the Commission has also been fulfilling its obligations through the annual certification process.

Q: MR. BROWN ALSO QUOTES WESTERN WIRELESS' CEO AND CLAIMS THAT USF PAYMENTS TO THE COMPANY WILL NOT BE USED TO SUPPORT RURAL SERVICES (BROWN DIRECT, P. 42). DO YOU HAVE A RESPONSE?

A: While Mr. Stanton did once describe the Company's receipt of USF support as "margin," Mr. Brown erroneously equates "margin" with "profit," which are two different things in this context. I understand Mr. Stanton's statement to mean that USF payments would be added to the "revenue" side of the company's balance sheet for accounting purposes.

The same appears to be true for the Rural ILECs as well. Indeed, each one of their witnesses describes the receipt of USF support as "revenue" in his testimony. (Strandell Direct, p. 3; Groft Direct, p. 3; Houdek Direct, p. 2.) Thus, I don't believe there is anything inappropriate about what Mr. Stanton said or the way in which Western Wireless has used the USF support it receives in South Dakota and elsewhere. In addition, Mr. Wood provides a further explanation of this point.

Q: YOU MENTIONED THE RURAL ILECS' USE OF USF SUPPORT IN YOUR PRIOR ANSWER. WHAT IS YOUR CONCERN THERE?

A: Well, I was very surprised that Golden West/Vivian, James Valley and Venture's witnesses all testified that the companies have used USF support to upgrade their networks in order to provide broadband services. (Strandell Direct, p. 5; Groft Direct, p. 4; Houdek Direct, p. 4.) The FCC has concluded that such investments in high-speed data transmission facilities are not an appropriate use of USF support. *Universal Service Order*, ¶ 64 ("We conclude . . . that voice grade access, and not high speed data transmission, is the appropriate goal of universal service policies at this time because we are concerned that supporting an overly expansive definition of core services could adversely affect all consumers by increasing the expense of the universal service program and, thus, increasing the basic cost of telecommunications services for all."); *see also In The Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Order and Order on Reconsideration*, FCC 03-170, ¶¶ 8-9 (rel. July 14, 2003) ("*July 2003 Order*").

While it is appropriate to use USF support to construct and maintain a network that is capable of providing advanced services in addition to the nine supported service, the Commission should be very concerned that these companies have apparently

earmarked USF support for the sole purpose of upgrading their existing networks to provide broadband services, an unsupported service, in violation of the FCC's rules and 47 U.S.C. § 254(e) ("A carrier that receives such support shall use that support only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.")

Q: DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

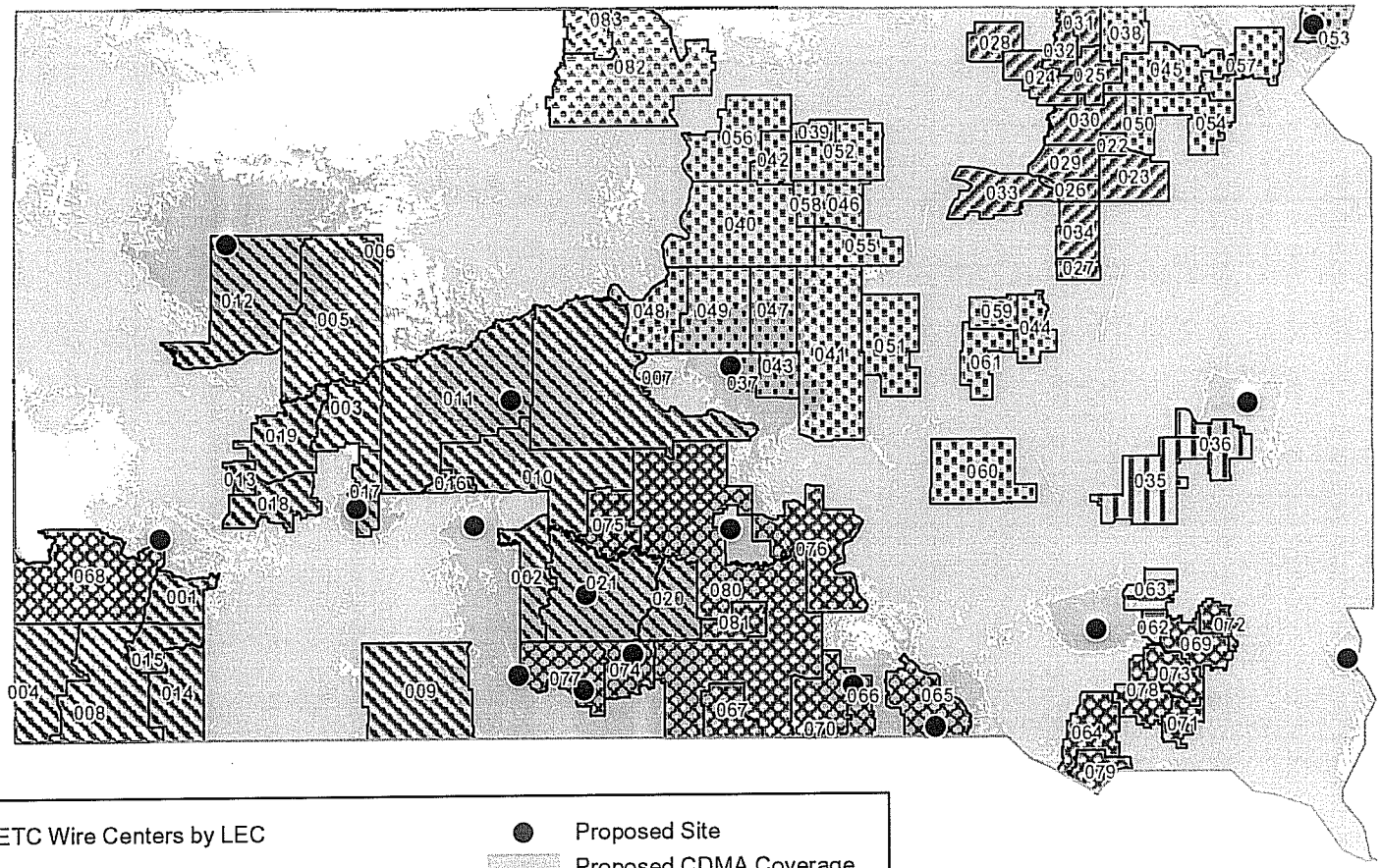
A: Yes.

EXHIBIT JHB-1

WESTERN WIRELESS SIGNAL COVERAGE IN REQUESTED SERVICE AREAS

Western Wireless Corporation - South Dakota 4.5.2004

Existing CDMA Coverage with USF and New '04 Coverage Sites



SD ETC Wire Centers by LEC

- Golden West Telephone Cooperative Inc.
- James Valley Cooperative Telephone Company
- Splitrock Properties Inc.
- Tri-County Telecom Inc.
- Venture Communications, Inc.
- Vivian Telephone Co.
- West River Telecommunications Coop (Mobridge) – SD
- West River Telecommunications Cooperative – SD

- Proposed Site
- Proposed CDMA Coverage
- CDMA Coverage

(001) = Wire Center Key

1 Inch = 50 Miles

CONFIDENTIAL JHB-1

WESTERN WIRELESS SIGNAL COVERAGE WIRE CENTER KEY

KEY	SAC	Telco Name	CLLI Code
001	**391659**	**Golden West Telephone Cooperative Inc.**	**BFLGSDXA**
002	391659	Golden West Telephone Cooperative Inc.	BLVDSDXA
003	391659	Golden West Telephone Cooperative Inc.	CGTNSDXA
004	391659	Golden West Telephone Cooperative Inc.	EDMTSDXA
005	391659	Golden West Telephone Cooperative Inc.	ENNGSDXA
006	391659	Golden West Telephone Cooperative Inc.	FATHSDXB
007	391659	Golden West Telephone Cooperative Inc.	HAYSSDXA
008	391659	Golden West Telephone Cooperative Inc.	HTSPSDXA
009	391659	Golden West Telephone Cooperative Inc.	MARTSDXA
010	391659	Golden West Telephone Cooperative Inc.	MDLDSDXA
011	391659	Golden West Telephone Cooperative Inc.	MLVLSDXA
012	391659	Golden West Telephone Cooperative Inc.	MRNESDXA
013	391659	Golden West Telephone Cooperative Inc.	NWUNSDXA
014	391659	Golden West Telephone Cooperative Inc.	OLRCSDXA
015	391659	Golden West Telephone Cooperative Inc.	ORALSDXA
016	391659	Golden West Telephone Cooperative Inc.	PHLPSDXA
017	391659	Golden West Telephone Cooperative Inc.	QUNNSDXA
018	391659	Golden West Telephone Cooperative Inc.	WASTSDXA
019	391659	Golden West Telephone Cooperative Inc.	WKVLSDXA
020	391659	Golden West Telephone Cooperative Inc.	WOODSDXA
021	391659	Golden West Telephone Cooperative Inc.	WTRVSDXA
022	**391664**	**James Valley Cooperative Telephone Company**	**ANDVSDXA**
023	391664	James Valley Cooperative Telephone Company	BRSTSDXA
024	391664	James Valley Cooperative Telephone Company	CLMASDXA
025	391664	James Valley Cooperative Telephone Company	CLMTSDXA
026	391664	James Valley Cooperative Telephone Company	CONDSDXA
027	391664	James Valley Cooperative Telephone Company	DOLDSDXA
028	391664	James Valley Cooperative Telephone Company	FRDRSDXA
029	391664	James Valley Cooperative Telephone Company	FRNYSDXA
030	391664	James Valley Cooperative Telephone Company	GRTNSDXA
031	391664	James Valley Cooperative Telephone Company	HECLSDXA
032	391664	James Valley Cooperative Telephone Company	HGTNSDXA
033	391664	James Valley Cooperative Telephone Company	MLLTSDXA
034	391664	James Valley Cooperative Telephone Company	TRTNSDXA
035	**391657**	**Splitrock Properties Inc.**	**HWRDSDXA**
036	391657	Splitrock Properties Inc.	OLHMSDXA
037	**391680**	**Venture Communications, Inc.**	**BLNTSDXA**
038	391680	Venture Communications, Inc.	BRTNSDXA
039	391680	Venture Communications, Inc.	BWDLSDXA
040	391680	Venture Communications, Inc.	GTBGSDXA
041	391680	Venture Communications, Inc.	HGHMSDXA
042	391680	Venture Communications, Inc.	HOVNSDXA
043	391680	Venture Communications, Inc.	HRLDSDXA
044	391680	Venture Communications, Inc.	HTCHSDXA
045	391680	Venture Communications, Inc.	LNFRSDXA
046	391680	Venture Communications, Inc.	ONAKSDXA
047	391680	Venture Communications, Inc.	ONIDSDXA
048	391680	Venture Communications, Inc.	ONIDSDXB
049	391680	Venture Communications, Inc.	ONIDSDXC
050	391680	Venture Communications, Inc.	PIRPSDXA
051	391680	Venture Communications, Inc.	REHGSDXA

WESTERN WIRELESS SIGNAL COVERAGE WIRE CENTER KEY

KEY	SAC	Telco Name	CLLI Code
052	391680	Venture Communications, Inc.	ROSCSDXA
053	391680	Venture Communications, Inc.	RSHTSDXA
054	391680	Venture Communications, Inc.	RSLNSDXA
055	391680	Venture Communications, Inc.	SENCSDXA
056	391680	Venture Communications, Inc.	SLBYSDXA
057	391680	Venture Communications, Inc.	SSTNSDCO
058	391680	Venture Communications, Inc.	TLSTSDXA
059	391680	Venture Communications, Inc.	TULRSDXA
060	391680	Venture Communications, Inc.	WSSPSDXA
061	391680	Venture Communications, Inc.	WSTNSDXA
062	**391682**	**Tri-County Telecom Inc.**	**CYTNSDXA**
063	391682	Tri-County Telecom Inc.	EMRYSDXA
064	**391686**	**Vivian Telephone Co.**	**AVONSDXA**
065	391686	Vivian Telephone Co.	BNSTSDXA
066	391686	Vivian Telephone Co.	BURKSDXA
067	391686	Vivian Telephone Co.	CLFDSDXA
068	391686	Vivian Telephone Co.	CSTRSDXA
069	391686	Vivian Telephone Co.	FRMNSDXA
070	391686	Vivian Telephone Co.	GRGRSDXA
071	391686	Vivian Telephone Co.	LSVLSDXA
072	391686	Vivian Telephone Co.	MARNSDXA
073	391686	Vivian Telephone Co.	MENNSDXA
074	391686	Vivian Telephone Co.	MSSNSDXA
075	391686	Vivian Telephone Co.	MURDSDXA
076	391686	Vivian Telephone Co.	RLNCSDXA
077	391686	Vivian Telephone Co.	RSBDSDXA
078	391686	Vivian Telephone Co.	SCLDSDXA
079	391686	Vivian Telephone Co.	SPFDSDXA
080	391686	Vivian Telephone Co.	WNNRSDXA
081	391686	Vivian Telephone Co.	WTTNSDXA
082	**391671**	**West River Telecommunications Coop (Mobridge) –**	**MBRGSDXA**
083	**391689**	**West River Telecommunications Cooperative – SD**	**MCLGSDXA**

Source: MapInfo ExchangeInfo Plus®

EXHIBIT JHB-2

RURAL ILEC COMPANY INFORMATION

GOLDEN WEST COMPANIES

Not all products and services are available in all areas

PHONE SERVICES & SYSTEMS
ON-LINE PHONE STATEMENT
LIFELINE/LINKUP
CABLE TELEVISION
INTERNET SERVICES
WEB SITE DEVELOPMENT
DATA NETWORKING
CALL CENTER / HELP DESK
ANSWERING SERVICE
PAGING SERVICES
SPECIAL OFFERS

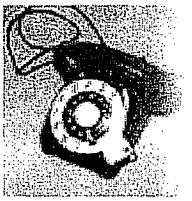
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STATEMENT OF NONDISCRIMINATION



Back in 1914, Golden West was the first company to stretch telephone lines across the remote plains of western South Dakota. The fence posts that divided farms at the time united neighbors by carrying those first telephone wires and making communications possible.

Those early day pioneers of possibility kept things working through natural disasters, the Great Depression and two World Wars before the start of the Rural Electrification Administration began a modernization program that's continued for more than half a century.

Today, Golden West and its subsidiary companies provide service to over 38,000 telephone customers, 15,000 Internet subscribers, 3,000 cable television viewers, 3,000 paging customers and some 225 call center customers making Golden West a state-wide leader in Information, Communications and Entertainment.

But from those humble beginnings as a rural telephone company to the State's largest independent telecommunications company, Golden West's directors and employees have never lost sight of their mission:

To provide its customers with the most dependable communications services at the lowest possible cost.

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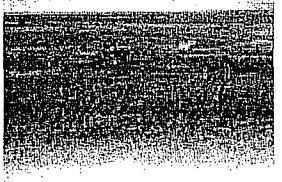
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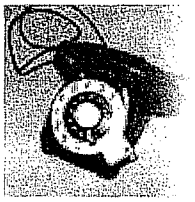
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HISTORY OF GOLDEN WEST

Pioneers of Possibilities

The first Golden West Telephone Company was incorporated in 1916 by the State of South Dakota as a stock company. The primary purpose of the Telephone Company was to connect via telephone the area's two principle towns of Quinn and Interior.

In 1918, the entire question of service and maintenance became a problem and was further magnified three years later when World War I deflation struck. Not only did the deflation break local farmers and ranchers, but businesses and banks in both Quinn and Interior went bankrupt as well.

Golden West's fate was much the same with systematic maintenance and the manager's position both becoming things of the past. The number of subscribers continued to dwindle as family after family left South Dakota. By 1930, even the line to Interior was lost. The Company then initiated a system of subscriber maintenance that ultimately fell upon the shoulders of the directors.

The depression of the 1930's struck a second blow. No longer able to operate, Golden West Telephone was offered at sheriff's sale for taxes and was purchased by director George Fauske in 1934. Fauske repaired the lines and once again good service was restored to the area. It was short lived. In March of 1937, a sleet storm devastated the open western South Dakota prairie. Fauske sought to restore service and after two weeks, finally reached Quinn. Service beyond Quinn was never restored, though, due to Fauske's untimely death in a car-truck accident. Fauske's family subsequently discontinued the service and sold the lines to community groups.

The years passed. World War II came and went and the people of the area once again began to think of the need for better telephone service. The amendment to the Rural Electrification Act in October of 1949 allowed the loaning of REA funds to finance and improve rural telephone service. A meeting of interested individuals was called on Feb. 14, 1950, in Quinn, South Dakota. Ingebert Fauske, son of the late George Fauske, was elected chairman. The Cooperative proceeded to make an application for its first REA loan.

On November 14. 1952, the Cooperative received its charter of incorporation from the state of South Dakota. The directors named the new telephone cooperative, Golden West Telephone Cooperative. Inc., which paid tribute to the original Golden West Telephone Company, started nearly 40 years earlier.

The A section of Golden West's first loan, a loan in the amount of $746,000, was completed in July of 1956, bringing modern dial telephone service to some 633 subscribers. As time went by, the Cooperative extended its service area into eleven

central and western South Dakota counties. Existing telephone companies and switch lines were purchased. Additional equipment and new lines were installed to bring modern telephone service to farms, ranches and small towns.

The Cooperative placed its first underground communications cable in 1961 when it served the Titan Missile Site near Wicksville. However, the first major installation was made in 1964 when over 200 miles of underground air pressurized cable was placed into service for the Minuteman Missile defense system. The Cooperative continued to upgrade its exchanges from 8-party lines, 4- or 5-party lines, and eventually to private lines.

In 1975, the Cooperative entered into negotiations with Northwestern Bell Telephone for the purchase of Bell System properties. The negotiations culminated with the 1976 purchase of the Midland, Philip, Martin, White River, Milesville and Hayes exchanges, along with the independently-owned Wood Mutual Telephone Company, more than doubling the size of the company from 2,400 to 5,100 customers.

In 1978, the Cooperative entered into a stock-purchase arrangement for the People's Telephone and Telegraph Company of Hot Springs. The Company officially merged with Golden West after the final stock payment on Jan 2, 1982, bringing the Co-op's customer base to nearly 9,300 and increasing the number of employees from 47 to 68.

The number of subscribers served by Golden West Telephone increased to nearly 10,000 with the Dec. 28, 1981 purchase of the Pine Ridge telephone exchange from Bison State Telephone Company of Custer. Former customers of the Extension Telephone Company of White Clay, Nebraska were acquired at approximately the same time and are now also being served with their own prefix out of the Pine Ridge switchboard.

April 1, 1981 also saw the Cooperative expand its communications' role with the receipt of its first cable television cross-ownership waiver from the Federal Communications Commission (FCC). This, along with subsequent FCC waivers, has given Cablevision permission to own and operate 14 cable systems serving nearly 3,000 customers.

In recognition of Golden West's involvement in the cable television field, cooperative members attending the September 1982, annual meeting approved changing the name of the cooperative from Golden West Telephone Cooperative, Inc. to Golden West Telecommunications Cooperative, Inc. The cable television operation has since been placed into a separate subsidiary called Golden West Cablevision. Inc.

Golden West took another dramatic step in December of 1984 with the creation of Golden West Tele-Tech, a wholly owned subsidiary of Golden West Telecommunications, that provides paging, business phone systems, equipment sales and a call center in Rapid City. Golden West Tele-Tech also provides and maintains telephone systems in the original Golden West Telecommunications' area and has been very active in providing telephone sales and leases throughout the entire Black Hills region. Tele-Tech has also grown through a series of acquisitions, the most recent being the late 1999 purchase of Direct Technology, an enterprise-level network integration and consulting firm.

On November 1, 1993, the acquisition of GTE's South Dakota properties (Contel of South Dakota) became final. Golden West began providing service to the 8,000 telephone customers in the Custer, Mission, Rosebud, Avon, Freeman, Menno, Scotland and Springfield exchanges through a newly formed subsidiary, Golden West Communications, Inc.

Golden West also purchased the Vivian exchange on January 1, 1994 and now serves the 120 telephone customers in that area under the subsidiary company, Vivian Telephone Company. The Golden West Communications properties were later brought into the Vivian Telephone Company with both continuing to do business as Golden

West Communications.

The Company entered into a new venture in 1995 when it partnered with Hector Communications of Hector, MN and Splitrock Telecom Cooperative of Garretson, SD in the purchase of several telephone and cable television properties in Minnesota, Iowa and South Dakota. This Company, now known as Alliance Communications, is made up of the former Ollig Communications and includes 28,000 telephone access lines, 8,200 cable telephone accounts and partial ownership of a cellular license.

1996 and 1997 saw Golden West Communications (Vivian Telephone Company) further expand with the acquisition of several properties from U S West Communications. Winner, Murdo, Burke, Bonesteel, Marion and Reliance were purchased in 1996 followed by the exchanges of Clearfield, Gregory, Lesterville and Witten in 1997, in all adding some 8,500 access lines to Golden West Communications.

Recognizing the importance of being involved in the growth of the Internet, the Company became an Internet Service Provider (ISP) in 1996 and now serves nearly 8,900 dial-up Internet users across South Dakota and will soon be offering DSL service in many of its exchanges.

Golden West was also successful in the FCC auction and holds one of the Personal Communication Services (PCS) and Local Multi-point Distribution System (LMDS) licenses for portions of western South Dakota.

In May 2001, Golden West purchased Rapid Net, one of the largest independent Internet providers in the Black Hills area. The acquisition not only doubled Golden West's on-line customer base, but provided additional Internet services, like web development and hosting.

The Golden West Companies through Golden West Telecommunications and Golden West Communications now serve a combined 36,000 access lines and ranks as the largest independent (non- U S West) telephone company in South Dakota. Golden West Telecommunications Cooperative along with its various subsidiary operations employs nearly 200 people throughout the State.

All in all, the Cooperative has expanded and changed considerably from that February 14, 1950 meeting in Quinn. One goal has, however, not changed, that being to provide its customers with the most dependable communications services at the lowest possible cost.

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COMPANY

James Valley Cooperative Telephone Company was incorporated Sept. 8, 1951 to serve the telephone needs of the people of rural Brown County. The Cooperative has since expanded to include members in Brown, Day, Spink, Marshall and Clark Counties.

As a cooperative, James Valley operates at cost to its members - those who subscribe to and take telecommunications services from James Valley Cooperative Telephone Company. When a net profit is shown at the end of any given calendar year, the excess revenue generated is prorated back to the members of the cooperative by means of "capital credits". The annual amount to be retired each year is determined by the Board of Directors through a formula determined by the Rural Utilities Service.

From the beginning, the goal of those who organized the Cooperative was to provide the best possible telephone service at the lowest possible cost and at the same time keep the company financially stable. James Valley's service has expanded throughout the years to include cable television, direct broadcast satellite service, Web TV, and Internet access. In addition, the Cooperative sells a wide variety of telecommunication equipment including pre-paid phone cards, travel cards, telephones, cordless phones, answering machines, caller ID boxes, multiple line phones, novelty phones and headsets.

EMPLOYEES



One of James Valley's most valuable assets is their dedicated employees. Loyalty and dedication in their respective fields are emphasized with time devoted to continued education and by attendance at training seminars and industry meetings.

The Cooperative has received numerous safety awards which recognize its outstanding employee safety in controlling on-the-job accidents and its efforts in promoting safety of the general public within the service area

ANNUAL MEETINGS

The cooperative's 47th annual meeting was held on June 24, 2003 with approx. 400 members attending. Booths exhibited JVT products and services and members were able to register for the many door prizes that were given away. Eunice Jensen of Conde won the Grand Prize - a $500 credit to her JVT account. The 48th annual meeting will be held on Tuesday, June 8, 2004 at the Groton High School gym.

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WEB DESIGN

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NET EXPRESS NEW!

DIAL-UP INTERNET

EXPLORE THE WEB

E-STATEMENT

MESSAGE CENTER

E-NEWSLETTER

ACCESS YOUR EMAIL AWAY FROM HOME!

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SERVICES

*** Local and Long Distance Phone Service**
JVT offers phone service and advanced calling features such as Caller ID, Voice Mail, Telemarketer Call Screening and more! Our Super 10 long distance plan is 10 cents a minute, in-state and out-of-state with no restrictions on calling times and no hidden fees.

*** X-Stream (DSL) High-Speed Internet**
X-STREAM (DSL) is a reliable and affordable high-speed Internet access service that provides a constant connection to the world-wide web and doesn't tie up your phone line.

*** Cable Television**
JVT's digital cable TV service is available in the towns of Groton, Claremont, Andover, Columbia, and Stratford. Basic cable TV service is available in the communities of Hecla, Turton, Conde and Mellette.

*** Business Phone Systems and LAN Cabling**
From small to large businesses, our consulting team can recommend a total package for your telecommunications needs.

*** Dedicated Circuits**
Special circuits include DS0, DS1, DS3, ISDN and CENTREX at rates 10% lower than the competition.

*** Web Hosting, Web Design, Domain Name Registration**
Secure your business with your very own domain name and market your products and services through our low-cost, professional and highly reliable email and web services.

*** Net Express Accelerated Dial-Up Service** NEW!
Take a ride on the Net Express, NVC's newest Internet service! Net Express transforms traditional dial-up access by using state-of-the-art data compression technology, which allows your connection to work more effiecient. In speed tests Net Express has taken a 56k dial-up connection and reached speeds over 256k.

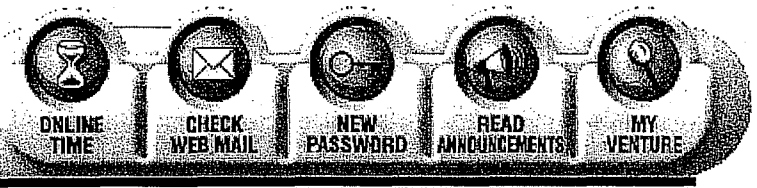
*** Dial-Up Internet**
JVT's Internet service includes free activation, 5 free e-mail addresses, spam and virus filtering, web-based email access and 10mb of personal web space.

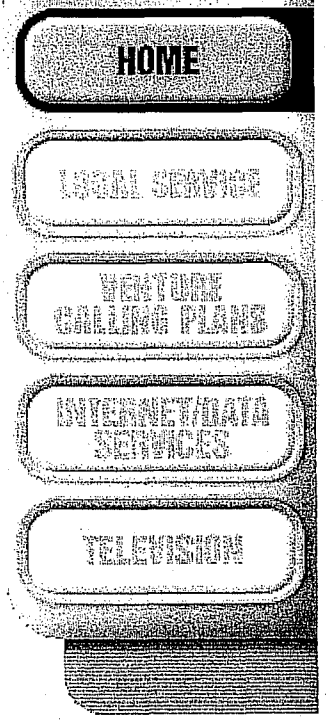
**** Refund Policy***
Any refund amounts will be returned to customers within 30days.

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- Capital Credits Retired
- Computer System
- Mobile Telephones
- Upgrading, Remodeling, and New Building Construction
- Fiber Optics
- Cable Television

Early History

Nearly a century ago, the first telephones appeared in Highmore. They were brought in by A. N. Van Camp, an attorney, in early 1883. He installed one telephone in his law office and another in his home, which was located three miles south of Highmore. The idea of having a telephone began to spread and both town and rural residents started installing them. At one time, all of the rural telephones were part of the Van Camp telephone system except for two small systems.

Some time later, Van Camp sold his telephone interests to the Central West Company, owned by the Insull Company, and later on, they in turn sold their interests to the Missouri Valley Telephone Company, owned by L. J. Ollig of Waverly, Minnesota.

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Time to Change

When the trading centers converted to automatic dial telephones, and the rural people started getting electric power, the old single-wire telephones just wouldn't work well enough to do much good. Most farms didn't have telephone service at all or if they did, it was just between close neighbors.

When the Rural Telephone Program was enacted into law in Oct., 1949, as an amendment to the Rural Electrification Act of 1936, with their objective being to provide telephone service "to the widest practicable number of rural users," area residents started proceedings to form a

cooperative.

The first organizational meetings to form a cooperative were held in Sully County in 1951. Those who became affiliated with Sully Buttes Telephone Cooperative and attended those meetings were Harold Courier and Glenn Hughes, both of Onida, and Randal Mercer, of Blunt.

The severe winters of 1951-52 hastened the Hyde County organizers to "get the ball rolling" to get telephone service in the area. Those severe winters, with the many blizzards and deep snow, left many people with no way of communicating with anyone for long periods of time. In times of emergency, rural residents would build a large fire to attract the attention of airplanes that were kept in the air for that purpose.

In late 1952, many interested in reliable telephone service attended a state-wide telephone meeting held in Huron by REA representatives and officials. Those attending from Hyde County were advised to attend a meeting that was going to be held in Onida. Three rural Hyde County residents, Lawrence Stoley, Wayne Wade, and Dick Raske, realizing the importance of obtaining telephone service for the rural areas, attended the organizational meeting held in Onida and found that Sully, Hughes, and Hand County farmers had no better telephone service than Hyde County farmers did, and all of them had held some organizing meetings and signed up some members. The other counties seemed to be a little further along than Hyde County was. They also found that all of them had many things in common and the problems were much the same, such as the towns were all served by telephone companies that either could not or would not build modern telephone lines to the farms and ranches in these counties.

The REA Field Representative, Mauritz Erkkila, suggested that the group organize a telephone cooperative that would include all or parts of Hyde, Hughes, Sully, Hand, and Beadle counties. The farmers in attendance at that meeting were a very determined group and the recommendation was adopted by the unit.

The key holding company in these areas was the Missouri Valley Telephone Company, owned by L. J. Ollig of Waverly, Minnesota. A five man committee representing the five counties, was appointed and organized to contact Ollig to see if he would sell the exchanges of Blunt, Highmore, and Wessington to make an REA loan feasible. Members of this committee were Emil Martens, Wessington; Glenn Hughes, Onida; Randal Mercer, Blunt; Lawrence Stoley, Highmore; and Wayne Wade of Highmore, who was named coordinator. The Harrold exchange, owned by M. D. Vandarwarka, had already offered to sell. Under the guidelines of the REA representatives, members of the small farmer owned lines, which dotted the areas, were contacted and agreed to sell their holdings if a cooperative would be formed. The small companies which eventually became a part of Sully Buttes were Wessington Hills Telephone Company, Wessington; Turtle Creek Telephone Company, Wessington; Ree Heights Cooperative Telephone Company, Ree

Heights; Sedgewick Telephone Company, Highmore; Holabird Telephone Company Holabird; Southern Hyde Telephone Company, Highmore; Stockmans Telephone Company, Highmore; Harrold Telephone Company, Harrold; Farmers Union Telephone Company, Harrold; Line 242, Blunt; Gas Belt Telephone Company, Onida; Farmers Mutual Telephone Company, Onida; and Eastern Sully Telephone Company, Onida.

The committee and the REA Field Representative, Erkkila, met with L. J. Ollig in Watertown. Ollig stated that he had no intention of selling any of his holdings but if the committee felt that they needed these three exchanges to make an REA loan feasible, he would sell them at his book value which he granted the committee permission to make an appraisal of the property in order to establish an REA equity valuation. The committee decided to contact the K. B. MacKichon & Associates engineering firm to seek their services as consulting engineers. The engineering firm made the appraisal and verified the feeling of the committee that the price Ollig was asking was too high.

In November of 1952, two more men were added to the committee. They were Harold Currier, Onida, and Joe Blaseg, Ree Heights. Paul Burke of Miller was hired as their attorney to draw up the necessary papers for incorporation.

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Incorporation

On Dec. 13, 1952, the cooperative was organized and incorporated. A seven man Board of Directors was elected to represent the areas, with the five original committee members, being automatically included. The members of the original board were Glenn Hughes, president; Emil Martens, vice president; Wayne Wade, secretary and treasurer; and Lawrence Stoley, Randal Mercer, Harold Currier and Joe Blaseg. The newly elected directors named the new telephone cooperative Sully Buttes Telephone Cooperative, Inc. after a familiar landmark to the west of Onida, Sully Buttes.

Many meetings were held during 1953 at which time plans were implemented to secure pre-loan requirements requested by REA, such as securing options on many rural mutual aid switcher line telephone companies, acquiring county and town franchises, working out boundary agreements and toll settlements, approving feasibility studies by the engineers, obtaining certificates of convenience and necessity, and working out pole rental agreements with the various rural electrical cooperatives operating in the communities in which Sully Buttes was going to build telephone lines.

Negotiations continued with L. J. Ollig to purchase the exchanges of Blunt, Highmore, and Wessington. A loan was applied for through REA even though a purchase agreement had not been reached with the

Missouri Valley Telephone Company.

About this same time, a committee was elected to contact the rural leaders in the Hitchcock and Tulare areas to see if they would be agreeable to become a part of the Sully Buttes Telephone Cooperative. At that time these two exchanges were holdings of Independent Telephone Incorporated, owned by W. L. Wermerskirchen of Aberdeen, South Dakota. The subscribers in those areas would not cooperate with that company by buying shares of stock. They indicated, however, that they would sign with Sully Buttes if their line would be built first. The Board indicated that Sully Buttes would not take these two exchanges unless they could be purchased from the loan that had been applied for.

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Loan Received

Word was received in July of 1954 that Sully Buttes would receive a loan in the amount of $1,717,000. Sully Buttes had already secured an option to purchase the Hitchcock and Tulare exchanges from Independent Telephone Incorporated. This led to the negotiations for the purchase of the rest of the properties of this company which included the exchanges of Seneca, Onaka, Hoven, Tolstoy, Langford, and Rosholt. The new directors representing these areas were Willis Boyd, Tulare; Nels Olsen, Hitchcock; Dave Banik, Tolstoy; LeRoy Erickson, Langford; and Frank Hahn, Rosholt.

In early 1955, Attorney Burke was authorized and directed to meet with L. J. Ollig and negotiate a sales agreement for the telephone properties of the Missouri Valley Telephone Company at Wessington, Highmore, and Blunt at the best terms possible.

In 1955 the Board employed Dale Jacobson as the first manager and set up office in an old barber shop in Highmore.

In early 1955, the acquisition arrangements were made for the Hitchcock and Tulare exchanges and in May of that year the engineers started staking these two exchanges for the proposed telephone system. The manager, president of the board, and attorney made a plane trip to Washington to get the first release of funds to complete the acquisition of Mr. Ollig's property and on June 30, 1955, Secretary-Treasurer Lawrence Stoley delivered a check to Mr. Ollig as final settlement for his property and Sully Buttes took over the operation of the exchanges in Highmore, Wessington, and Blunt.

In August of 1955 the first contracts were let for construction of outside plant in the Highmore, Wessington, and Blunt areas. On June 29, 1956, the plans were finalized and Sully Buttes acquired the Independent Telephone Incorporated holdings in Seneca, Onaka, Tolstoy, Hoven, Hitchcock, Tulare, Langford, and Rosholt. With the acquisition of these exchanges Sully Buttes also hired combination-men that had been

serving these areas for ITI. The three men and the years they worked for Sully Buttes were Byron Siegel (1956-1966), Harry Beck (1956-1970), and James Splettstoesser (1956-1980).

The next 10 years saw Sully Buttes continually growing and constructing new lines in all of the exchanges and adding new central office equipment.

As the company expanded, more employees were hired to handle the work load. In November of 1956 Dale Jacobson submitted his resignation effective December of 1956. Roy G. Price was appointed manager and assumed his duties in January of 1957.

Roy Price resigned in 1960 and James T. Olson assumed the position of manager and held that position until 1975 when he resigned and assumed the managerial position in Circle, Montana.

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Upgrading Continues

In 1965, plans were being made to start upgrading the rural areas to 4-party buried service rather than having the real 8-party facilities that were a constant source of trouble.

The worst ice storm in 30 years hit central and northern South Dakota on Dec. 10, 1965, knocking out telephone and power lines. At one time Sully Buttes had over 2,500 customers without long distance services.

Hardest hit were the Tolstoy, Onaka, Seneca, and Hoven exchanges with extensive damage in the Wessington exchange in the hills south of Vayland. Ice, up to three inches in diameter, formed on the wires breaking corner poles and allowing poles in line to go down like dominoes. Estimates as to the number of customers in all exchanges in the ice belt ran in excess of 600. Restoration was almost impossible as there were no signs of the ice falling off the wires and splices re-broke as fast as they were fixed. The storm damage was estimated at $50,000, but officials felt that if the wind started blowing in excess of 25 miles per hour, plant property in excess of $350,000, could be destroyed.

When the crews started restoring service to the Sully Buttes exchanges, over 300 poles had to be replaced and ice had to be stripped off the downed wires before the several hundred wire breaks could be repaired.

Extra crews were brought in from surrounding telephone cooperatives to help restore service. There were 40 men working in the various areas affected by the storm.

Tabulation of the ice covered facilities revealed that at one time over 1,500 miles of telephone plant had from 1 to 3 inches of ice on the wires. Lack of wind saved what did not go down.

Early March of 1966 again brought trouble for Sully Buttes telephone facilities. Large amounts of ice, coupled with high winds and heavy snow, contributed to lost communication services.

Crews were unable to move to restore service for some time and then only because so many people were using their phones, that the main circuit breaker kept blowing.

Many of the troubles in the rural areas of all exchanges were caused by the wrapping lines that had not been re-sagged after the December storm. The cooperative had over 1,500 miles of line in that condition and had been unable to get it fixed by the time of the spring storm.

Plans had been made the previous fall, before the ice storm, to start replacing the aerial wire facilities with buried service. Sully Buttes had planned to start with Hitchcock, Tulare, and Langford and upgrade to a maximum of four customers per line in the rural areas, and toll free service to the adjacent major town of each exchange.

The plan was to convert these three areas in 1966 and progress through the remaining 12 exchanges over the following four years. The ice storm changed the plan so that in addition to the three above named exchanges, four more would have to be upgraded by the use of underground cables in 1966. Because of the imminent rate increase brought on by repairs to fix the damage, the Board of Directors decided that in the best interests of the members and subscribers, the plan would be accelerated and that in 1967 the exchanges of Ree Heights, Highmore, Harrold, and Blunt would have to be converted.

A loan was applied for and received from REA in the amount of $968,000 to start the upgrading. Work plans for 1966 included the lowering of cable in the Hoven, Tolstoy, Seneca, and Onaka exchanges the first part of August. These were the exchanges hit hardest by the December ice storm.

A new headquarters building was constructed and moved into in 1966.

After the seven exchanges (Hoven, Tolstoy, Seneca, Onaka, Hitchcock, Tulare, and Langford) were upgraded to 4-party buried service, it was determined that the remaining exchanges might as well be upgraded to all buried 1-party service so plans were made to start this project, which began several years later, with Highmore being the first exchange to be cutover to 1-party service in 1972. The remaining fourteen exchanges were gradually upgraded to 1-party service with the last one being cutover in early 1977.

After Jim Olson resigned in 1975, the managerial position was assumed by James E. Nielson. Jim Nielson had previously worked for Sully Buttes from 1957 to 1970. In 1970, he moved to Park River, N.D., as assistant manager of military communications for Polar

Communications Mutual Aid Corporation.

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Capital Credits Retired
Sully Buttes, being a cooperative, operates on a non-profit basis for the mutual benefit of its patrons. Capital for conducting business is obtained by patronage by all subscribers.

When it is determined that the financial condition of the company is in accordance with the rules and regulations set forth by the REA, amounts in excess of operating costs and expenses are paid back to the subscribers as capital credits.

In 1977, Sully Buttes retired capital credits for patronage during the years 1961 through 1971 in the amount of $134,255.25. In 1978 capital credits were retried for the years of 1972 and 1973 in the amount of $101,861.36.

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Computer System
As the company grows, new ways have to be found to handle the increased work load. In 1980, Sully Buttes subscribed to the services of a computer system at Martin & Associates engineering firm of Mitchell. In 1987, Sully Buttes installed a Digital Microvax II Computer. Having our computer "in-house" increased speed, convenience, and reliability.

The computer is utilized by Sully Buttes for entering and storing data for the General Ledger, Payroll, Billing, Vehicle Expense, and Maintenance, Trouble Tickets, Continuing Property Records, and our Map Database.
We have already taken advantage of new technologies and made additions to our computer system.

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Mobile Telephones
As we become more and more dependent upon the telephone, both for business and personal use, the need arose for mobile telephone service. Sully Buttes, once again, was asked to look into mobile service by residents of Sully County. In 1977, a system was established East of Onida.

After looking for a more cost effective way to bring mobile communications to our subscribers, we added smaller systems in Highmore and Hitchcock in 1985.

The latest in mobile communications is Cellular. This is a group of mobile systems that operate together to form a continuous network.

Sully Buttes Telephone, in conjunction with Cellular Inc. of Englewood, Colorado, and other telephone companies in the state of South Dakota will be involved in the construction of cell sites in Aberdeen, Brookings, and Mitchell in 1990 and other sites in the future.

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Upgrading, Remodeling, and New Building Construction
As telecommunications is a never ending upgrading process due to new technological advances, Sully Buttes upgraded the Highmore central office to the new electronic digital computerized switching equipment which was cut into service in 1980. Tolstoy, Onaka, and Ree Heights were upgraded and cutover to this service in 1981.

When it was decided that the Highmore exchange would be converted to the new switching equipment, building space was needed for the equipment. A remodeling project was undertaken to convert the storage and garage area in the headquarters building to a room for the new switching equipment and to add an office for the trouble dispatcher and a repair room for the central office equipment crew.

This project created a need for a storage area for telephone equipment and a garage to house the service vehicles.

The property purchased adjacent to the headquarters building had an old apartment complex on it. The old building was raised and a new garage and storage building was erected. It now houses ten service vehicles and provided facilities for storing the new telephones and related repair parts.

The 1980's proved to be a very busy time, as construction continued with the upgrading of many central offices to digital switches. In 1984, Hoven, Seneca, Harrold, and Blunt were completed. East Onida and West Onida went digital in 1985, followed by Wessington, Langford, and Rosholt in 1986, and Tulare and Hitchcock in 1987.

With rapidly changing technology, digital switching soon had many software and hardware changes. During 1989, Sully Buttes Telephone cooperative updated all 15 Northern Telecom digital switches to the latest 400 generic software. This also included adding HSO-SSO features to Highmore, which allowed 12 of the other offices to tie directly to Highmore for long distance, billing, and administrative purposes.

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Fiber Optics
In 1989, a 150 mile fiber optic cable project was completed. Westcott Construction of Holabird buried fiber from Hitchcock to Highmore. This route carries toll traffic from Tulare, Hitchcock, Wessington, and Ree

Heights to Highmore, as well as matches with US West fiber by Wolsey to take calls on to Sioux Falls. Two other routes were built, Seneca to Highmore, and East Onida to Highmore. This fiber network ties twelve exchanges into Highmore, where all long distance calls are recorded for billing and sent on to US West.

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Cable Television

Cable television became a very hot item during the 1980's. Sully Buttes Telephone received permission to operate a cable tv system within the city limits of the towns in their service areas. These systems operate completely separate from the telephone operations.

The Highmore system was completed in 1982, followed by Hoven in 1983. During 1984, construction was completed in Tulare, Wessington, and Langford. Blunt received cable tv in 1985, followed in 1989 by Harrold, Hitchcock, Seneca, Ree Heights, Tolstoy, and Onaka.

Sully Buttes Telephone currently has about 1200 subscribers being served by the 12 cable systems.

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venture@venturecomm.net

WRT Profile

WRT Past

West River Telecommunications Coop. was formed in 1952 to provide multi-party service. Over the past forty-eight years, the cooperative has grown to the present twenty-five exchanges, with over 20,000 access lines.

The cooperative is headquartered in Hazen, North Dakota, with branch offices located in Beulah, ND and Mobridge, South Dakota. We currently provide employment to over 75 employees from the area.

WRT Present

WRT is the second largest independent telephone company in the state of North Dakota. West River Telecommunications Coop. (WRT) provides state of the art telecommunications services to all its subscribers. In 1989, WRT began fiber cable installation and has been deploying fiber-in-the-loop in our rural areas using a next generation digital loop carrier. With over 1,185 fiber cable miles and eleven years of experience, all of our exchanges are fully connected by fiber. WRT's switches are digital and provide all the latest features including ISDN.

WRT has over three years experience in providing internet service. In 1999, WRT began offering DSL service to its subscribers. WRT presently has ownership in three cellular RSA's and 49% ownership in the Bismarck MSA. We also carry WebTV. WRT provides and maintains Mitel PABX's, Comdial key systems and other telecommunication customer premise equipment.

WRT Future

West River Telecommunications Coop. continues to provide the latest advances in technology with the first of four intra company SONET fiber rings becoming operational in 2000. Recent expansion projects include an in-house setup for video interactive conferences to be used by both WRT and the general public. WRT also plans to install advanced ATM switching equipment to prepare for the future convergence of data and voice. WRT strives to provide quality service and meet the every changing telecommunications needs.

WRT Board Members

DISTRICT 1	**Karen Lelm** 701-448-9264 KarenL@westriv.com [photo]	All of the area served by WRT in ND east of the Missouri River
DISTRICT 2	**Theo Reich** 701-873-4691 TedR@westriv.com [photo]	Mercer & Dunn Counties, ND
DISTRICT 3	**Matt Erhardt, Jr** 701-794-3743 MattE@westriv.com [photo]	Oliver County, ND
DISTRICT 4	**Raymond Carlson** 701-445-7427 RayC@westriv.com [photo]	Morton & Stark Counties, ND
DISTRICT 5	**Nick Vollmuth** 701-422-3498 NickV@westriv.com [photo]	Sioux, Grant, Hettinger & Adam Counties, ND
DISTRICT 6	**Richard Glaser** 605-823-4721 RichardG@westriv.com [photo]	All of that area served by WRT west of the Missouri River in SD
DISTRICT 7	**Harley Overseth** 605-845-3251 HarleyO@westriv.com	All of that area served by WRT east of the Missouri River in SD

[photo]

DIRECTOR-AT-LARGE **Randy Christmann**
701-748-5420
RandyC@westriv.com
[photo]

Telecommunications - Today & Tomorrow

Last updated: 02/03/2003 08:47:57

EXHIBIT JHB-3

WESTERN WIRELESS RURAL ILEC USF ANALYSIS

Rural Telephone Company	2003 % of Revenue (millions)	2003 USF Support (millions)	2003 Total Revenue (millions)	2004 Est. Operating Expenses (millions)	2004 Net After Expenses (millions)	20% Net Loss of USF Support to CETC (millions)	Total Revenue Less 20% Lost USF Support (millions)	2004 Net After Expenses And Lost USF Revenue (millions)
Golden West	22%	5.5	25.00	14.8	10.20	1.1	23.90	9.10
Vivian	21%	4.5	21.43	10.9	10.53	0.9	20.53	9.63
James Valley	19%	1.2	6.32	3.6	2.72	0.24	6.08	2.48
Venture	21%	3.5	16.67	10.9	5.77	0.7	15.97	5.07

EXHIBIT JHB-4

CTIA CONSUMER CODE FOR WIRELESS SERVICE

CTIA

Consumer Code *for* Wireless Service

To provide consumers with information to help them make informed choices when selecting wireless service, to help ensure that consumers understand their wireless service and rate plans, and to continue to provide wireless service that meets consumers' needs, the CTIA and the wireless carriers that are signatories below have developed the following Consumer Code. The carriers that are signatories to this Code have voluntarily adopted the principles, disclosures, and practices here for wireless service provided to individual consumers.

THE WIRELESS CARRIERS THAT ARE SIGNATORIES TO THIS CODE WILL:

ONE

DISCLOSE RATES AND TERMS OF SERVICE TO CONSUMERS

For each rate plan offered to new consumers, wireless carriers will make available to consumers in collateral or other disclosures at point of sale and on their web sites, at least the following information, as applicable: (a) the calling area for the plan; (b) the monthly access fee or base charge; (c) the number of airtime minutes included in the plan; (d) any nights and weekend minutes included in the plan or other differing charges for different time periods and the time periods when nights and weekend minutes or other charges apply; (e) the charges for excess or additional minutes; (f) per-minute long distance charges or whether long distance is included in other rates; (g) per-minute roaming or off-network charges; (h) whether any additional taxes, fees or surcharges apply; (i) the amount or range of any such fees or surcharges that are collected and retained by the carrier; (j) whether a fixed-term contract is required and its duration; (k) any activation or initiation fee; and (l) any early termination fee that applies and the trial period during which no early termination fee will apply.

TWO

MAKE AVAILABLE MAPS SHOWING WHERE SERVICE IS GENERALLY AVAILABLE

Wireless carriers will make available at point of sale and on their web sites maps depicting approximate voice service coverage applicable to each of their rate plans currently offered to consumers. To enable consumers to make comparisons among carriers, these maps will be generated using generally accepted methodologies and standards to depict the carrier's outdoor coverage. All such maps will contain an appropriate legend concerning limitations and/or variations in wireless coverage and map

usage, including any geographic limitations on the availability of any services included in the rate plan. Wireless carriers will periodically update such maps as necessary to keep them reasonably current. If necessary to show the extent of service coverage available to customers from carriers' roaming partners, carriers will request and incorporate coverage maps from roaming partners that are generated using similar industry-accepted criteria, or if such information is not available, incorporate publicly available information regarding roaming partners' coverage areas.

THREE

PROVIDE CONTRACT TERMS TO CUSTOMERS AND CONFIRM CHANGES IN SERVICE

When a customer initiates service with a wireless carrier or agrees to a change in service whereby the customer is bound to a contract extension, the carrier will provide or confirm the material terms and conditions of service with the subscriber.

FOUR

ALLOW A TRIAL PERIOD FOR NEW SERVICE

When a customer initiates service with a wireless carrier, the customer will be informed of and given a period of not less than 14 days to try out the service. The carrier will not impose an early termination fee if the customer cancels service within this period, provided that the customer complies with applicable return and/or exchange policies. Other charges, including airtime usage, may still apply.

FIVE

PROVIDE SPECIFIC DISCLOSURES IN ADVERTISING

In advertising of prices for wireless service or devices, wireless carriers will disclose material charges and conditions related to the advertised prices, including if applicable and to the extent the advertising medium reasonably allows: (a) activation or initiation fees; (b) monthly access fees or base charges; (c) any required contract term; (d) early termination fees; (e) the terms and conditions related to receiving a product or service for "free;" (f) the times of any peak and off-peak calling periods; (g) whether different or additional charges apply for calls outside of the carrier's network or outside of designated calling areas; (h) for any rate plan advertised as "nationwide," (or using similar terms), the carrier will have available substantiation for this claim; (i) whether prices or benefits apply only for a limited time or promotional period and, if so, any different fees or charges to be paid for the remainder of the contract term; (j) whether any additional taxes, fees or surcharges apply; and (k) the amount or range of any such fees or surcharges collected and retained by the carrier.

SIX

SEPARATELY IDENTIFY CARRIER CHARGES FROM TAXES ON BILLING STATEMENTS

On customers' bills, carriers will distinguish (a) monthly charges for service and features, and other charges collected and retained by the carrier, from (b) taxes, fees and other charges collected by the carrier and remitted to federal state or local governments. Carriers will not label cost recovery fees or charges as taxes.

SEVEN

PROVIDE CUSTOMERS THE RIGHT TO TERMINATE SERVICE FOR CHANGES TO CONTRACT TERMS

Carriers will not modify the material terms of their subscribers' contracts in a manner that is materially adverse to subscribers without providing a reasonable advance notice of a proposed modification and allowing subscribers a time period of not less than 14 days to cancel their contracts with no early termination fee.

EIGHT

PROVIDE READY ACCESS TO CUSTOMER SERVICE

Customers will be provided a toll-free telephone number to access a carrier's customer service during normal business hours. Customer service contact information will be provided to customers online and on billing statements. Each wireless carrier will provide information about how customers can contact the carrier in writing, by toll-free telephone number, via the Internet or otherwise with any inquiries or complaints, and this information will be included, at a minimum, on all billing statements, in written responses to customer inquiries and on carriers' web sites. Each carrier will also make such contact information available, upon request, to any customer calling the carrier's customer service departments.

NINE

PROMPTLY RESPOND TO CONSUMER INQUIRIES AND COMPLAINTS RECEIVED FROM GOVERNMENT AGENCIES

Wireless carriers will respond in writing to state or federal administrative agencies within 30 days of receiving written consumer complaints from any such agency.

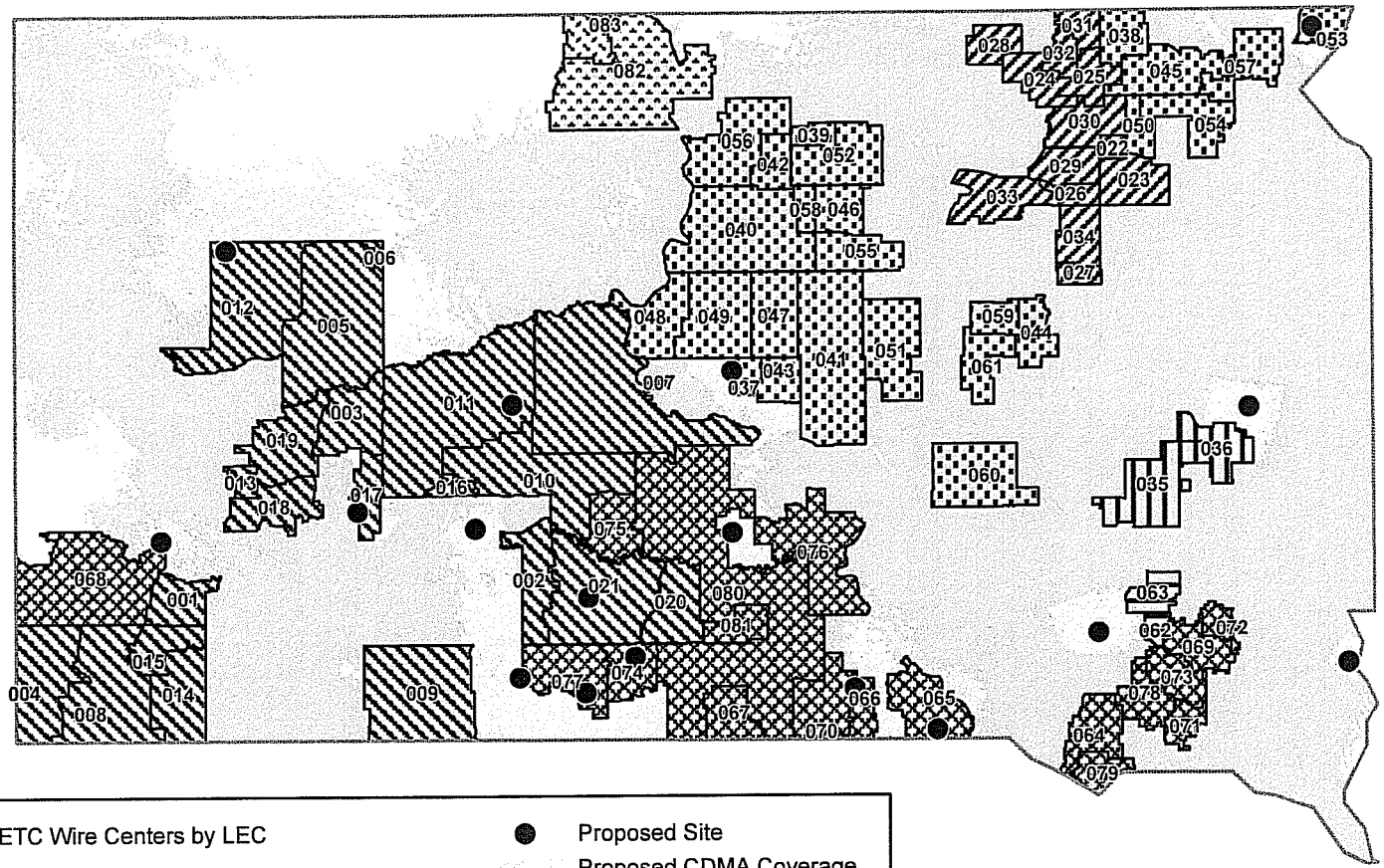
TEN

ABIDE BY POLICIES FOR PROTECTION OF CUSTOMER PRIVACY

Each wireless carrier will abide by a policy regarding the privacy of customer information in accordance with applicable federal and state laws, and will make available to the public its privacy policy concerning information collected online.

Western Wireless Corporation - South Dakota 4.5.2004

Existing CDMA Coverage with USF and New '04 Coverage Sites



SD ETC Wire Centers by LEC

- Golden West Telephone Cooperative Inc.
- James Valley Cooperative Telephone Company
- Splitrock Properties Inc.
- Tri-County Telecom Inc.
- Venture Communications, Inc.
- Vivian Telephone Co.
- West River Telecommunications Coop (Mobridge) – SD
- West River Telecommunications Cooperative – SD

- Proposed Site
- Proposed CDMA Coverage
- CDMA Coverage

(001) = Wire Center Key

1 Inch = 50 Miles

RECEIVED
APR 27 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Filing by WWC License, LLC d/b/a CellularOne® for Designation as an Eligible Telecommunications Carrier in Other Rural Areas	))))	Docket No. TC03-191

SURREBUTTAL TESTIMONY OF JAMES H. BLUNDELL
ON BEHALF OF WWC LICENSE, LLC

April 26, 2004

THIS DOCUMENT CONTAINS CONFIDENTIAL INFORMATION
SUBJECT TO THE PROTECTIVE AGREEMENT IN THIS PROCEEDING

EXHIBIT
WW 4

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EXHIBIT JHB-5 – SOUTH DAKOTA RURAL LEC HIGH-COST SUPPORT

CONFIDENTIAL EXHIBIT JHB-6 – USF SUPPORT (SAC 399002)

INTRODUCTION

Q: PLEASE STATE YOUR NAME, PLACE OF EMPLOYMENT, AND BUSINESS ADDRESS.

A: My name is James Blundell. I am employed by Western Wireless Corporation as the Executive Director of External Affairs. My business address is as follows:

James Blundell
Executive Director of External Affairs
Western Wireless Corporation
3650 131st Avenue SE - Suite 400
Bellevue, Washington 98006

Q: ARE YOU THE SAME JAMES BLUNDELL THAT FILED DIRECT TESTIMONY AND REBUTTAL TESTIMONY ON BEHALF OF WWC LICENSE, LLC ("WESTERN WIRELESS") IN THIS PROCEEDING?

A: Yes.

Q: HAVE YOU REVIEWED THE SURREBUTTAL TESTIMONY OF THE RURAL ILEC COMPANY WITNESSES GEORGE STRANDELL, JAMES GROFT AND RANDY HOUDEK?

A: Yes.

Q: HAVE YOU ALSO REVIEWED THE SURREBUTTAL TESTIMONY OF THE SOUTH DAKOTA TELEPHONE ASSOCIATION'S ("SDTA") HIRED CONSULTANTS SUE VANICEK AND GLENN BROWN?

A: Yes.

Q: DO YOU HAVE ANY INITIAL OBSERVATIONS REGARDING THE WITNESSES' SURREBUTTAL TESTIMONY?

A: Yes. As stated in my Rebuttal Testimony, none of the witnesses has offered any testimony to dispute Western Wireless' satisfaction of the basic criteria to be designated a competitive eligible telecommunications carrier ("ETC") in this proceeding. (Blundell Rebuttal, p. 3.) Nothing in the witnesses' surrebuttal testimony changes this conclusion. Each of the witnesses concede that: (1) Western Wireless is a common carrier under federal law; (2) Western Wireless offers the required supported services identified in 47 C.F.R. § 54.101(a)(1)-(9) (the "supported services"), and (3) Western Wireless will

appropriately advertise the availability of and charges for the supported services using media of general distribution. Because these issues are uncontested, the Commission should therefore find that Western Wireless satisfies all of the statutory and regulatory prerequisites to be designated as an ETC.

I am also pleased that SDTA agrees the Commission should not rely on Mr. Brown's erroneous "proximity" coverage analysis in this proceeding. (Brown Surrebuttal, pp. 13-14.) Although Mr. Brown's substituted RF propagation analysis (Ex. GHB-8) is equally flawed, it certainly supports Western Wireless' position that the Company has demonstrated its commitment, ability and willingness to meet all reasonable requests for service throughout its requested ETC service areas. Thus, the Commission should find that Western Wireless has identified appropriate ETC service areas for purposes of its designation in this proceeding.

Finally, no party disputes that this Commission has already developed and applied an appropriate public interest analysis for rural telephone company service areas that seeks to balance the consumer benefits of designating a competitive ETC against any demonstrated harm to the provision of universal service in those areas. (Blundell Rebuttal, p. 9.) Consistent with this analysis, Western Wireless has demonstrated that its designation is in the public interest. Given that the only potential harm identified by SDTA and the Rural LECs in this proceeding is the same type of speculative "uncertainties with respect to the levels of universal support for rural telephone companies" previously rejected by the Commission in the earlier *Western Wireless* docket, the Commission should not hesitate to find that Western Wireless' designation as a competitive ETC in this case will serve the public interest as well. (*See In the Matter of*

the Filing by GCC License Corporation For Designation As An Eligible Telecommunications Carrier, Docket No. TC98-146, *Findings of Fact and Conclusion of Law; Notice of Entry of Order*, ¶¶ 13-15 (Oct. 18, 2001) ("*Western Wireless ETC Order*").)

II. STANDARDS FOR ETC DESIGNATION

A. WESTERN WIRELESS HAS IDENTIFIED APPROPRIATE ETC SERVICE AREAS

Q: SDTA PERSISTS IN ARGUING THAT WESTERN WIRELESS SHOULD BE DENIED ETC DESIGNATION EVERYWHERE IT CANNOT PROVIDE SERVICE TO A CUSTOMER USING A CONVENTIONAL MOBILE WIRELESS HANDSET. (BROWN SURREBUTTAL, PP. 4-6.) IS THIS COMPLAINT SUPPORTED BY LAW?

A: No. As I discussed in my Direct Testimony (pp. 18-19) and Rebuttal Testimony (pp. 4-7), the FCC has made clear that an applicant for ETC designation does not have to provide ubiquitous coverage prior to being designated as an ETC and any such requirement would be an unlawful barrier to entry:

> We find that an interpretation of section 214(e) requiring carriers to provide the supported services throughout the service area prior to designation as an ETC has the effect of prohibiting the ability of prospective entrants from providing telecommunications service. A new entrant faces a substantial barrier to entry if the incumbent local exchange carrier (LEC) is receiving universal service support that is not available to the new entrant for serving customers in high-cost areas. We believe that requiring a prospective new entrant to provide service throughout a service area before receiving ETC status has the effect of prohibiting competitive entry in those areas where universal service support is essential to the provision of affordable telecommunications service and is available to the incumbent LEC. Such a requirement would deprive consumers in high-cost areas of the benefits of competition by insulating the incumbent LEC from competition.
>
> * * *
>
> In addition, we believe the fact that a carrier may already be providing service within the state prior to designation is not conclusive of whether the carrier can reasonably be expected to provide service throughout the service area, particularly in high-cost areas, prior to designation. While a

> requirement that a carrier be providing service throughout the service area may not affect the provision of service in lower-cost areas, it is likely to have the effect of prohibiting the ability of carriers without eligibility for support to provide service in high-cost areas.
>
> We find the requirement that a carrier provide service to every potential customer throughout the service area before receiving ETC designation has the effect of prohibiting the provision of service in high-cost areas. As an ETC, the incumbent LEC is required to make service available to all consumers upon request, but the incumbent LEC may not have facilities to every possible consumer. We believe the ETC requirements should be no different for carriers that are not incumbent LECs. A new entrant, once designated as an ETC, is required, as the incumbent is required, to extend its network to serve new customers upon reasonable request. We find, therefore, that new entrants must be allowed the same reasonable opportunity to provide service to requesting customers as the incumbent LEC, once designated as an ETC. Thus, we find that a telecommunications carrier's inability to demonstrate that it can provide ubiquitous service at the time of its request for designation as an ETC should not preclude its designation as an ETC.

(In the Matter of Federal-State Joint Board on Universal Service, Western Wireless Corporation Petition for Preemption of an Order of the South Dakota Public Utilities Commission, CC Docket 96-45, FCC 00-248, ¶ 17 (rel. Aug. 10, 2000) (footnotes omitted) ("*South Dakota Preemption Order*").)

As the FCC has also made clear, an ETC may meet requests for service where it does not currently have facilities in any number of ways. For example, in the *Virginia Cellular* matter, the FCC specifically endorsed a wireless carrier's commitment to use roof mounted antennas or other customer equipment to meet service requests from potential customers within its licensed service area but outside its existing network signal coverage. (*In the Matter of Federal-State Joint Board on Universal Service, Virginia Cellular, LLC Petition for Designation as an Eligible Telecommunications Carrier in the Commonwealth of Virginia*, CC Docket No. 96-45, *Memorandum Opinion and Order*, FCC 03-338, ¶ 15 (rel. January 22, 2004) ("*Virginia Cellular Order*").)

Q: SDTA AGREES THAT WESTERN WIRELESS MEETS THE "TECHNICAL" REQUIREMENT TO PROVIDE SERVICE THROUGHOUT ITS REQUESTED ETC SERVICE AREAS BY EMPLOYING HIGHER-POWER CUSTOMER EQUIPMENT IN SOME AREAS, BUT NEVERTHELESS SUGGESTS THE COMPANY SHOULD BE REQUIRED TO CONSTRUCT CELL SITES THROUGHOUT THE SERVICE AREAS PRIOR TO DESIGNATION (BROWN SURREBUTTAL, P. 4.) IS THIS CORRECT?

A: No. SDTA's suggestion that Western Wireless should construct cell sites "statewide" in order to provide ubiquitous signal coverage to every inch of its requested ETC service areas prior to designation as an ETC is unsupported by law and, more importantly, is undercut by its own members' testimony in this proceeding. The Rural LECs are not currently willing or able to provide service to every geographic location within their own service areas. Rather, as the Rural LEC witnesses readily admit, they rely on service requests from customers to dictate where and to what extent their networks are extended. Indeed, each of the Rural LEC witnesses concedes that geographic coverage is irrelevant, and a company satisfies the technical requirements to receive universal service support by providing service upon request subject to any line extension and/or deposit requirements that may apply:

> The issue of the total land mass served is irrelevant. It is my understanding that the existing rules for federal universal service support pay support to carriers based on the consumer's location. This indicates that the universal service support system is designed to fund service at the consumer's location or premise. [Rural LEC], as indicated to Western Wireless in response to discovery requests, provides service to all customers at their premise upon request, subject to the company's line extension and/or deposit policies that *may* apply depending on specific circumstances. Therefore, the rural ILECs are complying with existing requirements to receive universal service support.

(See Strandell Surrebuttal, pp. 1-2; Groft Surrebuttal, p. 4; Houdek Surrebuttal, pp. 1-2.) (emphasis added) Thus, the Commission must reject SDTA's anticompetitive suggestion that a higher standard should be imposed on Western Wireless.

Q: SDTA SUGGESTS THAT THE FCC HAS REQUIRED BUILD-OUT PLANS AS A PRECONDITION TO ETC DESIGNATION (BROWN SURREBUTTAL, P. 9.) IS MR. BROWN CORRECT?

A: No. There is no requirement in federal or state law that an applicant for ETC designation submit "build-out" plans. Mr. Brown's continued insistence on the submission of such plans, and a requirement to use support only for the construction of cell sites, is entirely misplaced. (Brown Surrebuttal, pp. 3, 8-9, 15, 23.) SDTA's overbroad generalizations fail to consider the facts in *Virginia Cellular* and frankly misrepresents *Highland Cellular*. (*In the Matter of Federal-State Joint Board on Universal Service, Highland Cellular, Inc. Petition for Designation as an Eligible Telecommunications Carrier in the Commonwealth of Virginia*, CC Docket No. 96-45, *Memorandum Opinion and Order*, FCC 04-37 (rel. April 12, 2004) ("*Highland Cellular Order*").)

In *Virginia Cellular*, the applicant – unlike Western Wireless in this proceeding – sought designation as an ETC throughout a large geographic area where the company had no facilities. Thus, it was necessary for that company to commit to constructing eleven new cell sites in the first year and a half following designation in order to demonstrate that it would be able to meet requests for service over time. (*See Virginia Cellular Order*, ¶ 16.) Notably, even after these eleven new cell sites are constructed Virginia Cellular will still not provide ubiquitous coverage throughout its designated ETC service areas.

In *Highland Cellular*, the applicant apparently had a much more mature network and merely provided the FCC with information regarding its projected construction of three new cell sites in areas where the company would not otherwise construct facilities without federal universal service support. (*See Highland Cellular Order*, ¶ 17 n. 51 (citing Letter to Marlene H. Dortch filed Nov. 19, 2003).) As it turned out, these

projected construction plans were for areas where Highland Cellular was denied ETC designation. (*Id.*) As a result, the FCC simply observed that the company's construction plans would probably change and proceeded to designate Highland Cellular in other areas without requiring any specific build-out plans. (*Id.*) Thus, contrary to Mr. Brown's arguments in this proceeding, there is no requirement that an applicant for ETC designation submit build-out plans – particularly a carrier like Western Wireless who is already able to provide the supported services to substantially every potential customer within its requested ETC service areas.

Q: WILL WESTERN WIRELESS BE USING UNIVERSAL SERVICE SUPPORT TO CONSTRUCT ADDITIONAL FACILITIES IF ITS APPLICATION IS GRANTED IN THIS PROCEEDING?

A: Yes. Western Wireless' current capital expenditure plans for South Dakota contemplate the construction of several cell sites, in addition to other network improvements, during 2004. The Company has projected even greater construction if designated as an ETC in the requested service areas. As demonstrated on Exhibit JHB-1 to my Rebuttal Testimony, the current projections include the construction of seventeen cell sites throughout the State, including several sites which will directly serve the requested service areas in this proceeding.

Q: DOES WESTERN WIRELESS TYPICALLY DEVELOP CAPITAL EXPENDITURE PLANS FOR AREAS WHERE IT IS SEEKING ETC DESIGNATION PRIOR TO OBTAINING THE DESIGNATION?

A: Typically the Company would not invest the time and resources necessary to develop a capital expenditure plan prior to ETC designation. As the FCC has observed, such hypothetical planning would be an inappropriate use of resources:

> [A] new entrant cannot reasonably be expected to be able to make the substantial financial investment required to provide the supported services in high-cost areas without some assurance that it will be eligible for federal universal service support. In fact, the carrier may be unable to

secure financing or finalize business plans due to uncertainty surrounding its designation as an ETC.

(South Dakota Preemption Order, ¶ 13.) In South Dakota, however, Western Wireless is confident that it can and will expand its role as an ETC and, therefore, is conditionally planning to develop additional facilities in those areas where it seeks ETC designation in this proceeding.

Q: IN AREAS WHERE WESTERN WIRELESS HAS BEEN DESIGNATED AS AN ETC, DOES THE COMPANY MAKE CAPITAL EXPENDITURE DECISIONS DIFFERENTLY THAN ITS DOES IN AREAS WHERE IT IS NOT DESIGNATED AS AN ETC?

A: Yes, absolutely. For example, on the Pine Ridge Reservation in South Dakota, Western Wireless constructed two additional cell sites within four to six months of being designated as an ETC. And within a year, the Company constructed a third cell site in that service area. These cell sites improved the signal reception on the Pine Ridge Reservation. These capital expenditures would not have been possible, or would not have been made until possibly years later, without the ability to receive federal universal service support.

Q: MR. BROWN HAS SUBMITTED A NEWLY CREATED RADIO FREQUENCY ("RF") PROPAGATION MAP (EXHIBIT GHB-8). COULD YOU ADDRESS SDTA'S NEW EXHIBIT?

A: Yes. First, as I mentioned earlier, I am pleased that SDTA agrees Mr. Brown's assumed "proximity" coverage analysis is unreliable and has instead substituted Exhibit GHB-8. (Brown Surrebuttal, pp. 13-14.) As discussed below, however, Mr. Brown's new hypothetical RF propagation map is equally flawed. Rather, Western Wireless' own signal coverage analysis depicted on Exhibit JHB-1 is a much more accurate depiction of the Company's signal coverage and ability to provide the supported services within the requested designated service areas.

Q: MR. BROWN CLAIMS TO HAVE PERFORMED AN RF PROPAGATION ANALYSIS THAT PROVIDES A "MORE REALISTIC PICTURE OF WESTERN WIRELESS' COVERAGE IN SOUTH DAKOTA" THAN THE ANALYSIS SUBMITTED BY WESTERN WIRELESS. (BROWN SURREBUTTAL, P. 15.) IS MR. BROWN'S RF MAP REALLY MORE ACCURATE THAN THE ANALYSIS PROVIDED BY WESTERN WIRELESS?

A: No. Mr. Brown has prepared a propagation map based on data he obtained from the FCC's ULS database. Instead of relying on the data and information supplied by Western Wireless itself, he elected to obtain information relating to tower location, antenna height and effective radiated power ("ERP") from the FCC. Although he claims to have compared this information with "some of the actual data provided by Western Wireless," Mr. Brown's comparison does not appear to be complete and it results in the conclusion that his analysis offers only a "reasonable approximation of the Western Wireless network." (Brown Surrebuttal, p. 15.) (emphasis added)

In addition to this fundamental flaw, there are several other errors in the methodology Mr. Brown employed that lead me to conclude that his analysis it not even a "reasonable approximation" of Western Wireless' signal coverage. First, although the information contained in the FCC's ULS database is supplied by Western Wireless, it is only a partial representation of the Company's actual facilities. Federal rules require a wireless carrier to supply data on cell sites that define the exterior boundaries of its Cellular Geographic Service Area ("CGSA"). If a cell site does not impact the exterior boundaries of its CGSA, however, then the carrier does not supply that information, and the FCC does not make it available in the ULS database.

Second, the data in the FCC's ULS database is limited to Western Wireless' analog "AMPS" technology. The information relating to antenna height and ERP does not include the carrier's "CDMA" network information. Because there is substantially

more cell site sectorization and antenna gain in the CDMA network, it has much greater ERP and resulting coverage.

Third, it appears Mr. Brown has only analyzed coverage from cell sites that are physically located in South Dakota. However, Western Wireless owns and operates cell sites in Nebraska and North Dakota that overlap signal coverage into South Dakota. Mr. Brown's analysis does not appear to take these additional cell sites and their resultant coverage into account.

Finally, Mr. Brown's analysis did not attempt to analyze either the cell sites Western Wireless plans to build this year, or the cell sites projected to be constructed contingent on ETC designation. (*See* Ex. JHB-1 - depicting seventeen cell sites to be constructed by Western Wireless). Therefore, Mr. Brown's analysis is certainly not a "more realistic picture" of Western Wireless' coverage in South Dakota, because he has not accurately analyzed the Western Wireless network.

Q: MR. BROWN MAKES SOME ASSUMPTIONS ABOUT "MINIMAL OPERATING SIGNAL STRENGTH," "URBAN QUALITY OF SERVICE" AND "GOOD '5-BARS' SIGNAL QUALITY" (BROWN SURREBUTTAL, P. 16.) ARE MR. BROWN'S ASSUMPTIONS APPROPRIATE?

A: No. Mr. Brown has made network assumptions and applied signal parameters in his analysis that are simply not appropriate. For example, Mr. Brown applied -100 dBm and -75 dBm signal parameters in his analysis. However, the industry standard signal parameter, which is used in determining a wireless carrier's CGSA, is -104 dBm. Furthermore, the -104 dBm parameter is also an approximation of the coverage of a 3 watt wireless unit or a conventional handset with booster technology. So, in the first instance, Mr. Brown has underrepresented the higher of the two signal parameters by 4 dB.

Second, Mr. Brown asserts that there are an even larger number of areas where Western Wireless does not provide "urban quality" signal coverage at the "-75 dBm" level. (Brown Surrebuttal, p. 16.) As a threshold, the term "urban quality" is a product of Mr. Brown's imagination and has no relevancy in the wireless industry. Further, -75 dBm is not an appropriate signal parameter in rural areas. Rather, the appropriate signal parameter for unobstructed (or "on-street") conventional mobile service is approximately -95 dBm. The signal loss experienced by most wireless subscribers when they move to the interior of a building or get into a car is approximately 10 dB. Thus, the appropriate signal parameter in rural areas for "in-building" or "in-car" conventional mobile service is approximately -85 dBm. Accordingly, Mr. Brown's -75 dBm signal parameter is significantly lower than the appropriate level of -85 dBm. And this signal parameter meets the -104 dBm parameter by more than 15 dB.

Q: DOES MR. BROWN'S ASSUMPTION THAT -75 DBM SIGNAL COVERAGE IS THE APPROPRIATE PARAMETER ACCOUNT FOR ANY SIGNAL ENHANCEMENTS THAT WESTERN WIRELESS CAN IMPLEMENT, EITHER BY MODIFICATIONS TO CUSTOMER EQUIPMENT OR NETWORK FACILITIES?

A: No. Western Wireless customers can today employ various signal booster devices that enhance the ability of a conventional .2 watt CDMA handset to send and receive radio signals within the same approximate range as a 3 watt AMPS wireless access unit. Furthermore, Western Wireless is currently evaluating certain cell site booster equipment for its ability to enhance network coverage. Mr. Brown's analysis does not account for either of these enhancements.

Q: MR. BROWN CRITICIZES WESTERN WIRELESS' RF PROPAGATION ANALYSIS AS BEING "NOT PARTICULARLY USEFUL" (BROWN SURREBUTTAL, P. 14.) HOW DO YOU RESPOND?

A: I would say that criticism is more appropriately directed at Mr. Brown's own Exhibit GHB-8. Western Wireless uses a very sophisticated computerized RF propagation model

to analyze its signal coverage and relies on this type of modeling to operate its business. This software model employs high-resolution topographical data, adjusts for "clutter" (*i.e.*, environmental features such as bodies of water, dense vegetation, etc.) and allows the Company's technicians to "drive test" the results – that is, to verify the signal coverage by testing it in the field and then update the model with the field-measured data. In contrast, Mr. Brown's analysis appears to be more rudimentary and, as discussed above, is based on only a partial data set.

Yet even Mr. Brown's rudimentary analysis supports Western Wireless' position that the Company can meet all reasonable requests for service throughout its requested ETC service areas. Even though Mr. Brown's Exhibit GHB-8 dramatically shortchanges Western Wireless' current signal coverage in South Dakota, it generally depicts the same overall coverage footprint and shows that the Company is more than equipped to meet reasonable requests for service anywhere within its requested ETC service areas.

Q: HOW DO YOU RESPOND TO SDTA'S CRITICISM THAT THE WIRE CENTER BOUNDARIES SHOWN ON WESTERN WIRELESS' RF PROPAGATION MAP (EXHIBIT JHB-1) ARE INCORRECT (BROWN SURREBUTTAL, PP. 17-18)?

A: Mr. Brown correctly notes that Western Wireless' analysis utilizes MapInfo® software, which incorporates data from State tariffs, the Telcordia™ LERG™ Routing Guide, StreetPro® and other publicly available sources. *See* www.mapinfo.com. This software is used widely in the telecommunications industry, and to my knowledge produces the most complete and accurate service area maps that can be generated from publicly available data.

More importantly, in reviewing Exhibits GHB-9 and GHB-10, it does not appear that even if SDTA's wire center data were accepted it would make any difference to this Commission's consideration of Western Wireless' Application. Mr. Brown has failed to

identify a single discrepancy that would refute the Company's ability to provide service throughout its requested ETC service areas. Indeed, Exhibit GHB-9 apparently indicates that Western Wireless overestimated the geographic area of Vivian Telephone's Custer wire center. If true, this means Western Wireless has demonstrated that it is currently able to serve an area larger than it would be required to serve as an ETC. Likewise, if the black wire center boundaries represented on Exhibit GHB-10 are compared to Western Wireless' RF propagation, it is clear Western Wireless substantially covers Golden West's study area today and will be able to meet all reasonable requests for service throughout that study area.

III. PUBLIC INTEREST

A. THE COMMISSION'S PUBLIC INTEREST ANALYSIS

Q: DO THE INTERVENORS AGREE THAT THE COMMISSION PREVIOUSLY APPLIED AN APPROPRIATE PUBLIC INTEREST ANALYSIS?

A: Yes. As I addressed in my Rebuttal Testimony, the Commission previously applied a balancing test similar to the approach the FCC adopted in *Virginia Cellular*. (Blundell Rebuttal, p. 17.) In the previous *Western Wireless* proceeding, the Commission first recognized that designating Western Wireless would provide general and specific benefits to rural consumers. The Commission then considered whether there was any evidence that the designation of a competitive ETC in the rural telephone company service areas would detrimentally affect the incumbent carriers' ability to provide universal service to their customers. Neither SDTA nor the Rural LECs dispute that the Commission applied such a balancing test, they simply disagree about what should be considered in this proceeding.

B. CONSUMER BENEFITS OF WESTERN WIRELESS' ETC DESIGNATION

Q: SDTA COMPLAINS "THAT IN 98 PAGES OF TESTIMONY [WESTERN WIRELESS] PROVIDE[S] STARTLINGLY FEW, IF ANY FACTS" TO SHOW THAT ITS ETC DESIGNATION IS IN THE PUBLIC INTEREST. (BROWN SURREBUTTAL, P. 2.) IS THIS RHETORIC ACCURATE?

A: No. I am frankly surprised SDTA would take this position. Mr. Brown clearly ignored, or selectively overlooked, the public interest benefits that Western Wireless will, at a minimum, offer South Dakota rural consumers if designated as an ETC, including:

- Increased consumer choice;
- Competitive incentives to improve service and lower prices for both incumbent and competitive carriers;
- Competitive incentives for the incumbent and competitive carriers to invest in new technologies and infrastructure;
- Larger local calling areas to reduce long distance charges to consumers;
- Mobility;
- Mobile 911 and E-911 service where the local PSAP has implemented E-911;
- Optional wireless local loop service (including simulated dial tone and compatibility with fax, answering machines or other peripheral devices);
- Flexible bundled service offerings;
- Access to advanced services and features equivalent to services and rates available in urban areas;
- State-of-the-art network technology and customer equipment;
- Service to unserved or underserved consumers;
- Expanding network coverage;
- Expedited service activation;
- Elimination of line extension charges;
- 24-hour customer service, technical and operational support;

- Defined commitments to customer service and service quality, including Western Wireless' adoption of CTIA Consumer Code;
- Ability to meet all reasonable requests for service within a reasonable time.

Thus, it is hard for me to believe SDTA would disingenuously suggest that Western Wireless cannot provide the South Dakota consumers within its requested ETC service areas with these genuine benefits once it is designated as an ETC.

C. SDTA AND THE RURAL LECs FAIL TO OFFER ANY EVIDENCE OF POTENTIAL HARM

Q: HAVE SDTA OR THE RURAL LEC WITNESSES SUBMITTED ANY NEW INFORMATION IN SURREBUTTAL TO SUGGEST THAT THE STUDY AREAS AT ISSUE IN THIS PROCEEDING CANNOT SUPPORT COMPETITION FROM WESTERN WIRELESS FOR THE PROVISION OF UNIVERSAL SERVICE?

A: No. In fact, the only argument SDTA or the Rural LECs raise is the speculative effect that a "primary line" funding rule could have if adopted by the FCC. But even assuming the FCC adopts such a rule (and does not implement a "hold harmless" mechanism to obviate any potential loss of support), the Rural LECs concede that they will remain profitable. As explained in my Rebuttal Testimony (pp. 13-14; Exhibit JHB-2), using the Rural LECs' own income and expense figures it appears that they would remain very profitable even if they were to immediately loose up to 20% of their universal service support to a competitive ETC. Notably, neither Mr. Strandell, Mr. Groft nor Houdek dispute that fact in their respective surrebuttal testimony.

Q: DOES MS. VANICEK AGREE THAT THE JOINT BOARD RECOMMENDATIONS, INCLUDING THE "PRIMARY LINE" FUNDING RECOMMENDATION, HAVE NO IMMEDIATE LEGAL EFFECT AT THIS TIME?

A: No. Although Ms. Vanicek does not dispute the legal authority explained in my Rebuttal Testimony, she continues to argue that the Joint Board's recommendations should be applied as a forgone conclusion.

Q: WHAT DO MS. VANICEK AND MR. BROWN RELY ON TO SUGGEST THAT THE JOINT BOARD RECOMMENDATIONS MUST BE CONSIDERED IN THIS PROCEEDING?

A: Ms. Vanicek and Mr. Brown appear to rely on little more than the individual statements of FCC Commissioners Abernathy and Adelstein made outside the confines of an FCC proceeding. (Vanicek Surrebuttal, pp. 7-8; Brown Surrebuttal, pp. 10, 11 and 13.) The statements of an individual FCC Commissioner obviously have no binding effect. Likewise, both witnesses overlook the fact that the FCC's *Highland Cellular* decision was issued after the Joint Board's recommendations were released, and the FCC did not incorporate any of the recommendations in its analysis.

Q: DID MS. VANICEK ALSO CONSIDER THE AMELIORATIVE EFFECT OF THE JOINT BOARD'S "HOLD HARMLESS" RECOMMENDATIONS IN FORMING HER OPINIONS ABOUT THE POTENTIAL IMPACT OF WESTERN WIRELESS' ETC DESIGNATION?

A: No. In fact, it is impossible to reconcile Ms. Vanicek's contrary positions regarding the Joint Board's recommendations. Although she is adamantly convinced that the FCC will adopt the Joint Board's primary line funding recommendation, she inexplicably dismisses the Joint Board's "hold harmless" recommendations as being too speculative because, in her words, "it is unclear exactly how this proposal would function." (Vanicek Surrebuttal, p. 18.)

As a result, the Commission cannot accept the SDTA's and the Rural LECs' universal service funding arguments based on the Joint Board's recommendations. Indeed, these are the same type of speculative "uncertainties with respect to the levels of universal support" that the Commission rejected in the earlier *Western Wireless* proceeding. (*Western Wireless ETC Order*, ¶ 13.)

D. THE COMMISSION CANNOT APPLY ADDITIONAL ETC CRITERIA ON AN *AD HOC* BASIS

Q: MS. VANICEK SUGGESTS THE FIFTH CIRCUIT COURT OF APPEALS HELD STATES MAY IMPOSE THEIR OWN ETC ELIGIBILITY REQUIREMENTS. (VANICEK SURREBUTTAL, P. 7.) DO YOU KNOW WHAT CASE SHE IS REFERRING TO?

A: I assume she is referring to *Texas Office of Public Utility Counsel v. Federal Communications Commission*, 183 F.3d 393, 419-20 (5th Cir. 1999) ("*Texas OPUC*"). However, the Fifth Circuit's holding in *Texas OPUC* does not support Ms. Vanicek's position that the Commission may adopt its own ETC eligibility criteria for wireless carriers who are not subject to its regulatory jurisdiction. Rather, *Texas OPUC* merely recognized a State commission's ability to supplement the ETC criteria "in light of the states' historical role" of regulating intrastate services. (183 F.3d at 418.) This authorized additional State regulation of ILEC and CLEC ETCs. Indeed, had the *Texas OPUC* decision been different, none of the Texas Commission's ILEC and CLEC regulations could be imposed on intrastate carriers – for example, ILECs and CLECs who are otherwise required to obtain a certificate of authority to provide interstate telecommunication services. Nothing in the *Texas OPUC* discussion, however, addressed wireless carriers who historically operated outside of the regulatory jurisdiction of a State commission. In fact, the Court's opinion makes clear that the Act must not be read to impair or supersede federal preemption of State regulation over Commercial Mobile Radio Service ("CMRS") under 47 U.S.C. § 332(c)(3)(A). (*Id.* at 433.)

More importantly, Ms. Vanicek ignores a critical component of Congress' statutory universal service scheme. Although she does not reference it, 47 U.S.C. § 254(f) does provide that a State may adopt additional "definitions and standards" in

order to preserve and advance universal service. However, Section 254(f) expressly provides that such additional criteria cannot be imposed as an unfunded mandate:

> A State may adopt regulations not inconsistent with the Commission's rules to preserve and advance universal service. . . . A State may adopt regulations to provide for additional definitions and standards to preserve and advance universal service within that State only to the extent that such regulations adopt additional specific, predictable, and sufficient mechanisms to support such definitions or standards that do not rely on or burden Federal universal service support mechanisms. (emphasis added).

In other words, if a State adopts additional criteria as a condition of ETC designation, it must provide its own funding mechanism to support the carrier's compliance with those criteria – something neither the South Dakota Legislature nor this Commission has done to date.

Q: IN CONSIDERING WESTERN WIRELESS' PRESENT APPLICATION, CAN THE COMMISSION APPLY CRITERIA OR REQUIREMENTS THAT ARE NOT CONTAINED IN SECTION 214(e) OF THE ACT OR STATE LAW?

A: No. The Commission is obligated to apply existing law and cannot unlawfully impose additional requirements on an *ad hoc* basis. Indeed, the South Dakota Supreme Court observed during the appeal of the first *Western Wireless* order that the Sixth Judicial Circuit Court appropriately "took the PUC at its word that there [are] no additional requirements" when reversing the Commission's order denying Western Wireless' first ETC application. *The Filing by GCC License Corporation for Designation as an Eligible Telecommunications Carrier*, 2001 SD 32, 623 N.W.2d 474, 482-83 (S.D. Mar. 14, 2001), *reh'g denied* (April 30, 2001) (emphasis added). Therefore, the Commission must reject Ms. Vanicek's suggestion that it may now somehow create and apply additional criteria in considering Western Wireless' Application in this case.

E. WESTERN WIRELESS' APPLICATION SATISFIES THE *VIRGINIA CELLULAR* AND JOINT BOARD FACTORS

Q: IN YOUR REBUTTAL TESTIMONY, YOU RELUCTANTLY ADDRESSED WESTERN WIRELESS' SATISFACTION OF BOTH THE *VIRGINIA CELLULAR* AND JOINT BOARD CRITERIA. DO SDTA OR THE RURAL LECS CONTEST WESTERN WIRELESS' SATISFACTION OF THESE CRITERIA EVEN IF THEY ARE APPLIED BY THE COMMISSION?

A: By and large, no. While Ms. Vanicek's surrebuttal testimony summarily identifies the factors considered in the *Virginia Cellular* and *Highland Cellular* public interest discussion (pp. 4-5), she fails to apply any of her discussion to the facts of this case.

Q: WHAT PUBLIC INTEREST FACTORS DID THE FCC CONSIDER IN DESIGNATING A COMPETITIVE ETC IN *VIRGINIA CELLULAR* AND *HIGHLAND CELLULAR*?

A: In *Virginia Cellular* and *Highland Cellular*, the FCC adopted a public interest balancing analysis under which it weighed the following factors:

- The benefits of increased competitive choice;
- The impact of multiple designations on the universal service fund;
- The unique advantages and disadvantages of the competitor's service offering;
- Commitments made regarding customer service and service quality; and
- The competitive ETC's ability to serve its designated service areas within a reasonable time frame.

(*Virginia Cellular Order*, ¶ 28; *Highland Cellular Order*, ¶ 22.)

Q: WHAT FACTORS DID THE JOINT BOARD RECOMMEND BE CONSIDERED IN DESIGNATING A COMPETITIVE ETC IN AN AREA SERVED BY A RURAL TELEPHONE COMPANY?

A: In addition to the criteria set forth in Section 214(e) of the Act, the Joint Board recommended that the FCC consider establishing new, permissive guidelines to allow States to consider the following criteria:

- Whether the applicant has adequate financial resources;
- Whether the applicant has demonstrated a commitment and ability to provide the supported services throughout the designated service area; and

- Whether the applicant has demonstrated an ability to remain functional during emergencies.

(*Joint Board Recommendations*, ¶¶ 21-30.)

1. THE BENEFITS OF INCREASED COMPETITIVE CHOICE

Q: DOES ANY PARTY DISPUTE THE CONSUMER BENEFITS OF DESIGNATING A COMPETITIVE ETC IN THIS PROCEEDING?

A: No. No party has offered any testimony or evidence to refute the FCC's long-standing determination that the "[d]esignation of competitive ETCs promotes competition and benefits consumers in rural and high-cost areas by increasing customer choice, innovative services, and new technologies." *In the Matter of the Federal-State Joint Board on Universal Service, Western Wireless Corp. Petition for Designation as an Eligible Telecommunications Carrier in the State of Wyoming*, CC Docket No. 96-45, *Memorandum Opinion and Order*, DA 00-2896 (rel. Dec. 26, 2000) (emphasis added).

2. THE IMPACT OF MULTIPLE DESIGNATIONS ON THE UNIVERSAL SERVICE FUND

Q: HOW DID THE FCC ADDRESS THE IMPACT OF MULTIPLE DESIGNATIONS ON THE FEDERAL UNIVERSAL SERVICE FUND IN THE *VIRGINIA CELLULAR* AND MORE RECENT *HIGHLAND CELLULAR* PROCEEDINGS?

A: The FCC appropriately deferred the issue pending the outcome of future rulemaking in the *Portability Proceeding*. (*See Virginia Cellular Order*, ¶ 31; *Highland Cellular Order*, ¶ 25.) The FCC also observed that even under the current universal service funding mechanisms, the impact of any one competitive ETC on the universal service fund is, at best, "inconclusive." (*Virginia Cellular Order*, ¶ 31 n. 96; *Highland Cellular Order* ¶ 25 n. 73.)

Q: WOULD WESTERN WIRELESS' ETC DESIGNATION IN THIS CASE HAVE A SUBSTANTIAL IMPACT ON THE FEDERAL UNIVERSAL SERVICE FUND?

A: Absolutely not. Like *Virginia Cellular* and *Highland Cellular*, the designation of Western Wireless throughout its requested ETC service areas would have only a negligible impact on the overall size of the federal universal service fund. As demonstrated on the attached **Exhibit JHB-5**, even if Western Wireless were to capture each and every customer served by the Rural LECs located in the eight affected rural study areas (such that the Rural LECs would end up with zero customers), the overall size of the high-cost universal service fund would not significantly increase because the total amount of high-cost universal service support available to the Rural LECs in this case is only approximately 0.521 percent of the total high-cost support available to all ETCs. Of course, Western Wireless actually capturing the entire customer base of these Rural LECs is highly unlikely.

Q: SETTING ASIDE HOW MUCH SUPPORT THE RURAL LECS ARE RECEIVING, WOULD WESTERN WIRELESS' RECEIPT OF UNIVERSAL SERVICE SUPPORT FOR ITS EXISTING CUSTOMERS WITHIN THE REQUESTED ETC SERVICE AREAS SIGNIFICANTLY IMPACT THE FEDERAL UNIVERSAL SERVICE FUND?

A: No. Using Mr. Brown's own projections set forth in Exhibit GHB-1, he estimates Western Wireless would receive $6,898,815 per year, or $1,724,703 per quarter, if designated as an ETC in this proceeding. If the high-cost universal service fund is (as estimated by USAC) $910,181,029 for the 2nd Quarter of 2004, then Western Wireless would only receive approximately .002 percent of the total high-cost support available to all ETCs. This negligible impact is far less than the increases the FCC found unpersuasive in both *Virginia Cellular* and *Highland Cellular*. (*See Virginia Cellular Order*, ¶ 31 n. 96 (finding 0.105% increase in high-cost universal service fund is inconsequential); *Highland Cellular Order*, ¶ 25 n. 73 (0.04% increase inconsequential).)

3. THE UNIQUE ADVANTAGES AND DISADVANTAGES OF THE COMPETITOR'S SERVICE OFFERINGS

Q: DOES ANY PARTY DISPUTE THE UNIQUE BENEFITS WESTERN WIRELESS CAN OFFER SOUTH DAKOTA CONSUMERS AS A COMPETITIVE ETC?

A: No. As discussed above, although Mr. Brown chose to ignore the substantial benefits Western Wireless can provide consumers as an ETC, no party has offered any testimony or evidence to refute these specific benefits.

Q: HAS ANY PARTY IDENTIFIED ANY DISADVANTAGES TO WESTERN WIRELESS' SERVICES?

A: No. In fact, as discussed in my Rebuttal Testimony (p. 3), Mr. Brown would like to see "wireless service more widely available and affordable in remote areas where it would not otherwise be available, absent [federal universal service] support." (Brown Direct, p. 35.)

4. COMMITMENTS MADE REGARDING CUSTOMER SERVICE AND SERVICE QUALITY

Q: DOES ANY PARTY DISPUTE WESTERN WIRELESS' COMMITMENT TO PROVIDING QUALITY SERVICE OR THE BENEFITS OF ITS ADOPTION OF THE CTIA CONSUMER CODE?

A: No. With the exception of Mr. Groft's and Mr. Houdek's anecdotal stories of dropped calls or weak signal in areas where Western Wireless is not yet serving as an ETC, no party has offered any evidence that Western Wireless is providing poor quality service. (Groft Surrebuttal, pp. 2-3; Houdek Surrebuttal, p. 3.)

Q: HOW DO YOU RESPOND MR. GROFT'S AND MR. HOUDEK'S ACCUSATIONS?

A: Well, first of all, I am pleased that both Mr. Groft and Mr. Houdek are customers of Western Wireless and obviously value the services. However, I am surprised by the exaggerated rhetoric and generalized subjective descriptions used to describe the quality of Western Wireless' service, particularly when many of the service issues used as examples are being reported second-hand by Mr. Groft and Mr. Houdek. In other words,

both Mr. Groft and Mr. Houdek unfairly rely on hearsay to broadly condemn Western Wireless' services.

In any event, Mr. Groft's and Mr. Houdek's testimony certainly illustrates the public benefit of designating Western Wireless throughout its requested ETC service areas so that it may continue to develop and expand its network. In particular, Mr. Groft's testimony amply demonstrates the public benefit of expanding the availability of mobile 911 service. As Mr. Groft explains, James Valley Telephone's own technicians rely on wireless service for their communications needs while in the field and consider wireless service their emergency lifeline if there is a construction accident. (Groft Surrebuttal, p. 3.) Clearly, in those types of "field-work" situations landline service is of no use to James Valley's own employees. While it is unfortunate that James Valley's technicians reported inadequate signal in the particular area where they were working, James Valley certainly could have resolved this coverage gap by equipping its service vehicles and technicians with the type of signal boosting equipment described in my Rebuttal Testimony. (*See, e.g.,* www.signalreach.com.)

Q: YOU USED THE TERM "COVERAGE GAP" IN YOUR PRIOR ANSWER. WHAT DO YOU MEAN?

A: Well, as Mr. Brown acknowledges in his Surrebuttal Testimony, the signal quality that an individual customer may experience in a particular location may be affected by a number of environmental factors, including whether the customer's phone is working properly, whether the battery is adequately charged, where the phone is located (*i.e.*, inside a pocket, purse, car, building, etc.), or whether the signal is being blocked by natural or artificial obstacles such as foliage, terrain and buildings. (*See* Brown Surrebuttal Testimony, p. 16.) These types of environmental factors may create gaps (also referred

to as "dead spots") where the radio signal being broadcast by either the customer's phone or the wireless network is not sufficient to sustain a call.

Q: HAS THE FCC ADDRESSED THE AFFECT OF COVERAGE GAPS ON AN APPLICANT'S ELIGIBILITY TO BE DESIGNATED AS AN ETC?

A: Yes. The FCC has on several occasions rejected the argument now advanced by SDTA witnesses that gaps in a wireless carrier's coverage should prevent it from being granted ETC status. Most recently, in the *Virginia Cellular* proceeding, the FCC wrote:

> Although the Virginia Rural Telephone Companies claim that Virginia Cellular's wireless signals are sporadic in certain areas, we find that the existence of so-called "dead spots" in Virginia Cellular's network does not preclude us from designating Virginia Cellular as an ETC. The Commission has already determined that a telecommunications carrier's inability to demonstrate that it can provide ubiquitous service at the time of its request for designation as an ETC should not preclude its designation as an ETC. Moreover, as stated above, Virginia Cellular has committed to improve its network. In addition, the Commission's rules acknowledge the existence of dead spots. "Dead spots" are defined as "[s]mall areas within a service area where the field strength is lower than the minimum level for reliable service." Section 22.99 of the Commission's rules states that "[s]ervice within dead spots is presumed." Additionally, the Commission's rules provide that "cellular service is considered to be provided in all areas, including dead spots . . . ." Because "dead spots" are acknowledged by the Commission's rules, we are not persuaded by the Virginia Rural LECs that the possibility of dead spots demonstrates that Virginia Cellular is not willing or capable of providing acceptable levels of service throughout its service area.

(Virginia Cellular Order, ¶ 23.) (emphasis added; internal cites omitted)

5. THE COMPETITIVE ETC'S ABILITY TO SERVE ITS DESIGNATED SERVICE AREAS WITHIN A REASONABLE TIME FRAME

Q: DO SDTA OR THE RURAL LECS DISPUTE THAT WESTERN WIRELESS HAS THE COMMITMENT AND ABILITY TO PROVIDE THE SUPPORTED SERVICES THROUGHOUT ITS REQUESTED ETC SERVICE AREAS OVER TIME?

A: No. As discussed above, SDTA concedes that Western Wireless is able to meet this obligation, although Mr. Brown argues that the Company only satisfies the "technical" requirements of the Act. (Brown Surrebuttal, p. 4.) Likewise, the Rural LECs offer no

evidence to suggest that Western Wireless cannot fulfill its obligation to meet all reasonable requests for service.

6. ADEQUATE FINANCIAL RESOURCES

Q: DOES ANY PARTY DISPUTE THAT WESTERN WIRELESS HAS ADEQUATE FINANCIAL RESOURCES TO BE DESIGNATED THROUGHOUT ITS REQUESTED ETC SERVICE AREAS?

A: Not at all.

7. ABILITY TO REMAIN FUNCTIONAL DURING EMERGENCIES

Q: DOES ANY PARTY DISPUTE WESTERN WIRELESS' ABILITY TO REMAIN FUNCTIONAL DURING EMERGENCIES.

A: No.

F. AFFORDABILITY

Q: MS. VANICEK CONTINUES TO ARGUE THAT THE COMMISSION MUST CONSIDER WHETHER WESTERN WIRELESS' SERVICE OFFERINGS ARE "AFFORDABLE" (VANICEK SURREBUTTAL, P. 11.) DID THE FCC APPLY AN AFFORDABILITY ANALYSIS IN *VIRGINIA CELLULAR*?

A: No. In fact, Ms. Vanicek acknowledges that "states are not 'directed' to consider affordability." (Vanicek Surrebuttal, p. 11.) Moreover, the FCC did not apply an "affordability" analysis in *Virginia Cellular* or *Highland Cellular*, nor has it ever applied an affordability analysis when designating a competitive ETC. And the Joint Board's most recent recommendations do not suggest that the FCC adopt an "affordability" analysis.

Q: MS. VANICEK ALSO CONTENDS THAT OTHER STATES HAVE CONSIDERED AFFORDABILITY AND CITES UTAH AS AN EXAMPLE OF A STATE WHERE THE LOCAL COMMISSION REGULATES THE RATES OF EVEN WIRELESS CARRIERS (VANICEK SURREBUTTAL, P. 12.) IS SHE WRONG?

A: Yes. Ms. Vanicek apparently misunderstands the Utah State universal service funding mechanisms. First, affordability is <u>not</u> a consideration in Utah for purposes of designating an ETC to receive <u>federal</u> universal service funds, so it has no applicability in

this proceeding. Second, there is no requirement that an applicant for designation as a State ETC (*i.e.*, an applicant seeking to become eligible to receive support from the separate State universal service fund) price its services at or below the base rates set by the Utah PSC. To the contrary, competitive ETCs are free to price their service offerings as they see fit. The only limitation imposed by the Utah State universal service rules is that a State ETC will only receive support from the Utah State Fund to the extent that the service offering for which it seeks support is priced at or below the rates established by the PSC. (*WWC Holding Co, Inc. v. Public Service Commission of Utah*, 200 UT 23, ¶¶ 29-30 (March 5, 2002).) Such a requirement does not result in any "affordability" factor as part of the public interest analysis at the time of designation, but rather is a limitation on support amounts based on the peculiar nature of the Utah State Fund.

Q: ARE THERE ANY STANDARDS THAT THE COMMISSION COULD EVEN APPLY TO DETERMINE WHETHER A SERVICE OFFERING IS "AFFORDABLE?"

A: No. As Mr. Vanicek concedes, affordability is purely subjective and "will depend on the income and budget allocations of individual consumers." (Vanicek Surrebuttal, p. 13.) Moreover, no rules exist at the State or federal level to assist the Commission in making such a determination.

Q: HASN'T THE COMMISSION ALREADY REJECTED SDTA'S "AFFORDABILITY" ARGUMENT?

A: Yes. As recently as January 2003, the Commission acknowledged that no other eligibility criteria, including an affordability standard, exists under State or federal law and, therefore, approved Western Wireless' Compliance Filing over SDTA's objection that the Commission must reopen the record to consider, among other things, the affordability of the Company's rates. (*In the Matter of the Filing by GCC License Corporation For Designation As An Eligible Telecommunications Carrier*, Docket No.

TC98-146, *Order Designating Western Wireless as and ETC for Areas Served by Certain Rural Telephone Companies* (Jan. 6, 2003).) Ms. Vanicek's current "affordability" arguments are simply another attempt by SDTA to recycle a claim that has already been considered and properly rejected by the Commission.

G. WESTERN WIRELESS HAS APPROPRIATELY USED UNIVERSAL SERVICE SUPPORT UNDER FEDERAL LAW

Q: MR. BROWN CONTINUES TO ACCUSE WESTERN WIRELESS OF NOT APPROPRIATELY USING THE UNIVERSAL SERVICE SUPPORT IT HAS RECEIVED IN SOUTH DAKOTA (BROWN REBUTTAL, PP. 3, 6). IS MR. BROWN WRONG?

A: Yes. First of all, Mr. Brown's myopic fixation on the construction of cell sites as the only permissible use of federal universal services support is completely irrelevant. As I discussed in my Rebuttal Testimony (p. 26), every ETC is obligated by federal law to use the USF support it receives for the "provision, maintenance, and upgrading of facilities and services for which the support is intended." 47 U.S.C. § 254(e) (emphasis added). Nowhere in federal law does it require (or limit) an ETC to utilize universal service support to construct additional facilities, particularly in areas where the Company is already providing service. Rather, the support is to be used for the provision, maintenance, and upgrading of facilities and services. That is exactly what the Company has done, and this Commission has previously certified Western Wireless' appropriate use of the federal universal service support it has received consistent with 47 U.S.C. § 254(e).

Q: MR. BROWN CLAIMS THE COMPANY RECEIVED OVER $16 MILLION IN FEDERAL HIGH-COST SUPPORT SINCE FIRST BEING DESIGNATED AS AN ETC IN SOUTH DAKOTA ON OCTOBER 1, 2001. (BROWN REBUTTAL, P. 3.) IS HE RIGHT?

A: No. Mr. Brown's financial analysis is grossly overstated. While I am not sure how he arrived at his figures, I assume that in generating Exhibit GHB-5 Mr. Brown ignored the

fact that carriers often report lines to USAC (for USAC's convenience in developing its funding projections) prior to being designated as an ETC and, therefore, he has included USAC's projected support amounts that Western Wireless never received. His figures likewise do not appear to segregate any support amounts received by Western Wireless for its two separate South Dakota ETC service areas, *i.e.*, the Pine Ridge Reservation (SAC 399001) and other areas of the State (SAC 399002).

Mr. Brown also apparently failed to carefully review the Orders designating Western Wireless as an ETC in South Dakota. Western Wireless was not designated as an ETC anywhere in South Dakota until October 5, 2001. And this designation was granted by the FCC on the Pine Ridge Reservation, not in greater South Dakota. Western Wireless was not designated as an ETC outside the Pine Ridge Reservation until October 18, 2001, when the Commission granted the Company's application for certain non-rural Qwest exchanges. Although the Commission also conditionally designated Western Wireless as an ETC in certain rural telephone company study areas that same day, the designation did not become effective until January 6, 2003 when the Commission approved the Company's Compliance Filing over SDTA's numerous objections.

Moreover, as a result the administrative and regulatory time lag between designation as an ETC and the receipt of funds from USAC, Western Wireless did not receive any high-cost universal service support on the Pine Ridge Reservation until April 2002. Likewise, the Company did not receive its first disbursement of high-cost support in rural South Dakota until April 2003, just one year ago. And as can be seen from the attached **Confidential Exhibit JHB-6**, the Company has received considerably

less than $16 million in universal service support in South Dakota since April 2003. Yet prior to receiving any universal service support in its designated ETC service areas, Western Wireless advertised the availability and charges for its service offerings, met all reasonable requests for service, provided valuable Lifeline and Link-Up service and satisfied all other ETC requirements.

Q: WOULD YOU LIKE TO RESPOND TO MR. BROWN'S ACCUSATION THAT WESTERN WIRELESS "UNILATERALLY" DECLARED ITSELF ELIGIBLE FOR UNIVERSAL SERVICE SUPPORT FOR ITS CONVENTIONAL MOBILE WIRELESS SERVICE OFFERINGS (BROWN SURREBUTTAL, PP. 18-19)?

A: Yes. Mr. Brown has again failed to consider, or has conveniently ignored, the facts. Western Wireless never sought to limit the scope of its ETC designation to any particular service offering, including its wireless local loop offering. In each ETC proceeding Western Wireless has participated in, the Company sought to demonstrate its capability to provide the nine supported services to its subscribers over its existing network, whether the customer chooses to access the network using a mobile handset or a wireless access unit.

More importantly, as it relates to South Dakota, the Sixth Judicial Circuit Court expressly determined that the provision of the supported services is the same whether the customer uses a wireless access unit or conventional mobile handset:

> [Western Wireless] testified that it currently provides mobile cellular service using various types of customer handsets (e.g., small handheld pocket phones, larger briefcase-sized phones, car phones). . . .
>
> [...] A wireless access unit is nothing more than a piece of customer equipment that offers features not available with a traditional cellular handset. . . .
>
> The undisputed record evidence demonstrates that the provision of the supported services is the same whether the customer uses a wireless access unit or a conventional cellular handset. [Western Wireless'] network infrastructure used to provide the services – the antennae, cell sites,

> switch, trunk and radio frequency spectrum – is the same. The nature of the service does not change simply because the customer equipment used to transmit and receive the services (*i.e.*, cellular handset vs. wireless access unit) is different. [Western Wireless'] network infrastructure does not distinguish between calls originated or terminated using a cellular handset or a wireless local loop access unit.

(The Filing by GCC License Corporation for Designation as an Eligible Telecommunications Carrier, Civ. 99-235, *Findings of Fact, Conclusions of Law and Order*, pp. 4-6 (6th Jud. Dist. Mar. 22, 2000).) These findings were later affirmed by the South Dakota Supreme Court (*The Filing by GCC License Corporation for Designation as an Eligible Telecommunications Carrier*, 2001 SD 32, 623 N.W.2d 474 (S.D. Mar. 14, 2001), *reh'g denied* (April 30, 2001)) and expressly adopted by the Commission on October 18, 2001.

Furthermore, this Commission has already disposed of SDTA's spurious assertion that Western Wireless somehow acted to broaden the scope of its ETC designation in South Dakota. If Mr. Brown had consulted with his client, he would have understood that SDTA previously attempted to delay Western Wireless' final designation in certain rural telephone company service areas by contesting the Company's Compliance Filing in Docket TC98-146. During that process, SDTA argued, among other things, that Western Wireless was not eligible for support for its conventional mobile services. The Commission properly rejected this claim and approved Western Wireless' Compliance Filing on January 6, 2003.

Q: DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A: Yes.

EXHIBIT JHB-5

South Dakota Rural LEC High-Cost Support

Western Wireless
South Dakota Rural LEC
High-Cost Support

Rural Telephone Company	SAC	Lines	Total USF Monthly	Total USF Quarterly
Golden West Tel. Coop. Inc.	391659	18,287	$523,247	$1,569,740
James Valley Cooperative Tel. Co.	391664	4,097	$108,157	$324,472
Splitrock Telecom Cooperative Inc.	391657	6,668	$41,872	$125,617
Venture Communications Cooperative	391680	11,180	$310,952	$932,855
Tri-County Telecom, Inc.	391682	457	$16,838	$50,514
Vivian Tel. Co., dba Golden West Communications, Inc.	391686	19,774	$406,001	$1,218,004
Mobridge Telecommunications Company	391671	2,760	$36,201	$108,604
West River Cooperative Tel. Co.	391689	3,997	$137,721	$413,164
Totals		67,220	$1,580,990	$4,742,970

Federal USF Totals	**$303,236,023**	**$910,181,029**
Percentage of High-Cost Universal Service Fund	**0.521%**	**0.521%**

Source: *Universal Service Administrative Company , Federal Universal Service Support Mechanisms Fund Size Projections for the Second Quarter of 2004* , Appendix HC01 & HC05 (Jan. 30, 2004)

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SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

In the Matter of the Filing by WWC License, LLC d/b/a CellularOne® for Designation as an Eligible Telecommunications Carrier in Other Rural Areas	)))))	Docket No. TC03-191

REBUTTAL TESTIMONY OF DON J. WOOD ON BEHALF OF WWC LICENSE, LLC

April 5, 2004

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Background and Purpose of Testimony

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Don J. Wood. I am a principal in the firm of Wood & Wood, an economic and financial consulting firm. My business address is 30000 Mill Creek Avenue, Suite 395, Alpharetta, Georgia 30022. I provide economic and regulatory analysis of the telecommunications, cable, and related convergence industries with an emphasis on economic policy, competitive market development, and cost-of-service issues.

Q. PLEASE DESCRIBE YOUR BACKGROUND AND EXPERIENCE.

A. I received a BBA in Finance with distinction from Emory University and an MBA with concentrations in Finance and Microeconomics from the College of William and Mary. My telecommunications experience includes employment at both a Regional Bell Operating Company ("RBOC") and an Interexchange Carrier ("IXC").

Specifically, I was employed in the local exchange industry by BellSouth Services, Inc. in its Pricing and Economics, Service Cost Division. My responsibilities included performing cost analyses of new and existing services, preparing documentation for filings with state regulatory commissions and the Federal Communications Commission ("FCC"), developing methodology and computer models for use by other analysts, and performing special assembly cost studies.

I was employed in the interexchange industry by MCI Telecommunications Corporation, as Manager of Regulatory Analysis for the Southern Division. In this

capacity I was responsible for the development and implementation of regulatory policy for operations in the southern U. S. I then served as a Manager in MCI's Economic Analysis and Regulatory Affairs Organization, where I participated in the development of regulatory policy for national issues.

Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE STATE REGULATORS?

A. Yes. I have testified on telecommunications issues before the regulatory commissions of thirty-five states, Puerto Rico, and the District of Columbia. I have also presented testimony regarding telecommunications issues in state, federal, and overseas courts, before alternative dispute resolution tribunals, and at the FCC. A listing of my previous testimony is attached as **Exhibit DJW-1**.

Q. ARE YOU FAMILIAR WITH THE APPLICATION OF UNIVERSAL SERVICE MECHANISMS AT THE STATE AND FEDERAL LEVELS?

A. Yes. In the course of my professional experience, I have addressed issues regarding the design, implementation, and ongoing administration of universal service support mechanisms. I have also performed extensive analysis of the costs of service, including but not limited to network costs, incurred by telecommunications carriers to provide local exchange services and have specifically addressed the issue of how costs may vary among and between geographic areas. I was involved in the review and analysis of both the HAI model and BCPM considered by the FCC in CC Docket No. 96-45, and have presented testimony regarding the relative merits of both models on numerous occasions.

More recently, I have analyzed the applications of a number of carriers seeking designation as an Eligible Telecommunications Carrier ("ETC"), including applications to be granted ETC status in areas serviced by both non-rural and rural Incumbent Local Exchange Companies ("ILECs"). To date, I have presented testimony regarding such applications in Alabama (decided by the FCC), Alaska, Colorado, Idaho, Indiana, Kansas, Minnesota, Oklahoma, Oregon, Texas and West Virginia.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I have been asked by WWC License, LLC, d/b/a Cellular One ("WWC") to respond to the testimonies of Mr. Glenn H. Brown and Ms. Sue Vanicek on behalf of the South Dakota Telephone Association ("SDTA") and its member companies where WWC is seeking designation as an additional ETC - - Golden West Telephone Company, Inc., James Valley Cooperative Telephone Company, Splitrock Properties, Inc., Sully Buttes Telephone Cooperative, Inc., Tri-County Telecom, Inc., Vivian Telephone Company and West River Telecommunications Coop (the "Rural ILECs").

My testimony is divided into two sections. Section 1 describes the questions that are before the Commission in this proceeding and the applicable federal requirements that are to be used to answer those questions. Section 2 addresses the question of whether the designation of WWC as an ETC in the areas served by the Rural ILECs is in the public interest.

Section 1: The Specific and Narrow Questions before the Commission

Q. WHAT QUESTIONS ARE BEFORE THE COMMISSION IN THIS PROCEEDING?

A. For the Rural ILEC areas identified in WWC's Petition, there are two relevant questions: (1) Has WWC committed to offer and advertise the nine supported services throughout the proposed service areas?, and (2) Is the designation of WWC as an ETC in the public interest?

Q. ARE THERE ANY ADDITIONAL QUESTIONS BEFORE THE COMMISSION IN THIS CASE?

A. No. While Mr. Brown and Ms. Vanicek tirelessly argue otherwise, this proceeding is not an opportunity to second guess Congressional policy as set forth in the 1996 Act or the FCC's interpretation and implementation of that policy as set forth in the federal rules.

Mr. Brown and Ms. Vanicek take a two-pronged approach to their efforts to persuade the Commission to deny WWC's request for designation as an additional ETC. First, Mr. Brown and Ms. Vanicek argue that the standard for ETC designations in areas served by rural ILECs has somehow been changed by the issuance of the FCC's *Virginia Cellular Order*[1] or by the release of the *Joint Board Recommendation*[2] to the FCC. In contrast to the impression given by Mr. Brown and Ms. Vanicek in their testimony, the *Virginia Cellular Order* does not represent a reversal of past FCC policy regarding how

[1] *Memorandum and Order*, CC Docket No. 96-45, (rel. January 22, 2004).
[2] *Recommended Decision* by the Federal-State Joint Board on Universal Service, (rel. February 27, 2004).

ETC designations should be made. To the contrary, the *Virginia Cellular Order* represents a diligent application of principles previously identified and applied by the FCC. As I will describe later in my testimony, WWC meets each of the FCC's criteria. While Mr. Brown and Ms. Vanicek may wish otherwise, the *Joint Board Recommendation* is just that: a recommendation. In that report, the Joint Board takes on several controversial issues and defers others. The recommendation also includes several separate statements and dissenting views, including strong dissents on some of the issues addressed by Mr. Brown and Ms. Vanicek. The FCC has yet to receive comment on the recommendation and it is of course unknown whether some, all, or none of the recommendation will ultimately be adopted.[3] It is not necessary, nor would it be appropriate, for this Commission to speculate on what the outcome of the FCC's investigation will be.

The second prong of the approach taken by the SDTA witnesses is to present a series of arguments that have previously presented by Mr. Brown in state ETC proceedings. Without exception, these arguments (1) are wholly unsupported by either facts or sound public policy, and (2) have never been accepted by a state regulator.[4] The

[3] Mr. Brown and Ms. Vanicek suggest that the recommendation is as good as adopted because three FCC Commissioners are members of the Joint Board. Such a conclusion is premature at best; it is not known how any of these three Commissioners will ultimately vote on a given issue once comments are received and considered, nor is it known whether these individuals will be on the FCC when the vote is taken.

[4] In the state proceedings in which both Mr. Brown and I have both participated, Mr. Brown has

willingness of Mr. Brown, and now Ms. Vanicek, to enthusiastically repeat these arguments throughout their testimonies not make them credible, nor does it change the fact that neither witness presents any valid public policy or factual reason why this Commission should not approve WWC's request for designation.

It Is Neither Necessary Nor Appropriate To Broaden The Scope Of This Proceeding As Suggested By SDTA Witnesses

Q. HAVE THE QUESTIONS YOU OUTLINED ABOVE BEEN THE FOCUS OF THE ETC DESIGNATION PROCEEDINGS BEFORE OTHER STATE REGULATORS?

A. Yes. These questions have been, as they must be, the focus of the review made by the regulators in each case (state regulatory bodies where they have jurisdiction, the FCC where the state regulator did not have jurisdiction).

In direct contrast, the Rural ILECs in these proceedings have sought to significantly broaden the scope of review and have attempted to put competition on trial. While such attempts have rarely been successful, they have often become distractions that unnecessarily consume the time and resources of all involved. Unfortunately, the Rural ILECs in this case have undertaken such a strategy.

---

argued that the request for ETC designation be rejected for these reasons. In each of these proceedings, the request for ETC designation has been granted in spite of Mr. Brown's arguments.

[6] *Alenco Communications, Inc. v. FCC*, 201 F.3d at 620, cited in *Fourteenth Report and Order*, ¶ 27.

Put directly, the purpose of this proceeding is *not*, as Mr. Brown and Ms. Vanicek suggest, to answer the question *Is the introduction of competition for basic telecommunications services in rural areas in the public interest?* That question has been answered and the policy direction has been set by both Congress and the FCC. The questions to be addressed here concern the facts of WWC's Petition.

Mr. Brown and Ms. Vanicek ask the Commission to weigh the benefits and costs of permitting competitive entry into rural areas and the benefits and costs of granting ETC status to more than one carrier in such an area. These questions are not before the Commission in this proceeding. To the contrary, the relevant questions here are specific to WWC: *Will WWC offer services that provide benefits to consumers?*, and *Is there some fact or issue that is specific to WWC, or to the service areas within which it seeks ETC designation in South Dakota, that would outweigh those benefits?* Based on the facts associated with this Petition, the Commission should be able to answer "yes" and "no," respectively, to these questions.

As an overarching principle, it is the interests of the public – the consumers of telecommunications services – that must be considered. The interests of individual carriers, or categories of carriers, is a secondary consideration if it is to be considered at all. Mr. Brown endorses the idea of "competitive neutrality" at a conceptual level, but then goes on to insist on a series of restrictions and requirements that are anything but competitively neutral.

The FCC and Fifth Circuit Court have been clear that the purpose of the federal universal service mechanism is to protect rural consumers of telecommunications services; its purpose is not to protect incumbent LECs: "The Act does *not* guarantee all local telephone service providers a sufficient return on investment; quite the contrary, it is intended to introduce competition into the market. Competition necessarily brings the risk that some telephone service providers will be unable to compete. The Act only promises universal service, and that is a goal that requires sufficient funding of *customers*, not *providers*. So long as there is sufficient and competitively neutral funding to enable all customers to receive basic telecommunications services, the FCC has satisfied the Act and is not further required to ensure sufficient funding of every local telephone provider as well" (emphasis in original).[6] In stark contrast, Ms. Vanicek suggests (p. 22) that the Commission should consider "the possibility of harm to rural ILECs" – such a consideration is clearly not consistent with long standing FCC policy.

The SDTA now seeks to re-litigate the FCC's recent decisions regarding the operation of the federal universal service mechanism in rural areas, and is specifically asking the Commission to ignore certain portions – but not others – of the FCC's *Fourteenth Report and Order, Twenty-Second Order on Reconsideration and Further Notice of Proposed Rulemaking in CC Docket No. 96-45*, Released May 23, 2001 ("*Fourteenth Report and Order*") and to engage in a process of second guessing both Congress and the FCC regarding (1) the benefits of competitive entry, and (2) the most effective means of ensuring that consumers in rural areas have access to basic

telecommunications services at reasonable rates. Setting aside the question of whether the Rural ILECs' claims have merit, this is simply not the correct forum for such a debate.

The Role Of The FCC's Virginia Cellular Order And The Joint Board Recommendation

Q. IS IT YOUR TESTIMONY THAT THE THIS COMMISSION MUST IGNORE THE FCC'S *VIRGINIA CELLULAR ORDER* AND THE *JOINT BOARD RECOMMENDATION* WHEN REACHING A DECISION IN THIS CASE?

A. No, but these documents (one FCC order and one recommendation to the FCC) must be considered accurately and in the proper context.

Q. PLEASE DESCRIBE THE FCC'S CONCLUSIONS AS SET FORTH IN THE *VIRGINIA CELLULAR ORDER.*

A. Both Mr. Brown (p. 7) and Ms. Vanicek (pp. 7-8) paraphrase the FCC's statements at paragraph 4 of the *Virginia Cellular Order*: "in determining whether designation of a competitive ETC in a rural telephone company's service area is in the public interest, we weigh numerous factors, including the benefits of competitive choice, the impact of multiple designations on the universal service fund, the unique advantages and disadvantages of the competitor's service offering, any commitments made regarding quality of telephone service provided by competing providers, and the competitive ETC's ability to provide the supported services throughout the designated service area within a reasonable time frame." Mr. Brown and Ms. Vanicek then characterize the FCC's

statement as one that goes above and beyond the public interest standard previously applied by the FCC, and extend this logic to a suggestion that the FCC is seeking to discourage ETC designations in rural ILEC study areas. I disagree in both respects; the criteria applied by the FCC in the *Virginia Cellular Order* are not new, and any theory that the FCC intended to somehow "telegraph" a suggestion to the States to deny requests for ETC designations ignores the simple fact that the FCC *approved* Virginia Cellular's request for ETC designation.

While I will discuss each of the topics in greater detail later in my testimony, the following is a summary of how the facts surrounding WWC's Petition apply to the FCC criteria cited by Mr. Brown and Ms. Vanicek:

The benefits of competitive choice. The FCC has previously endorsed these benefits, including the opportunity for end users to have competitive alternatives, new services, and lower prices. The FCC has also concluded that an important benefit of competitive entry is the creation of incentives for the rural ILEC to improve efficiency and reduce its network and operating costs. The operation of WWC as an additional ETC can be expected to have this effect in the areas for which it seeks designation in South Dakota.

The impact of multiple designations on the universal service fund. SDTA's reliance on this issue as a reason for rejecting WWC's Petition is misplaced for three reasons. First, although the FCC discussed this factor, it ultimately deferred any consideration of this issue to the pending Joint Board proceedings. The FCC did not

make its public interest determination with any reliance on this factor. Second, it ignores the fact that the rural wireline ILECs continue to receive the vast majority of high cost universal service funds and that the size of the fund has increased significantly because the rural ILECs requested (and were granted) a higher level of funding from the FCC. The additional funding received by rural ILECs through the "modified embedded cost" funding mechanism far outweighs any impact on the fund caused by CETCs generally or wireless CETCs specifically. Third, SDTA's analysis is limited by a short run view; as I will explain, the best means of managing the size of the fund over the long term is to designate one or more CETCs in these areas. The long run impact on the federal fund of designating WWC as an ETC may be a reduction, not an increase, in the size of the fund.

The unique advantages and disadvantages of the competitor's service offering. WWC is proposing to offer a wide range of service offerings as an ETC. The best judges of whether these offerings provide benefits to end users are the customers themselves: if they do not perceive a benefit, they will not subscribe to the WWC services and WWC will not receive any universal service funding. It should be noted that in its *Virginia Cellular Order*, the FCC concluded (paragraph 29) that the extended coverage, mobility, and larger calling areas offered by Virginia Cellular represented benefits to customers that was a factor in its public interest analysis.

Any commitments made regarding quality of telephone service provided by competing providers. Like pricing and other components of customer benefit, service quality is best judged by end user customers: if customers do not perceive that WWC's

offering is of sufficient quality, they will not subscribe to the WWC services and WWC will not receive any universal service funding. It should also be noted that WWC has committed to comply with the CTIA *Consumer Code for Wireless Service* in order to ensure consumer protection as more fully discussed by Mr. Blundell. This is the same commitment made by Virginia Cellular and relied upon by the FCC in its public interest determination.[7]

The competitive ETC's ability to provide the supported services throughout the designated service area within a reasonable time frame. WWC has committed to use universal service funding received only for the intended uses and will use these funds to increase the quality and coverage area of its services as explained by Mr. Blundell. The FCC has explicitly recognized that it is unlikely that a CETC will be able to offer ubiquitous service prior to receiving USF: "to require a carrier to actually provide the supported services before it is designated as ETC has the effect of prohibiting the ability of prospective entrants from providing telecommunications services."[8] Instead, the FCC has focused on a CETC's ability and willingness to respond to reasonable requests for service.[9] WWC is making a commitment to respond such reasonable requests as fully addressed by Mr. Blundell's testimony.

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[7] *Virginia Cellular Order* ¶ 46.
[8] *Virginia Cellular Order*, ¶ 17, citing *Declaratory Ruling*, 15 FCC Rcd at 15173-74.
[9] *Virginia Cellular Order*, ¶ 15.

In summary, WWC's Petition is fully consistent with the FCC's application of the public interest standard in the *Virginia Cellular Order*. I will provide a detailed discussion of these and other related issues in Section 2 of my testimony.

Q. HOW DID THE FCC TREAT THE JOINT BOARD RECOMMENDATION WHEN REACHING ITS DECISION REGARDING VIRGINIA CELLULAR'S REQUEST FOR ETC DESIGNATION?

A. The FCC concluded that its investigation into the USF rules, including its consideration of the Joint Board recommendations, might change the rules to be applied *in the future* in a proceeding such as this one, but that until that change occurs the existing rules should be applied and no attempt to prejudge the outcome of the FCC's investigation should be made. For example, the FCC states "we note that the outcome of the Commission's pending proceeding before the Joint Board examining the rules relating to high-cost universal service support in competitive areas could potentially impact the support that Virginia Cellular and other ETCs may receive in the future. This Order is not intended to prejudge the outcome of that proceeding."[10] The FCC also noted that the outcome of its investigation could "modify the public interest analysis used to designate ETCs in both rural and non-rural carrier study areas,"[11] and finally: "we note that the outcome of the Commission's pending proceeding examining the rules relating to high-cost support in competitive areas could materially impact, among other things, the support that Virginia

[10] *Id.*, ¶ 12.

cellular and other competitive ETCs may receive in the future. It is our hope that the Commission's pending rulemaking proceeding will provide a framework for assessing the overall impact of competitive ETC designations on the universal service mechanism."[12] As was the case when the FCC released the *Virginia Cellular Order*, the FCC's pending rulemaking proceeding has not been concluded and no rules have yet been changed. The proper course to be followed in this proceeding is for the Commission to apply, as the FCC did in the *Virginia Cellular Order,* the rules as they currently exist. As the FCC repeatedly pointed out, the rules may (or may not) change in the future, but they have not yet done so. The FCC did not prejudge the conclusion of its pending rulemaking, and I would urge this Commission to likewise not prejudge that outcome contrary to the suggestions of the SDTA witnesses.

What remains, therefore, is the task before the Commission in this case to apply the facts of WWC's request to the existing rules for ETC designation.

The SDTA Witnesses Offer No Relevant Facts To Support Their Position That WWC's Petition For Designation As An ETC Should Not Be Granted

Q. DO MR. BROWN OR MS. VANICEK PROVIDE ANY SPECIFIC FACTS RELATED TO ANY OF THE RURAL ILEC SERVICE AREAS THAT WOULD JUSTIFY A REJECTION OF WWC'S PETITION?

A. No. Mr. Brown and Ms. Vanicek emphasize that this proceeding should be a "fact-

[11] *Id.*, ¶ 27.

intensive inquiry," but devote the bulk of their testimonies to providing a litany of oft-repeated general concerns and speculation. As I will explain in more detail in Section 2 of my testimony, the facts that are provided by the SDTA witnesses are either not relevant to the question at hand or fail to support the arguments that they make. In the end, the Rural ILECs offer no facts that could form the basis of a decision other than it is in the public interest to designate WWC as an ETC in the requested areas.

Q. MR. BROWN (PP. 23-30) AND MS. VANICEK (PP. 7-9) ARGUE FOR A COST-BENEFIT ANALYSIS. DO YOU AGREE WITH THEIR REASONING?

A. I have no problem with the application of a cost-benefit analysis in this proceeding as long as both the benefits and costs considered are (1) accurately identified and (2) specific to this proceeding. WWC has presented facts that are specific to the operation of WWC in the South Dakota service areas in question. In direct contrast, Mr. Brown and Ms. Vanicek describe costs, such as the support of multiple networks,[13] that *might* occur as a consequence of the designation of a CETC (and then fail to consider the question over anything other than the short run), and speculate about rule changes that *might* occur

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[12] *Id.*, ¶ 31.

[13] As I will explain in more detail later in my testimony, the funding of more than one network over the short run may be necessary in order to minimize the size of the fund over the long term. If Mr. Brown is right in his assumption that wireless carriers have lower network costs than wireline carriers, then such a scenario exists in this case: it will be necessary to temporarily fund both a wireline and wireless network in the short run until the more efficient/less costly wireless network can take over and represent the only funded network. This would yield a significantly lower fund size over the long run.

at the conclusion of the FCC's pending investigation and suggest that the Commission somehow apply those unknown rules in this proceeding. Mr. Brown and Ms. Vanicek are at 30,000 feet when they should be at ground level: any costs to be considered in this proceeding are those that are specific to the details of WWC's Petition or specific to the characteristics of any of the Rural ILEC service areas that are the subject of the Petition, and the existing rules are to be applied (as the FCC did in the *Virginia Cellular Order*).

Q. MR. BROWN CLAIMS TO HAVE LISTED BOTH COSTS AND BENEFITS OF ETC DESIGNATION AND BELIEVES THAT THE COSTS GREATLY OUTWEIGH THE BENEFITS. DO YOU AGREE?

A. No. While he devotes a considerable amount of his testimony to the potential costs of designating an additional ETC, Mr. Brown devotes very little time to a description of the benefits. He does state (p. 23) that benefits might be created by investments that would bring mobile service to currently unserved areas and expand the areas within which customers can use their mobile phones. I agree, although Mr. Brown's assumption that "investments in new towers" is the only way to accomplish such an expansion of coverage is erroneous. He also lists new choices, lower prices, and higher quality as potential benefits. He is again correct, but his focus is too narrow. The benefit of customer choice applies not only to the introduction of new offerings to existing customers but extends to the case of existing offerings being made to customers not previously served. The benefit of lower prices applies to reductions in the price of existing offerings, but it is also necessary to consider the bundle of services being

provided and the price that the customer would have to pay the ILEC for that same bundle of services. Increases in service quality benefit all customers. As Mr. Brown has previously acknowledged[14] the FCC's conclusion that the entry of an additional ETC into a rural area can be expected to create the following benefits: "provide incentives to the incumbent to implement new operating efficiencies, lower prices, and offer better service to its customers." Mr. Brown has also previously acknowledged[15] that the FCC has found "no merit" in the arguments that the designation of an additional ETC in a rural area will reduce investment incentives, increase prices, or reduce the service quality of the incumbent LEC.[16]

Mr. Brown also considers (p. 23) "potential competitive responses from other service providers," but then drops the subject and never returns to it in his testimony. This is unfortunate, because his short run view causes him to understate the public benefit of designating a CETC. By utilizing only a static, short-term framework, he understates what is arguably the primary benefit of competitive market forces: the creation of incentives for efficient operation by both incumbent carriers and new entrants.

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[14] See McLean & Brown's June 25, 2002 white paper *USF Portability – Getting it Right*, p. 2.
[15] *Id.*
[16] This previous acknowledgment has not deterred Mr. Brown from making contradictory arguments in his testimony in this proceeding.

The OPASTCO White Paper Cited By Mr. Brown Contains No Information That Is Relevant To The Question Before The Commission In This Proceeding

Q. AT PAGES 17-18, MR. BROWN REFERS TO PRINCIPLES PRESENTED IN AN OPASTCO WHITE PAPER. DO THESE PRINCIPLES HAVE ANY RELEVANCE TO THIS PROCEEDING?

A. No. The OPASTCO white paper contains no specific facts that would support an argument that the designation of WWC as an ETC in the requested Rural ILEC service areas would not be in the public interest. I have reviewed the white paper referenced by Mr. Brown, and can state with some confidence that it contains no specific facts about Rural ILEC study areas in South Dakota at all.

To the extent that the OPASTCO principles have relevance in any context, it is at the level of the Joint Board's inquiry into several broad universal service issues and the FCC's ultimate decision regarding those issues. There is no question before the Commission in this proceeding to which the OPASTCO principles provide a potential answer. It is possible, however, to restate these principles in a way that represents a more accurate and economically valid (though still not relevant) articulation of sound public policy. To the extent the Commission has any interest in testimony regarding issues that is well beyond the scope of this proceeding, I have attached such a restatement of the OPASTCO principles as **Exhibit DJW-2**.

Section 2: Granting WWC's Petition is in the Public Interest

Granting WWC's Petition For ETC Designation Will Result In Benefits To End User Customers

Q. BASED UPON YOUR REVIEW OF THE COMPANY AND ITS PETITION, DO YOU BELIEVE THAT THE DESIGNATION OF WWC AS AN ETC, AND THE COMPETITIVE SERVICE OFFERINGS MADE POSSIBLE BY SUCH A DESIGNATION, WILL PROVIDE BENEFITS TO END USERS?

A. Yes. There will be both short term and long term benefits of bringing further competition to rural consumers in South Dakota. End users will benefit in the short term from a choice of suppliers that represent different technologies, and can choose the technology that best meets their needs. They can also select from a much broader array of service and pricing plans, and again can choose the plan that best meets their individual needs. Over the longer term, consumers will benefit as competitive market forces act to make all providers, including the Rural ILECs, more efficient and responsive to customer needs.

I fully support the FCC's conclusion that the entry of an additional ETC into a rural area can be expected to create the following benefits: "[to] provide incentives to the incumbent to implement new operating efficiencies, lower prices, and offer better service to its customers." Conversely, the FCC has found "no merit" in arguments that the designation of an additional ETC in a rural area will reduce investment incentives, increase prices, or reduce the service quality of the ILEC.

The short-term benefits of competitive entry, including lower prices, new service offerings, the availability of different technology, and the ability to diversify among suppliers, are important; but while they are important components of any public interest determination they do not tell the whole story. In my experience, the long-term economic benefits of competition represent an equally important source of potential gain for consumers of telecommunications services in rural areas and for rural economic development. In a recent order, the FCC refers to the provision of "customer choice, innovative services, and new technologies" as benefits of competitive ETC designation in a rural area, and also explicitly notes that "competition will result not only in the deployment of new facilities and technologies, but will also *provide an incentive to the incumbent rural telephone companies to improve their existing network to remain competitive*" (emphasis added).[17] The FCC went on to conclude that "*competition may provide incentives to the incumbent to implement new operating efficiencies*, lower prices, and offer better service to its customers " (emphasis added).[18]

Q. DO YOU HAVE ANY DIRECT EXPERIENCE WITH THE IMPACT OF COMPETITIVE ENTRY IN AREAS SERVED BY RURAL TELEPHONE COMPANIES?

A. Yes. While competitive entry is important in urban and suburban areas, in my experience

[17] Western Wireless Corporation Petition for Designation as an Eligible Telecommunications Carrier in the State of Wyoming, CC Docket No. 96-45, (rel. December 26, 2000), ¶ 17.
[18] *Id.* paragraph 22.

the existence of competitive alternatives in rural areas is even more important for at least two reasons:

The existence of competitive options for telecommunications services, particularly the availability of wireless service, is important for rural economic development. When making investment and relocation decisions, companies consider the availability of telecommunications services in an area. Reliable voice services, data services, and wireless services with sufficient coverage all play a role in this process. In order to compete with their urban and suburban counterparts to attract investment and jobs, rural areas need for these services to be available.

The availability of affordable and high-quality wireless service is extremely important in rural areas for health and safety reasons. Reliable mobile communications have a level of importance for people who live and work in rural areas that people living in urban areas often fail to appreciate. The availability of even the highest quality wireline service is no substitute for a mobile service with broad geographic coverage, simply because the wireline service is often physically not there when needed. In an area where fields being worked are far from the road, and where wireline phones along the roadway are few and far between, the availability of wireless communication can literally save a life.

WWC Has Committed To Offer And Advertise The Nine Supported Services

Q. HAS WWC COMMITTED TO OFFER AND ADVERTISE THE NINE SUPPORTED SERVICES THROUGHOUT THE PROPOSED SERVICE AREAS?

A. Yes. WWC made these commitments in its Petition. As described in the testimony of WWC witness James Blundell, the company stands ready and willing to meet these commitments.

Q. WILL WWC OFFER SERVICES THAT PROVIDE BENEFITS TO CONSUMERS?

A. Yes. WWC will provide the residents and businesses in the specified areas with important options. End users will be able to choose the technology – wireline or wireless – that best meets their individual needs. End users will also be able to choose from among rate plans that will allow them to more closely match the service that they receive (and pay for) with their calling patterns and frequency. Last, but certainly not least, end users will have greater access to the personal and public safety benefits of wireless service.

SDTA Witnesses Offer No Facts That Are Specific To WWC Or The Rural Areas In Which It Seeks Designation That Demonstrate That The Requested Designation Would Not Be In The Public Interest

Q. IS THERE SOME FACT OR ISSUE THAT IS SPECIFIC TO WWC, OR THE SERVICE AREAS WITHIN WHICH IT SEEKS ETC DESIGNATION IN SOUTH DAKOTA, THAT WOULD OUTWEIGH THOSE BENEFITS?

A. No. WWC's desire to serve – and its commitment to do so – fully complies with the

service obligations set forth in the Act and is consistent with that of other competitive carriers that have been designated as an ETC in areas served by rural telephone companies. While the service areas for which WWC seeks designation in the Rural ILEC areas may differ from more densely populated areas of the State, these differences were fully contemplated by the FCC in the *Fourteenth Report and Order.* The question is not "*Is the area served by the rural ILECs different from the area served by non-rural ILECs?*" but rather "*Is the area served by the rural ILECs at issue in this proceeding demonstrably different from the service area of other rural ILECs, and different in a way that was unanticipated by the FCC in the Fourteenth Report and Order*?" There is nothing in the record to suggest that this is the case.

The Assertion By Mr. Brown That WWC Will "Misuse" USF Funds Has No Factual Basis Whatsoever And Belies A Misunderstanding Of The Federal USF Mechanism

Q. MR. BROWN ARGUES THAT WWC SHOULD NOT BE DESIGNATED AS AN ETC BECAUSE IT COULD USE SUPPORT FUNDS IN AN IMPROPER MANNER. DOES THIS ARGUMENT HAVE MERIT?

A. No. With no factual support whatsoever, he alleges that WWC has used, or intends to use, federal support funds in an inappropriate manner. Mr. Brown suggests (pp. 3, 4-5, 41-42) that funds received by WWC have not been used to operate, maintain, or deploy network investments. When the reasoning behind his allegations is examined more closely, it becomes clear that Mr. Brown actually has no basis for an assertion that the funds have been used improperly; he simply doesn't agree with how (based on his

speculation) the funds were used. Mr. Brown argues that all funds should be used to expand geographic coverage through the construction of new cell sites. There are three fundamental problems with Mr. Brown's opinion: (1) while tower construction is one means of expanding coverage, it is not the only means (or necessarily the most desirable means), (2) coverage expansion is one way that federal universal service funds can be used, but it is not the only permitted use, and (3) Mr. Brown ignores the basic operation of the federal USF; high-cost funds are received if, but only if, a carrier serves customers in high cost areas. If WWC only serves customers in what Mr. Brown refers to as "more densely populated" (and therefore presumably lower cost) areas, it will receive either a level of funding consistent with these lower cost areas or it will receive no high cost funding at all.

Mr. Brown also argues (p. 22) that "the Commission must ensure that scarce public funds are spent wisely and for the purposes for which they were intended." I agree; unfortunately, Mr. Brown has ignored all of the checks and balances built into the current system. As an initial matter, the use of federal support funds by § 254 (e) is for "the provision, maintenance, and upgrading of facilities and services for which the support is intended." To ensure that the use of support funds by any ETC (incumbent or competitor) complies with this requirement, the Universal Service Administration Company ("USAC") has the authority to conduct audits and does so on a regular basis. This Commission also has both the ability and responsibility to ensure that any funds received by WWC or any other ETC are being used appropriately. The Commission has

an ongoing role in ensuring that federal ETCs receive annual certifications which allow them to continue receiving federal USF support. State commissions are required to file annual certifications with the FCC and the Universal Service Administrative Company (USAC) stating that rural incumbent local exchange carriers (ILECs) and/or ETCs service lines in the service areas of rural ILECS are using federal USF support only for the provision, maintenance and upgrading of facilities for which the support is intended. There is no reason to assume that this Commission will not continue to fulfill these duties. In fact, the Commission filed such certifications in 2002 and 2003 for Western Wireless based on its existing ETC designation for other carriers of South Dakota. Finally, wireless carriers, including WWC, are licensed by the FCC, which has the authority to investigate the operation of wireless companies and institute punitive measures if it deems them necessary.

These mechanisms clearly demonstrate that WWC will be held to the kind of accountability that the SDTA suggests. The FCC agrees that the current mechanism is sufficient in this regard:

> We note that the Commission may institute an inquiry on its own motion to examine any ETC's records and documentation to ensure that that high-cost support it receives is being used "only for the provision, maintenance, and upgrading of facilities and services in the areas where it is designated as an ETC. Virginia Cellular will be required to provide such records and documentation to the Commission and USAC upon request. We further emphasize that if Virginia Cellular fails to fulfill the requirements of the statute, our rules, and the terms of this Order after it begins receiving universal service support, the Commission has authority to revoke its ETC designation.

Q. MR. BROWN (P. 42) POSES A RHETORICAL "WHERE DID THE MONEY GO?" QUESTIONS AND THEN SPECULATES FURTHER THAT WWC WILL MISUSE FUNDS. DO HIS SUGGESTIONS HAVE ANY BASIS WHATSOEVER?

A. No, and Mr. Brown knows better.

Specifically, Mr. Brown refers to a report of Salomon Smith Barney in which USF support to CETCs is characterized as "an incremental revenue source" in which "the incremental revenue is almost all margin." This statement is literally true, just as it is for the Rural ILECs: rural ILECs book USF support as an incremental revenue source that, at the time it is booked, represents "almost all margin." Of course, for both incumbent ETCs and CETCs this "margin" is earmarked for the "the provision, maintenance, and upgrading of facilities and services for which the support is intended."

Mr. Brown, who according to his testimony has an MBA, should not be confusing income statement and balance sheet entries in this manner. Net income does not necessarily leave the company, and in fact often represents a significant source of investment capital. In this case, it must represent capital for investment in the rural areas of WWC's ETC designation or a means of recovering the expenses associated with the operation of those facilities. Mr. Brown's argument that "for USF support to be all margin this would mean that Western Wireless would not be investing this money in new facilities to serve rural customers, but rather flowing it to the bottom line." This is an incredibly irresponsible suggestion by Mr. Brown, who either managed to receive an MBA without gaining an understanding of basic finance or is willing to knowingly make

misleading statements to this Commission. "Going to the bottom line" of an income statement may, and in this case does, mean that the funds then proceed onto the balance sheet as an incremental investment. The accounting treatment of these funds in no way suggests that they have been misused.

Q. MR. BROWN SUGGESTS (P. 25) THAT WWC WILL HAVE AN INCENTIVE TO PROVIDE "ADDITIONAL HANDSETS" TO HOUSEHOLD IN HIGH COST AREAS, THEREBY RECEIVING SUPPORT INAPPROPRIATELY. IS HE RIGHT?

A. No. Mr. Brown's suggestion contradicts his testimony regarding how wireless carriers experience network costs. Such an offering, Mr. Brown believes, would result from the "perverse" incentives created by the existing USF mechanism. Mr. Brown's analysis effectively assumes that whenever a wireless carrier does not charge the customer an additional amount to add a phone to an account, the costs to provide service to that customer are eliminated as well.

A fundamental difference exists in how wireline and wireless carriers provide service: wireline carriers provide service to a location, regardless of how many people are there, and wireless carriers provide service to a person, regardless of where that person is. For a wireline carrier, the cost of the "last mile" to the customer location is fixed and does not vary by the number of people at that customer location or the amount of usage they have over a given period of time. In direct contrast, for a wireless carrier the cost of the "last mile" does vary by the volume of usage of a given person and the number of persons engaging in simultaneous use; these costs vary by usage. A marketing decision

by a wireless company to distribute handsets to multiple members of the same family results in an increase in the cost incurred by the wireless provider.[19]

Alas, there is no marketing plan that makes a service cost-free for a carrier to provide, and consequently no "perverse incentives" are created.

The Existing Federal USF Mechanism Does Not Create A "Windfall" For Wireless Carriers

Q. MR. BROWN (P. 48) SUGGESTS THAT USF SUPPORT COULD PROVIDE AN UNDESERVED "WINDFALL" TO WIRELESS CARRIERS SUCH AS WWC. WHAT IS YOUR RESPONSE TO THIS CLAIM?

A. In each of the ETC designation proceedings in which I have participated, ILEC witnesses have argued that wireless providers, due to differences in network design and operations, have a lower per-line cost to serve customers in rural areas. Basing a wireless CETC's support on the higher ILEC costs, the ILECs argue, provides a "windfall" to the wireless CETCs.

There are two equally important points to be made about the "windfall" hypothesis. First, even if WWC's per-line costs prove to be lower than those of the rural ILECs,[20] no "windfall" can occur: the rules specifically limit WWC's use of these funds

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[19] It is worthy of note that while characterizing (albeit incorrectly) the cost implications of such a wireless service offering, Mr. Brown makes no reference whatsoever to the benefits that the members of a family that subscribes to such a program may gain from the ability to reach each other when needed.

[20] Mr. Brown makes this assumption, but completely omits an explanation of why a mechanism that encourages investment by a lower cost/more efficient provider is not in the public interest

to the investment in, and operation of, network facilities in the high-cost, rural areas. On the other hand, if one assumes the possibility of a "windfall" and then realizes that such a "windfall" will only occur if WWC's per-line costs are indeed lower, the worst outcome that can be realized is that the carrier that all parties agree is a more efficient provider will be encouraged to build out its network on an accelerated basis. Once this buildout is complete, support can be based on this more efficient network (and ultimately limited to this single efficient carrier) thereby minimizing the size of the fund over the long run. WWC has committed, as it must, to use all support funds to build out, maintain and operate network infrastructure in these rural areas; a result that is fully consistent with the stated purposes of the Act and the interests of South Dakota consumers.

SDTA's Assertion That The Designation Of WWC As An ETC Will Compel A Flood Of ETC Petitions Has No Basis In Fact Or History

Q. MR. BROWN ARGUES THAT WWC SHOULD NOT BE DESIGNATED AS AN ETC BECAUSE OTHER CARRIERS WILL THEN HAVE NO CHOICE BUT TO SEEK SUCH A DESIGNATION. IS HE RIGHT?

A. No. At p. 25, Mr. Brown argues that "it is reasonable to expect that other wireless providers in the state of South Dakota would apply for and receive ETC status and federal universal service support" He goes on to say that "any company that did not

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(or conversely, why a decision to fund the higher cost/less efficient provider into perpetuity represents sound public policy).

apply could be violating its fiduciary obligations to its owners." This conclusion is inconsistent with both experience in other states and with basic economics.

As an initial matter, experience shows that the designation of a wireless carrier as an ETC in a given geographic area has not resulted in a flood of petitions. There are some fundamental economic reasons why this result is not unexpected. First, wireless carriers may choose as their business plan to provide certain services in certain areas without making a commitment to offer the supported services as a viable competitive alternative throughout the ILEC service areas. Numerous carriers across the country have clearly chosen this route. Second, a rational carrier will not be indifferent to whether a CETC has already been designated in a given service area, but will factor that information into its business case. A carrier considering entry as an ETC into an area must consider the market share that it expects to capture (based on the number of providers already present), the resulting unit costs to serve the area, and the amount of support available. Because market share and the resulting number of subscribers is a primary driver of unit costs (particularly for wireless carriers), the existing mechanism is self-regulating to a significant degree: the first carrier seeking ETC designation may find that entry into the area makes good business sense, but the next carrier (as a potential ETC) is less likely to find the area economically viable. The likelihood that a given carrier will seek ETC designation diminishes as additional ETCs are designated: the market can be expected to limit the number of ETCs to the number that can be viable given the rural ILECs' cost structure. Of course, the answer may be one, in which case

no carrier would seek CETC status and the incumbent would remain a monopoly provider.

SDTA's Claims Regarding A Possible Impact On The Size Of The Federal USF Fund Are Based On A Strictly Short-Run View, Are Disingenuous At Best, And Are Well Beyond The Scope Of This Proceeding

Q. MUCH OF MR. BROWN'S (PP. 18-19, 23-26, 43-46) AND MS. VANICEK'S (PP. 14-23) TESTIMONIES EXPRESS VARIOUS CONCERNS REGARDING THE SIZE OF THE FEDERAL UNIVERSAL SERVICE FUND. ARE THESE CONCERNS VALID?

A. No. These concerns are (1) not related to any of the specific characteristics of WWC's Petition or to any Rural ILEC service area that is identified in WWC's Petition, (2) are based on a strictly short run view that ignores long terms impacts on the size of the fund, and (3) to the extent they have merit (and I do not believe that they do), these concerns are currently being addressed by the FCC and Joint Board in the proper forum. This Commission's task in this proceeding is to apply the ETC rules as they currently exist. The management of the federal fund is clearly a broad policy issue that is being addressed in the appropriate fora.

It is possible to show that the Rural ILECs' arguments are disingenuous and ultimately provide no plausible reason for this Commission to deny WWC's Petition. There is certainly no argument that *all else equal*, a smaller fund is preferable to a larger fund. There are several important reasons, however, why the suggestion that the

Commission refuse to grant WWC ETC status in order to limit the size of this fund is unsupportable.

Growth in the fund was explicitly anticipated and considered by the FCC when developing the rural universal service mechanism. The FCC fully contemplated increases in the size of the fund when the decision was made to permit multiple ETCs. When developing the rural universal support mechanism, the FCC carefully weighed each aspect of the proposed elements, including the impact of that element on the size of the fund. Many elements, including those intended to represent a direct benefit to the Rural ILECs, were adopted with full recognition that the fund size would be increased significantly as a result. Other proposed elements were rejected, even though the stated purpose of these proposed elements was to limit the size of the fund. For example, the FCC rejected a proposal by the Rural Task Force to freeze high-cost loop support upon competitive entry in high-cost areas. After noting that the stated "purpose of this proposal is to prevent excessive fund growth following competitive entry," the FCC concluded that such a provision should not be included, citing both the "limited benefit" of the proposal, its potential for limiting public benefit, and the operation of other elements of the mechanism with the same intended purpose.[21] Still other elements were tailored in a way to limit fund growth. For example, certain rural ILECs requested that the FCC completely remove the indexed cap on the high cost loop fund. The FCC

[21] *Fourteenth Report and Order*, ¶¶ 125-128.

refused, in part because it considers the indexed cap to be "a reasonable means of limiting overall growth of the high-cost loop fund."[22] Finally, the FCC specifically noted that while the current interim mechanism is in place, it would conduct "a comprehensive review of the high-cost support mechanisms for rural and non-rural carriers," and that this review will include issues related to fund growth.[23]

The largest contributors to the size of the fund are the compromise elements that were included by the FCC *for the benefit of rural ILECs*. What Mr. Brown and Ms. Vanicek consistently fail to mention is that the size of the high-cost loop fund is in large part a direct function of the FCC's decision to give the rural ILECs an extended transition period in which to improve their efficiency, reduce their costs, and better prepare themselves to operate in a competitive market. These elements of the mechanism, implemented at the request of and for the exclusive benefit of rural ILECs, represent a far greater impact on the size of the fund than any of concerns cited in this case.

For the current interim mechanism, the FCC set aside its consistent (and economically valid) position that universal service funds should be sufficient to permit the recovery of a carrier's forward-looking economic costs, but not necessarily its embedded costs. In fact, the FCC did the rural ILECs one better, and adopted a modified embedded cost mechanism that is projected to increase the size of the high-cost fund by

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[22] *Id.*, ¶ 46.

$1.26 billion dollars over the amount that would have been required by the existing embedded cost mechanism.[24] To my knowledge, no estimate of the impact on the fund size caused by the decision to permit rural ILECs to recover embedded, rather than economic, costs has been published.

In economic terms, the decision to permit rural ILECs to recover embedded costs represents a dead weight loss. It is an inefficiency that is being institutionalized into the existing cost structure for the duration of the interim mechanism. Rural ILECs are the sole beneficiaries of this element. Not surprisingly, the FCC has put the rural ILECs on notice that this windfall exists only for the duration of the interim mechanism:

> Although we agree with the Rural Task Force that a distinct rural mechanism is appropriate at this time, we believe that there may be significant problems inherent in indefinitely maintaining separate mechanisms based on different economic principles. The Commission previously determined that support based on forward-looking cost is sufficient for the provision of the supported services and sends the correct signals for entry, investment, and innovation. Many commenters representing the interests of rural telephone companies argue that the Rural Task Force's analysis conclusively demonstrates that the forward-looking cost mechanism should not be used to determine rural company support and that only an embedded cost mechanism will provide sufficient support for rural carriers. We disagree. While the Rural Task Force demonstrated the inappropriateness of using input values designed for non-rural carriers to determine support for rural carriers, we do not find that its analysis justifies a reversal of the Commission's position with respect to the use of forward-looking costs as a general matter."[25]

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[23] *Id.*, ¶ 169.
[24] *Id.*, ¶ 28. It should be noted that this estimate was provided by the Joint Board and Rural Task Force, and not by some party opposing the adoption of the modified embedded cost mechanism.
[25] *Fourteenth Report and Order*, ¶¶ 173-174 (footnotes and paragraph numbering omitted).

The FCC also noted its agreement with the Joint Board that "to the extent that it differs from forward-looking economic cost, embedded cost provides the wrong signals to potential entrants and existing carriers."[26] I agree. More important in the current context, to the extent it differs from forward-looking economic cost, embedded cost inflates the size of the high-cost fund to a level well above that which would otherwise be necessary.

A second element of the interim federal universal service mechanism for rural areas, again included for the sole purpose of benefiting rural ILECs, is the modification of the concept of "portability." The FCC's decisions regarding the portability of these funds in rural areas are responsible for a portion of the increase in fund size.

The Rural ILECs' suggestion that the best means of limiting growth of the fund is to deny WWC's Petition for ETC status is disingenuous at best. In the simplest terms, the facts are as follows: (1) rural ILECs asked for and received various protections from the impact of competition as a part of the interim mechanism, (2) these protections cause the size of the high-cost fund to increase, and (3) the Rural ILECs are now using the fact that the fund is growing to support an argument that actual competitive entry should be limited. Rural ILECs completely ignore the fact that these assurances of cost recovery in rural areas are a gift from the FCC; they would not exist in a competitive marketplace. The transition mechanism adopted by the FCC may be costly in the short term, but it can

[26] *Id.*, ¶ 174 and footnote 406.

serve to gradually wean the incumbent rural LECs over the period of time that it is in effect. However, such weaning will only take place if competitors are permitted to enter the market with ETC status.

If the interim universal service mechanism is implemented fully, the long-term result will be the maximum benefit to the consumers of telecommunications services in rural areas and to rural economic development. Rural ILECs can use this transition period, and the "windfall" generated by the guarantee of embedded cost recovery and the receipt of universal funds for customers not currently served, to update their networks, streamline their operations, and prepare for competition. The piecemeal implementation of this policy favored by the rural ILECs would inevitably harm rural consumers. Permitting multiple ETCs to operate in an area prior to incumbent rural LECs being given the time to wean themselves could, the FCC concluded, cause financial distress to the rural ILECs and disruptions in service. Equally important, permitting the guarantee of embedded cost recovery and the receipt of a constant amount of universal funds (regardless of the number of retail customers actually being served), but refusing the certification of multiple ETCs, such as WWC, gives the rural ILECs no incentive to act during this interim period to increase their efficiency and prepare for the day that they will actually be subject to competitive market forces.

Q. MS. VANICEK SUGGESTS THAT THERE IS REASON TO SECOND GUESS THE FCC'S CONCLUSIONS REGARDING FUND GROWTH IN THE *FOURTEENTH REPORT AND ORDER*. DO YOU AGREE?

A. No. She refers (p. 22) to the FCC's statement that it was "not convinced of the likelihood of excessive fund growth due to competitive entry in high cost areas during the life of this five year plan." While fund growth has occurred, it would be extremely misleading (and intellectually dishonest) to refer to *excessive fund growth due to competitive entry in high cost areas.* In reality, fund growth has been a function of - in this order - (1) the transition from implicit to explicit subsidies, (2) the decision by the FCC to provide funding to the rural ILECs on the "modified embedded cost" mechanism described above, and – as a distant number (3) - the designation of CETCs.

Q. MR. BROWN REFERS (pp. 5, 22-23) TO THE NEED TO MANAGE THE FEDERAL FUND AS A "SCARE PUBLIC RESOURCE." DO YOU AGREE?

A. I agree that the fund should be prudently managed, but I strenuously disagree with the strictly short-term perspective of the SDTA witnesses. Consistent with the conclusions of the FCC and Fifth Circuit Court, the fund should be managed on a long-term basis in a way that focuses on benefits to consumers, not carriers. Mr. Brown's theory that additional ETC designations simply mean an increase in demand on the fund is an example of such a short-run, static perspective. Prudent management of the high-cost fund, including an effort to minimize the size of the fund over the long-run, is not inconsistent with a mechanism that results in a short-run increase. To the contrary, an

attempt to minimize the size of the fund on a quarter-by-quarter basis will almost certainly result in a larger than necessary fund over the long run (while simultaneously reducing competitive alternatives available to consumers in rural areas).

Currently, an observation that support to competitive ETCs has grown over the past eighteen months simply means that the process of ETC qualification and provisioning of qualified lines by CETCs is working exactly as intended. As competitors enter rural markets, support to carriers other than the incumbent LECs will inevitably grow. This should not be viewed as an adverse or unintended consequence.

In the long run, growth in support to CETCs vs. growth in support to IETCs is useful only as a barometer of how well the process is working. In an environment of truly portable support, the relative amount of support going to CETCs and IETCs would have no impact on the overall size of the fund. Under such a mechanism, the relative amount of support going to each type of ETC would be viewed as exactly what it is: a measure of the success (or lack of success) of competitive entry.

Under the current mechanism, growth in the support to CETCs is a measure of growth in new investment in rural areas. Support to IETCs may or may not represent new investment, and most likely represents costs associated with the operation of a network whose efficiency has not been tested by competitive market forces. By making it possible to a competitor to build out sufficient network infrastructure to meet the needs of customers in these rural areas, options of the future are expanded. As explained above, if WWC's network costs are indeed lower, the carrier that all parties agree is a more

efficient provider will be encouraged to build out its network on an accelerated basis. Once this buildout is complete, support can be based on this more efficient network (and ultimately limited to this single efficient carrier) thereby minimizing the size of the fund over the long run.

Mr. Brown's Argument That WWC Should Not Be Designated As An ETC Because It IS Already Providing Service In Rural Areas Ignores How Carriers, Including ILECs, Enter And Serve Markets

Q. MR. BROWN ARGUES THAT WWC'S REQUEST FOR ETC DESIGNATION SHOULD BE DENIED BECAUSE WWC IS ALREADY PROVIDING SERVICE IN THE RURAL ILEC AREAS IN QUESTION. DO YOU AGREE WITH HIS OBSERVATION AND CONCLUSION?

A. No. Mr. Brown (pp. 19-20, 25, 31) makes the superficial observation that WWC is already providing wireless services in the Rural ILEC areas in which it requests ETC designation and simply concludes that WWC's ETC designation is therefore not in the public interest.

There is no dispute that WWC is currently providing *some* services in the areas served by the Rural ILECs in South Dakota, but that fact has no bearing on the public interest determination in this proceeding. In fact, an application for ETC status must initially demonstrate its ability to provide the supported services within the requested service areas as a prerequisite to designation. As demonstrated by Mr. Blundell, WWC has the capability to meet this standard. Thus, Mr. Brown's observation merely confirms

WWC's satisfaction of this requirement. More important, however, is that WWC is making a commitment (or more accurately, seeking the ability to make a commitment) to provide the supported services throughout these service areas in direct competition with the Rural ILECs; something that, without USF support, it could not do. Mr. Brown states (p. 31) that "wireless carriers, including Western Wireless, have built facilities throughout rural America, including rural areas in South Dakota." It is certainly true that WWC has made significant investments in its South Dakota network, and provides substantial coverage throughout several areas. Consistent with the stated intent of the Act, WWC now seeks to commit to offer supported universal services throughout these areas at a level of quality that can compete directly with the current wireline local service offerings. That incremental step requires access to USF support, just as access to that support was necessary for the Rural ILECs to make the same commitment.

An understanding of why Mr. Brown's analysis fails requires a more substantive look at how the Rural ILECs originally entered these markets and how competitive carriers seek to do so now. The Rural ILECs did not begin by providing service with a network whose reach extended throughout their current service areas; they began by constructing facilities where it was most feasible and then expanding those facilities over time – *while receiving implicit or explicit universal service support.* At no time was that support withheld because the Rural ILECs were "already providing" wireline service in some part of these areas. Yet, Mr. Brown now acts as if the existing Rural ILEC networks sprang forth from the head of Zeus in their current form and with their current

geographic coverage. This did not happen: the Rural ILECs expanded and upgraded their wireline networks over time while receiving support.

The entry and expansion of a wireless carrier such as WWC is not fundamentally different. WWC can and does provide services throughout much of the areas for which it seeks ETC designation. Yet, ETC designation will enable WWC to take the next step and offer the supported services throughout these areas in direct competition with the Rural ILECs' wireline services. Network buildout will improve service quality and coverage to the point that rural consumers may find WWC's wireless service to be an alternative for the Rural ILEC's wireline service. Such an outcome is fully consistent with the stated objectives of the Act.

Mr. Brown's Argument That WWC Should Not Be Designated As An ETC Because It IS NOT Already Providing Service In Rural Areas Is Based On A Misunderstanding Of The Federal USF Mechanism

Q. MR. BROWN ARGUES THAT WWC'S REQUEST FOR ETC DESIGNATION SHOULD BE DENIED BECAUSE WWC IS NOT PROVIDING SERVICE IN THE RURAL ILEC AREAS IN QUESTION. DO YOU AGREE WITH HIS OBSERVATION AND CONCLUSION?

A. No, and I am still dizzy from the head snap that was required to follow Mr. Brown's 180 degree change in position. After arguing that WWC should not be designated as an ETC *because it is already serving the Rural ILEC areas at issue*, Mr. Brown turns around and argues that WWC should not be designated as an ETC *because it is not serving 100% OF*

the Rural ILEC areas.

Mr. Brown devotes a significant portion of his testimony (pp. 32-41) to a discussion of WWC's current network configuration and what he claims to have been WWC's deployment strategy to date. Even if Mr. Brown's unreliable facts were reliable, his conclusions do not follow for several reasons.

Mr. Brown first takes issue with WWC's buildout strategy, and suggests that WWC invested in the more densely populated areas (or areas of more dense potential usage) of its licensed areas first, before building out into less dense areas. Of course they did; any other entry strategy would be irrational and financially irresponsible. Mr. Brown fails to mention that the Rural ILECs also built out their networks, over time, in exactly the same way: they began with construction where the most people were, and expanded outward from that point. The key distinction between ILEC network expansion and WWC's buildout to date is that the Rural ILECs made their investments while receiving USF support (either implicitly or explicitly).

WWC now seeks to expand its geographic coverage and reinforce its service quality in order to bring service to people in South Dakota's rural areas that is comparable to service available to people in urban areas. This is the investment that is made possible, whether the carrier is an IETC or CETC, through USF support.

Mr. Brown next takes issue with what he forecasts as WWC's current level of service quality and availability to customers in the most remote areas of the Rural ILEC service territories. He discusses the current location of WWC's towers, the location of

rural customers in relation to these towers, and (based on his analysis) the service quality they can expect to receive. He argues (p. 35) that "the actual wireless coverage that consumers experience should be a key factor in the cost/benefit analysis that lies at the heart of the public interest evaluation process." In a sense he is right, but not in the way that he asserts. The fact that customers in some rural areas are not currently able to utilize quality wireless service is a compelling reason that WWC's Petition *is* in the public interest. Mr. Brown would have a stronger argument if he had shown that customers in all parts of the Rural ILEC study areas could receive high quality wireless service today; this would raise some question about the need for funding and the incremental benefits to be derived from additional investment. Of course, such a demonstration would also compel a more fundamental question: if a carrier can provide quality service to all customers in the area without USF support, why is it in the public interest to continue to support the incumbent, when it is a demonstrably less efficient provider?

Mr. Brown attempts to raise an issue of certain "dead spots" in WWC's existing coverage that are created by geographic features of the landscape. Setting aside the issue of whether Mr. Brown's analysis is accurate, which is more fully addressed by Mr. Blundell, the results of Mr. Brown's testimony are not relevant. The FCC has clarified that the existence of such dead spots did not preclude the FCC from designating Virginia

Cellular as an ETC.[27] Furthermore, WWC has committed to honor requests for customers living within a dead spot(s) as described in the testimony of Mr. Blundell.

Q. WHAT DID THE FCC CONCLUDE REGARDING A REQUIREMENT THAT A CARRIER SERVE 100% OF THE AREA IN QUESTION BEFORE BEING DESIGNATED AS AN ETC?

A. The FCC has been consistent that "a telecommunications carrier's inability to demonstrate that it can provide ubiquitous service at the time of its request for designation as an ETC should not preclude its designation as an ETC."[28] To require otherwise would be equivalent to the old adage that in order to get a loan, you must first demonstrate to the bank that you don't need it. If USF support is not and was not needed in order for a carrier – whether an incumbent ETC or a CETC – to completely build out an area, then no carrier (including the ILEC) should receive support for that area. It is the fact that such support is needed for a complete network buildout that makes the designation of CETCs in the public interest.

Q. IS THERE A MORE FUNDAMENTAL REASON WHY MR. BROWN'S OBSERVATIONS ABOUT THE AMOUNT OF THE RURAL ILEC SERVICE AREAS CURRENTLY SERVED BY WWC IS NONSENSE?

A. Yes. If "serve" is defined as the ability to provide telecommunications service to a customer with minimal buildout of network facilities, then the area actually being

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[27] *Virginia Cellular Order*, ¶ 23.

"served" by the Rural ILECs includes only the portions of the total service area over which wires have been strung. Such "service" as the ILEC offers is only a small percentage of the area in question. If "serve" is more narrowly defined as the ability to provide telecommunications service to a customer without the construction of any new network facilities, i.e. those locations over which over which wires have been strung and at which a drop wire has been installed so that the customer can physically attach a telephone to the network, then the area of Rural ILEC "service" is truly miniscule in comparison to the service area of WWC. Clearly, the potential for a wireless carrier to serve the entire Rural ILEC service areas far exceeds that of the wireline Rural ILECs. Mr. Brown's concern that WWC has only requested designation where its signal meets or exceeds "85% of a given wire centers' population" is misplaced considering that SDTA members likely "serve" between 1% and 5% of the actual wire center area.

SDTA's Assertion That Rural Areas Are Often More Costly To Serve Than Urban Areas Is Not In Dispute And Unrelated To Issues In This Proceeding

Q. MR. BROWN AND MS. VANICEK MAKE VARIOUS ASSERTIONS REGARDING THE COST TO SERVE CUSTOMERS IN DIFFERENT GEOGRAPHIC AREAS. ARE THEIR CONCLUSIONS CORRECT?

A. No. Ms. Vanicek reports (Vanicek Appendix 2) the per-line support received by the Rural ILECs for the service areas in question. These values have no relevance to any

[28] *Id.*, ¶ 23.

argument that has been put forth by SDTA in this proceeding, except to support a conclusion that rural areas, when viewed on a broad basis, are generally more costly to serve than more urban areas. To my knowledge, such a conclusion is not in dispute.

Mr. Brown presents various cost information that he asserts supports a recommendation to deny WWC's request for ETC designation. Upon taking a closer look, however, it becomes evident that Mr. Brown's analysis is based on a fundamental misunderstanding about (1) how network costs vary on a geographic basis and (2) how the cost models he relies upon actually work.

Mr. Brown's Argument That The Designation Of A CETC Will Result In Network Inefficiency Is Based On Unreliable Data, Faulty Short-Term Reasoning, And Poor Economics

Q. MR. BROWN ARGUES (P. 23) THAT DESIGNATING A COMPETITOR OF AN ILEC AS AN ETC WILL INCREASE ILEC COSTS BY CREATING A "LOSS IN NETWORK EFFICIENCY." PLEASE EXPLAIN YOUR UNDERSTANDING OF THIS ARGUMENT.

A. Mr. Brown makes this claim (p. 29) by asserting that "when multiple providers serve the same sparsely populated area, the cost for both providers increases," but he ultimately provides no factual basis as it relates to the South Dakota Rural ILECs, except for "illustrative" charts and a mismatch of cost and customer density data.

There are at least four reasons why Mr. Brown's claims of network inefficiencies should be dismissed.[29] First, Mr. Brown's imprecision at this initial stage creates a problem for his analysis. In order to properly analyze the behavior of these costs, it is essential to define and consider each of the variables in a consistent manner. Without more specificity, the variables "fixed costs" and "sparsely populated" have no real meaning and require further definition, but Mr. Brown's analysis proves to be long on generalities and short on the needed precision. Second, Mr. Brown's assumption that household density, measured at the level of the ILEC wire center or entire ILEC service area, can accurately predict network costs is not supported by the facts. Third, Mr. Brown relies on flawed output from the Benchmark Cost Proxy Model, version 3.0, as the sole factual support for his arguments. Finally, Mr. Brown averages these results in a way that renders them meaningless.

Q. PLEASE EXPLAIN THE PROBLEMS CREATED BY MR. BROWN'S FAILURE TO DEFINE HIS VARIABLES WITH THE NECESSARY DEGREE OF PRECISION.

A. Mr. Brown refers to "fixed" network costs, but fails to state a geographic or time dimension for this assumption. This is important. There are essentially no costs that are fixed at the level of the entire network. In other words, apart from some high-level

[29] For the reasons described in Section 1, Mr. Brown's arguments are also irrelevant to the question before the Commission in this proceeding. Mr. Brown is simply re-arguing issues that were fully considered by the FCC when developing the federal universal service mechanism currently in effect. In this section of my testimony, I will endeavor to explain why, even if they were relevant, Mr. Brown's conclusions regarding network costs are invalid and unsupported.

administrative functions, there are no costs that are avoidable only if the entire network is eliminated. Fixed costs do exist at the level of discrete network facilities (the common cards in a digital loop carrier remote terminal, for example), and scale economies do exist at this level of disaggregation. Mr. Brown focuses his analysis of network costs and line density at a relatively high level (the level of an entire wire center, MSA/RSA, or very high level of the Rural ILEC service area), but insight into how costs differ among different geographic areas can only be gained if the analysis is conducted at a much more discrete level.

Q. PLEASE DESCRIBE THE PROBLEMS CAUSED BY MR. BROWN'S ASSUMPTIONS REGARDING THE RELATIONSHIP BETWEEN HOUSEHOLD DENSITY AT THESE HIGH LEVELS AND PER-LINE NETWORK COSTS.

A. Mr. Brown builds his entire argument on the unstated assumption that the density of households, at the relatively aggregated level of a wire center or ILEC service area, can be used to accurately predict per-line network costs in rural areas. This is an unsupported yet critical assumption that has not historically been shared by the Rural Task Force, the Joint Board, or the FCC. By extension, Mr. Brown is arguing that fixed network costs exist at these levels of geographic aggregation, and that scale economies will be lost if the incumbent rural LEC fails to serve all of the customers within that geographic area. This assumption is also not supported.

Mr. Brown's errors of fact can be grouped into the following three areas.

1. Mr. Brown assumes that the number of households per square mile, *as*

***averaged at the level of a wire center or ILEC service area*, is a reliable predictor of network costs in that geographic area.** This assumption is essential to his conclusions and warrants a closer examination.

To be clear, I am not suggesting that line density is not a driver of network costs; this is the case in almost all geographic areas. The problem relates to the level of geographic aggregation of the density data. Mr. Brown has previously recognized the potential for this problem: "a simple, but misleading, measurement of density can be performed by dividing the number of lines a company serves by the area of its serving territory. This would be misleading, since the cost of providing service is strongly influenced by the presence or absence of 'clustering' of customers."[30] This observation is certainly valid; the average density over a given geographic area has almost no bearing on network costs if that geographic area is too large to capture the characteristics that constrain network design. Unfortunately, Mr. Brown's misunderstanding of the information in his possession causes him to reach a conclusion that is misleading for exactly the same reason. Mr. Brown's general observation regarding the distribution of customers is correct, but his idea and his data source are a complete mismatch. Within the geographic areas being studied, both the overall density and the distribution of customers

[30] See McLean & Brown's June 25, 2002 white paper *USF Portability – Getting it Right*, p. 6. Oddly enough, Mr. Brown chose not to share this observation with his clients in this proceeding: each of them reports customer density on exactly the basis that Mr. Brown describes as "simple, but misleading."

are important to an understanding of network costs. For example, consider two hypothetical areas, both 10 square miles in size containing 50 customer locations. In scenario A, the customer locations are evenly distributed throughout the entire area. In scenario B, 90% of the customers are clustered together in a relatively small portion of the area, while the remaining 10% are evenly distributed. All else equal, scenario A will require more investment to serve than scenario B; but in both scenarios the overall customer density is 5 customers per square mile.

Mr. Brown also states that "a given number of customers uniformly distributed over the serving area would have very different cost characteristics from a situation where the same serving area had most customers densely clustered in a town, with only a few scattered through the surrounding area."[31] The problem stems from Mr. Brown's choice of geographic units to study in this proceeding; none of these geographic units accurately capture the effects of the clustering he describes.

The highest level unit of aggregation – the entire ILEC study area – has the least ability (essentially none) to reflect this clustering effect, yet each of the SDTA witnesses provide density information in exactly this way. For example, Mr. James Groft, the General Manager of James Valley Cooperative Telephone Company reports (p. 2) that James Valley's service territory "covers 2,300 square miles … serve(s) approximately 3,890 lines" and "has a density of 1.9 access lines per square mile." This is Mr. Brown's

[31] *Id.*

"simple, but misleading" number. While it may be true that James Valley has a low average density for the total of its service area, it is also likely true that those customers are not evenly distributed, but that many are grouped together. Such a scenario is consistent with the one contemplated by Mr. Brown when he makes the observation that "the cost of providing service is strongly influenced by the presence or absence of 'clustering' of customers."

The distribution of customer locations throughout the geographic unit of study is important, but when considered at the level of these high level geographic areas the reality is the opposite of Mr. Brown's assumption. *Customers are far more likely to be uniformly distributed throughout the area represented by non-rural areas of analysis, and far more likely to be clustered in the area represented by rural areas of analysis.* High-density areas are characterized by city blocks, and moderately high-density areas may encompass small towns, subdivisions, and similar planned suburban developments. Households are roughly evenly distributed in each of the examples that Mr. Brown used as support for his analysis. In contrast, rural areas (whether wire centers or entire ILEC study areas) may encompass crossroads, small unincorporated townships, and significant unpopulated areas within their borders.[32] Households are not evenly distributed in these examples, but tend to be clustered. As the area being studied becomes larger in size and

[32] An area in which most customers are located in the town, with the remaining customers widely spread out, for example.

as population density decreases (as is typical in rural areas), it becomes significantly *less* likely that the average number of households per square mile for the entire area will be a meaningful approximation of the average number of households per square mile *in the area in which telephone plant must be built*. Mr. Brown has this relationship exactly backwards: he has incorrectly assumed the existence of a correlation between population density *as measured at the level of the wire center or ILEC service area* and the average per-line investment that must be made to provide telephone service to the people living in that area.

A key fact, consistently overlooked by Mr. Brown in his analysis, is that the area that must be served via telephone plant is determined not by the size of a given wire center (and certainly not be the entire ILEC study area), but by the distribution of customers within that area. In those areas within which customers are evenly distributed (primarily urban and suburban areas), the area to be served may be as large as the entire area being studied. In areas in which customers are more clustered, the area to be served is smaller than the total area being studied, and often significantly smaller. Mr. Brown makes two fundamental errors: (1) he focuses on the average customer density of an area while ignoring the cost implications of customer clustering (the same clustering he previously stressed as necessary to avoid a "misleading" result), and (2) he justifies this omission by assuming – incorrectly – that customer clustering is more likely to be evident in an urban area than a rural area.

In Exhibit GHB-7 Mr. Brown offers tallies of the lines served by the Rural ILECs in South Dakota showing customer density households per square mile as measured at the level of the wire center. This information is meaningful if, *but only if*, there is a demonstrable correlation between population density *as measured at the level of the total wire center area* and ILEC average per-line investment. As described above, no such correlation exists. Even less meaningful information comes from the SDTA company representative witnesses who report density as lines per square mile measured at the level of the entire ILEC study area.

Ultimately, Mr. Brown has offered nothing in his testimony to demonstrate the existence of such a correlation beyond his unsubstantiated – and incorrect - assumption. As a result, Mr. Brown's exhibits provide only the appearance of useful information; they offers no insight into how network costs actually are incurred by these Rural ILECs and is overtly misleading.

Mr. Brown's assumption of a direct relationship between household density at the level of the census block and per-line costs to serve the area has also been heard and rejected by the FCC. The Rural Task Force argued to the FCC that the cost proxy models being considered understate the relevant geographic area to be studied. The FCC rejected this argument, noting that these models properly focused on the smaller areas in which customers are actually located, and not the larger areas that are both "served and unserved, where the unserved can be lakes, mountains, deserts...the Rural Task Force's

area will always be greater than the model reported area."[33] This distinction is important. Mr. Brown considers the household density of this larger area in his analysis, but the area of the smaller "served" area is the relevant variable for the determination of network costs. By definition, the density of the served area will always be, as the FCC correctly recognized, higher than the area of the "served" and "unserved" areas combined.

2. Mr. Brown implicitly assumes that the results of cost proxy models, such as the Benchmark Cost Proxy Model ("BCPM") and the FCC Synthesis Model containing the Hybrid Cost Proxy Model ("HCPM report costs on a "households per square mile" basis that is comparable to wire center-level or MSA/RSA-level information. This fundamental misunderstanding of how these cost models work and, by extension, how to properly interpret their results, causes Mr. Brown to go far astray. In Exhibits GHB-4 and GHB-7 he provides what he asserts is a meaningful description of the characteristics of the Rural ILEC areas for which WWC seeks ETC designation. He provides information for these areas, expressed in households per square mile as measured at the level of the wire center. He then goes on to assume that the output of the cost proxy models, similarly expressed in either lines or households per square mile, can be matched with the household density data he provides in a meaningful way. Unfortunately, the truth is much more complex than the picture Mr. Brown presents. The cost proxy models actually report density zones in the form of "lines per square mile of

[33] *Fourteenth Report and Order, ¶ 175 and footnote 412.*

the area to which telephone plant is actually built."[34] This area is always different, and almost always much smaller, than the area of the wire centers in question. *As a result, Mr. Brown's analysis systematically* ***understates*** *the relevant density of the area being served, and* ***overstates*** *the cost per line to serve the area.*[35]

3. Mr. Brown implicitly assumes that all telephone plant is engineered at the level of the wire center. As a result, his analysis assumes that the average investment is a function of the population density of one, and only one, of these areas of analysis (with no regard to the population density of neighboring areas or the location of customers within those areas). When this constraint is relaxed, additional insight is gained into why the area in which telephone plant is built has density characteristics different from (and typically much greater than) the average density of a given wire center.

Bringing it all together, Mr. Brown suggests that the costs of the Rural ILECs can be understood by analyzing the density of the ILECs' lines (or households as a proxy for those lines) that serve customers in a relatively large geographic area. He further assumes that a meaningful weighted-average cost per line can be developed for South Dakota by averaging the results of all ILECs in the State. This information, combined

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[34] For BCPM, the results are more accurately described as "housing units per square mile, as measured at the level of the area actually served by telephone plant, as defined by the assumed distribution area created by the model based on the aggregation of up to sixteen microgrids into an ultimate grid."

[35] Of course, if the cost model itself overstates cost for a given density zone, Mr. Brown's analysis deviates even further from reality.

with the flawed cost results (I will described the flaws in this information next in my testimony) yields, according to Mr. Brown, a *demonstration* of the unique vulnerability of the Rural ILECs to competitive entry. In reality, there is no reason to assume that the line density of an entire wire center or is a reasonable predictor of the characteristics of the more discrete geographic areas to which telephone plant is designed, and no reason to assume that the cost results Mr. Brown relies upon are an accurate portrayal of anything whatsoever.

Mr. Brown's Charts Are Overtly Misleading And Provide No Accurate Or Useful Information

Q. PLEASE EXPLAIN WHY MR. BROWN'S RELIANCE ON THE RESULTS OF BENCHMARK COST PROXY MODEL IS MISPLACED.

A. Mr. Brown relies exclusively on the results generated by the Benchmark Cost Proxy Model, version 3.0 ("BCPM") populated with "common inputs." These results are reported (with no qualifying remarks) in Chart I (p. 27), and reproduced (with some distortion) in Chart II (p. 29). This information serves as the foundation for Mr. Brown's entire argument, and he offers no corroborating data source. If this information is unreliable, his arguments have no factual foundation.

There are, unfortunately, numerous problems with both the BCPM results relied upon by Mr. Brown and with his presentation of that information. First, Chart I significantly distorts the results. The x (horizontal) axis of Chart I varies in scale. At the

left side of the chart, a given horizontal distance represents a change of 10 households, while at the right side of the chart, that same distance represents a change of 90,000 households. This dramatic change of scale (not noted on the chart) distorts the shape of the curve and causes it to appear to slope upward at a misleading location. Chart II retains this dramatic change of scale, but omits all units (both households and dollars) on both axes, creating an overtly misleading representation of how BCPM 3.0 reports that costs vary. **Exhibit DJW-3** reproduces Chart II without the distortion in scale. This corrected chart shows that, at least according to the BCPM, per-line network costs actually vary very little across a wide range of population densities, especially when per-line costs are averaged across a geographic area.

The scale on Chart I (deftly omitted from Chart II) suggests that Mr. Brown intended to use a logarithmic rather than linear scale. If this is the case, the same conclusion holds: his charts distort the BCPM results. **Exhibit DJW-4** shows a corrected Chart II using Mr. Brown's data points and a logarithmic scale. This is clearly not the same curve as shown in Mr. Brown's Chart II. If it was Mr. Brown's intent to present this information using a logarithmic scale, an additional problem is created. Mr. Brown has offered no rationale for his conclusion that the use of a non-linear scale would provide a more accurate visual representation of the BCPM results that he relies upon. By all appearances, the linear scale provides a more accurate representation of how BCPM reports that costs vary across density zones.

Even without this distortion in his presentation, Mr. Brown has two other problems with his BCPM results. First, this version of BCPM has a number of well-documented errors that cause it to overstate the necessary investment in network facilities, especially in areas of low line density. For example, this version of the BCPM overbuilds sub-feeder facilities, thereby significantly overstating the number of route miles of cable required. The calculated investment in these network facilities is also a direct function of the user-defined inputs to the model. Mr. Brown states that he used "FCC Common Inputs" to populate the BCPM. What he has done here is unclear; the set of common inputs adopted by the FCC for use in the HCPM is not in the same format as this version of the BCPM. Some judgment calls are necessary in order to convert the inputs from one format to the other. If BCPM default values were used for some inputs (as would almost certainly have to be done in this case), the reported results are certainly too high. The sponsors of BCPM 3.0 have readily admitted that if default inputs are used in the model, the results will be overstated. Finally, BCPM 3.0 also commits an error that should be familiar to Mr. Brown: it assumes that telephone plant cannot be built across invisible lines on a map. In the case of the BCPM, it assumes that telephone plant cannot cross the boundary of the "grids" that it creates internally when mapping an area. In each case, this false assumption causes network investment and costs to be artificially overstated.

Q. YOU STATED THAT MR. BROWN HAS AVERAGED THE BCPM RESULTS IN A WAY THAT RENDERS THEM MEANINGLESS. PLEASE EXPLAIN WHY THIS IS THE CASE.

A. Mr. Brown reports his BCPM results as a state-wide average of the results for each density zone. Mr. Brown has argued that the BCPM does not produce accurate results at the wire center or study area level – yet these inaccurate values are the ones used by Mr. Brown to calculate his average. Such averaging creates the potential for significant accumulated error. If it could be demonstrated that each of the errors were random in both direction and magnitude, then it is possible - but far from certain - that some of the error might cancel. However, there is absolutely no evidence that either of these conditions have been met in this case. If in fact the errors are created by a non-random bias, as the best available evidence suggests that they are, the errors accumulate rather than cancel out.[36] The best that can be said is that the BCPM results relied upon by Mr. Brown represent an average of inaccurate values, and that the direction and magnitude of the accumulated error in that average, while almost certainly significant, is unknown.

Q. HOW DOES MR. BROWN UTILIZE THE BCPM RESULTS IN HIS ANALYSIS?

A. Based on this information that is almost certainly inaccurate and at best unreliable, Mr. Brown does not hesitate to reach some very specific conclusions regarding the

[36] While it is impossible to determine based on the limited information provided by Mr. Brown, it is entirely possible that he has created a "the cost is $10, plus or minus $20" level of statistical certainty.

relationship between the density of households and per-line costs in rural areas.

Based on his assumptions about the behavior of network costs, Mr. Brown reaches the conclusion that the "efficiency loss" with the introduction of a second ETC should be measured by calculating the change in unit cost based on his cost curve. Chart II illustrates this proposition. As drawn, Mr. Brown's curve suggests a significant efficiency loss if a given volume of customers is lost to another ETC in a medium to low-density area, and a miniscule loss if the same number of lines are lost to an ETC in a high-density area.[37] I have no trouble with the basic concept that Mr. Brown seeks to illustrate; an assertion that "in an area in which costs increase at an increasing rate, a given change in volume will result in a greater change in unit costs" is a tautology. My concern is that Mr. Brown apparently is asking (or at least expecting) the Commission to accept that this purely illustrative curve – and the mathematical characteristics it implies – bears some factual relationship to how the Rural ILECs' network costs actually vary with line density in South Dakota. There is no basis whatsoever for such a conclusion.

Setting aside the factual inadequacies, Mr. Brown's analysis suffers from a different – and fundamentally more important – problem. His short-term, static analysis ignores important longer-term impacts on efficiency and unit cost. I will assume, purely

[37] Mr. Brown refers to the change from A1 to A2 and from B1 to B2 as "an equivalent reduction in density" (p. 30), apparently forgetting the change in scale on their horizontal axis (Chart II is completely devoid of units). *The reduction shown is not equivalent*, either in terms of absolute units or on a percentage basis. At the end of the day, Mr. Brown's work does drive home one important lesson: don't leave the units off your charts.

for the sake of discussion that the curve shown in Chart II provides some useful information regarding the per-line network costs that should be incurred to serve areas of varying density.[38] BCPM (like the HCPM) purports to calculate economic costs; that is, the costs that would be incurred by an efficient provider. These costs are highly unlikely to be representative of the embedded costs of the Rural ILECs. **Exhibit DJW-5** illustrates, based on a generous assumption regarding the relationship between economic costs and the current level of LEC embedded costs, the relationship between these two cost curves.

In Mr. Brown's short-term, static model, only movement along the cost curve is possible. No shifts in the curve are permitted. When a more meaningful long-term view is considered, the cost curve of a provider can (and should) shift. Such a dynamic model is necessary to capture one of the primary benefits of competition. With no competitive entry, the incumbent rural LEC illustrated by the "embedded cost" curve in Exhibit DJW-5 has no incentive to increase its network and operational efficiency. This hypothetical ILEC can waste the entire "weaning period" furnished by the FCC in the *Fourteenth Report and Order,* by sitting back, collecting universal service funding sufficient to recover total embedded costs, and do nothing to prepare for a time when competitive market forces will actually act upon it. This ongoing inefficiency will remain largely

[38] I cannot overemphasize the point that this curve suffers from numerous factual inaccuracies. Any pretense of brevity prevents them from being fully examined in this testimony.

hidden (or at least comfortably ignored) as long as no competitor is present.

The entrance of a competitor, such as WWC, even during the period of time in which the rural ILEC is assured of embedded cost recovery, will serve to bring these inefficiencies to light. The prudent ILEC will act now to increase the efficiency of its operation and lower its costs of doing business.[39] The result is a shift of the curve from the embedded level of costs to the economic level of costs as shown in Exhibit DJW-5. Once the public interest model is expanded to include this long-term impact on efficiency, a more meaningful calculation of efficiency loss or gain can be calculated. Assuming again, purely for the sake of simplifying the discussion, that Mr. Brown's cost curve is accurate, it can be readily observed that two forces are acting on unit costs. In the purely short run, unit costs may increase as an inefficient provider provides service to fewer units of demand. Over the longer term, increased efficiency will almost certainly surpass this short-term effect, resulting in a net efficiency gain and a net benefit to the rural consumers of telecommunications services.

Mr. Brown is correct that without competitive entry and the designation of an additional ETC, this short-term change will not occur. It is equally important to recognize that without competitive entry and the designation of an additional ETC, this long-term change is likewise unlikely to occur. The transition path chosen by the FCC is not cost-free or even-pain free; it is an explicit trade-off of the interests of incumbent

[39] The imprudent LEC will ultimately face a day of reckoning, but will have squandered the

ILECs, potential new entrants, and the consuming public.

Ms. Vanicek's Argument That Some Of WWC's Rates Are Higher Than The Average ILEC Price For Basic Local Service Ignores Basic Facts About WWC's Prices And Is Based On A Fundamental Misunderstanding Regarding Market Dynamics

Q. MS. VANICEK ARGUES THAT WWC SHOULD NOT BE DESIGNATED AS AN ETC BECAUSE, IN HER OPINION, ITS SERVICE OFFERINGS ARE NOT "AFFORDABLE". DO YOU AGREE

A. No, for several reasons. As an initial matter, there is a very practical reason why WWC's rates - however characterized - should not preclude ETC designation: if end user customers do not consider WWC's service offerings to be affordable and a good value (considering price, quality, mobility, and features), they will not subscribe to them. Federal high-cost support is available to a CETC on a per-line basis for customers actually served. If customers do not subscribe to its services, WWC will not receive support whether or not is has been designated as an ETC.

Second, Ms. Vanicek goes on to observe (p. 23) that "several of the plans are offered at rates of $30.00 per month or greater. The rate for one plan is $110.00 per month." Ms. Vanicek fails to mention that WWC's plans actually start at $14.99 per month with unlimited local calling. She goes on to state that "the rate of $30.00 per month is above the national average for basic local exchange service in urban areas." Assuming that Ms. Vanicek's observation has any relevance here whatsoever, she has

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grace period that would have permitted a relatively painless transition.

failed to describe what is being provided by the ILECs for a national average of $30.00 per month. When making this dubious comparison, Ms. Vanicek is highly likely to be comparing services offerings with very different bundles of features and capabilities. If the service offerings are compared on an apples-to-apples basis, it is likely that WWC's prices are competitive and can provide a competitive alternative to end users, *if* WWC has the opportunity to expand and enhance its network so that its offerings are a viable substitute service.

Third, Ms. Vanicek argues (p. 24) that "to the extent that any of the offerings include payment for toll service, the offering includes services that are not to be supported by universal service support payments." Such a statement strongly suggests that Ms. Vanicek simply does not understand how the federal USF works. In order to receive support, an ETC must offer a service that includes – at a minimum, the nine supported service elements. This in no way suggests that a service offering that includes more than this minimum would disqualify a given line; to do so would disqualify an ILEC line if the customer buys anything other than a basic service offering. The reason, of course, is that USF does not support services, it supports networks. As Ms. Vanicek points out (p. 20), the Joint Board recently pointed on that "universal service policies have supported the cost of *networks* in high-cost areas." The fact that a WWC customer receives a benefit from the purchase of a service offering that contains an expanded local calling area or more than simply a basic service capability in no way suggests that it is not in the public interest to support WWC's *network* in the high-cost area in question.

Fourth, Ms. Vanicek's argument that it would not be in the public interest to support these "higher rates" seems to suggest a belief that higher priced services will be eligible for a higher level of support. This is not the case: the per-line support amount that would be available to WWC is a fixed amount based on the costs of the Rural ILEC, not WWC's retail rate. High-cost funds would not be "supporting" WWC's services (whether affordably priced or "high priced"), they would be supporting investment in network infrastructure in rural areas. And, of course, there would be no funding available to WWC at all if customers conclude that WWC's service is not "affordable".

Fifth, Ms. Vanicek's analysis accounts for only short run considerations. As the FCC has pointed out, perhaps the primary public benefit over the long run of designating a CETC is the creation of incentives for both the incumbent carrier and new entrants to become more efficient. Increased efficiency in a competitive market is likely to lead to lower prices over time. A decision by WWC or any other ETC to invest support funds in infrastructure rather than to use the funds to offset a short term rate reduction supports this long term objective.

Sixth, Ms. Vanicek's conclusion is also inconsistent with her testimony taken as a whole. To put a rather fine point on it, if Ms. Vanicek truly believed that WWC's prices are so high that it poses no competitive threat to SDTA members, the Rural ILECs' financial stake in this proceeding would be effectively zero, and she would have no real basis for opposing WWC's Petition (nor would SDTA be likely to expend the resources necessary to do so). Of course, *by definition* what SDTA sees as a competitive threat is

seen by the customer as an opportunity to purchase a more desirable service.

Finally, Ms. Vanicek argues (p. 23) that "the level at which rates are considered to be affordable is an issue for the Commission to decide." I respectfully disagree: the level at which rates are considered to be affordable is an issue for *customers* to decide. Customers are in the best position to determine whether a particular service offering a given price will be beneficial to them. The Commission must determine if WWC has committed to offer and advertise the nine supported service elements. If this commitment has properly been made, it is then up to end users to decide whether to purchase WWC's service at a given price (so that WWC receives USF support) or to not purchase WWC's service at that price (so that WWC receives no USF support).

Mr. Brown's Concerns Regarding "Creamskimming" Ignore Both Regulatory Safeguards And The Practical Realities Of Engaging In Such A Strategy

Q. MR. BROWN EXPRESSES A CONCERN THAT WWC WILL NOT INITIALLY HAVE FACILITIES IN PLACE TO SERVE ALL OF SDTA'S STUDY AREAS, AND BECAUSE OF THIS WWC WILL INEVITABLY BE ENGAGING IN THE PRACTICE OF "CREAMSKIMMING." IS THIS CONCERN VALID?

A. No. Mr. Brown makes several errors when reaching this conclusion. First, Mr. Brown (pp. 10-11) makes an assumption that if a CETC does not serve the entire study area of the incumbent LEC, it means that the CETC is, by definition, engaging in "creamskimming."

Mr. Brown is wrong. The FCC has been clear that it does not consider the fact that a CETC serves only a portion of an ILEC service area to be a demonstration of "creamskimming." FCC Rule 54.315, for example, sets forth three options by which the ILEC can disaggregate support in order to eliminate the possibility of creamskimming. Without averaged support, the potential for creamskimming - to the extent it ever existed - goes away. More recently, the FCC has concluded that a creamskimming concern must be based on more than the fact that a CETC may serve less that the ILEC service area, but must be based on a showing that the CETC is "deliberately seeking to enter certain areas in order to creamskim."[40] There is no evidence that WWC is engaging is such a strategy.

Mr. Brown argues that the use of universal service support to construct network facilities is only in the public interest if such facilities are constructed exclusively in the high-cost parts of the service area. There is no basis whatsoever for such a conclusion. There is no such requirement in the Act or FCC rules. It is entirely consistent with both the letter and spirit of the law for any ETC – including IETCs and CETCs – to invest support funds in facilities throughout the area that they serve. All of these facilities are ultimately necessary to provide service throughout the entire area. Of course, if support is properly disaggregated as permitted by FCC Rule 54.315, this question becomes moot. An ETC, whether an IETC or CETC, should receive support based on the cost of serving

[40]See *Memorandum Opinion and Order*, CC Docket No. 96-45, (rel. November 27, 2002), DA

a particular area. A CETC that constructs facilities only in low-cost zones will receive only low-cost support (this support is often zero in the lowest-cost zones, even for rural ILECs). Conversely, when a CETC constructs facilities in high-cost zones it will receive high-cost support. Mr. Brown's idea that the public interest is only served if all support is used for investment made in high cost areas ignores the basic operation of the mechanism. If an ILEC has disaggregated support, any assertion that WWC will be serving predominantly low-cost customers while receiving support intended to cover the cost of serving customers in the remote, sparsely populated areas of these study areas is rendered moot: by definition, the level of support appropriate for a high-cost area is available only when an ETC serves a customer in that high-cost area. An ETC serving primarily low-cost customers would receive primarily low-cost support, if any at all.

Q. IS THERE ANY REASON TO EXPECT WWC TO HAVE THE ABILITY TO "CREAMSKIM"?

A. None whatsoever. As noted above, FCC Rule 54.315 allows ILECs to disaggregate universal service support in order to reflect geographic cost differences. ILECs had the opportunity to choose one of three paths for disaggregation and the rules permit ILECS to change paths as events warrant. To the extent that "creamskimming" opportunities exist, this mechanism provides a very effective method to prevent it.

02-3181, ¶¶ 27-31.

As a practical matter, even a carrier that diverts considerable resources away from its business operation in order to attempt to exploit opportunities for geographic "creamskimming" would find it almost impossible to successfully accomplish its objective. In order to be successful, the new entrant would need to incur costs in the same way as the ILEC; it is only if the "high cost" and "low cost" areas of the ILEC and new entrant match that "creamskimming" is even theoretically possible, and as all parties will agree wireless carriers have a cost structure that is different from that of wireline carriers. An additional practical problem is that – when examined closely – network costs do not vary in a predictable way. My review of hundreds of network costs study reveals an inescapable truth: it is impossible to conclude that network costs vary based on any set of broad criteria. Costs vary on a very discrete geographic scale, making it difficult (if not impossible) to identify individual customers that are "low cost" and thereby represent a "creamskimming" opportunity.

As the FCC has recently concluded, a commitment by a wireless CETC to provide the supported services throughout its licensed service area, even when "the contour of its CMRS licensed area differs from the existing rural telephone companies' study areas," indicates that the CETC is not seeking to "creamskim" and any such "creamskimming" concerns are thereby minimized.[41]

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[41] *WWC Holdings, Inc., Memorandum Opinion and Order*, CC Docket No. 96-45, (rel. November 27, 2002), DA 02-3181, ¶¶ 27-28.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

1634960v2

Exhibit DJW-1

Vita of Don J. Wood
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CURRENT EMPLOYMENT

Don J. Wood is a principal in the firm of Wood & Wood. He provides economic and regulatory analysis services in telecommunications, cable, IP, and related convergence industries, specializing in economic policy related to the development of competitive markets and cost of service issues. In addition, Mr. Wood advises industry associations on regulatory and economic policy, and assists investors in their evaluation of investment opportunities in the telecommunications industry. The scope of his work has included landline and wireless voice communications, data services, and emerging technologies.

As a consultant, Mr. Wood has assisted his clients in responding to the challenges and business opportunities of the industry both before and subsequent to the Telecommunications Act of 1996. Prior to his work as a consultant, Mr. Wood was employed in a management capacity at a major Local Exchange Company and an Interexchange Carrier. In each capacity he has been directly involved in both the development and implementation of regulatory policy and business strategy.

As a part of his regulatory practice, Mr. Wood has presented testimony before the administrative regulatory bodies of thirty-five states, the District of Columbia, and Puerto Rico, and has prepared comments and testimony for filing with the Federal Communications Commission. The subject matter of his testimony has ranged from broad policy issues to detailed cost analysis.

Mr. Wood has also presented testimony in state, federal, and overseas courts regarding business plans and strategies, competition policy, and cost of service issues. He has presented studies of the damages incurred by plaintiffs and has provided rebuttal testimony to damage calculations performed by others. Mr. Wood has also testified in alternative dispute resolution proceedings conducted pursuant to both AAA and CPR rules.

Mr. Wood is certified as a Commercial Mediator in the state of Georgia.

PREVIOUS INDUSTRY EMPLOYMENT

Klick, Kent & Allen/FTI Consulting, Inc.
Regional Director.

GDS Associates, Inc.
Senior Project Manager.

MCI Telecommunications Corporation
Manager of Regulatory Analysis, Southeast Division.
Manager, Corporate Economic Analysis and Regulatory Affairs.

BellSouth Services, Inc.
Staff Manager.

EDUCATION

Emory University, Atlanta, Ga.
BBA in Finance, with Distinction.

College of William and Mary, Williamsburg, Va.
MBA, with concentrations in Finance and Microeconomics.

TESTIMONY - STATE REGULATORY COMMISSIONS

Alabama Public Service Commission

Docket No. 19356, Phase III: Alabama Public Service Commission vs. All Telephone Companies Operating in Alabama, and Docket 21455: AT&T Communications of the South Central States, Inc., Applicant, Application for a Certificate of Public Convenience and Necessity to Provide Limited IntraLATA Telecommunications Service in the State of Alabama.

Docket No. 20895: In Re: Petition for Approval to Introduce Business Line Termination for MCI's 800 Service.

Docket No. 21071: In Re: Petition by South Central Bell for Introduction of Bidirectional Measured Service.

Docket No. 21067: In Re: Petition by South Central Bell to Offer Dial Back-Up Service and 2400 BPS Central Office Data Set for Use with PulseLink Public Packet Switching Network Service.

Docket No. 21378: In Re: Petition by South Central Bell for Approval of Tariff Revisions to Restructure ESSX and Digital ESSX Service.

Docket No. 21865: In Re: Petition by South Central Bell for Approval of Tariff Revisions to Introduce Network Services to be Offered as a Part of Open Network Architecture.

Docket No. 25703: In Re: In the Matter of the Interconnection Agreement Between AT&T Communications of the South Central States, Inc. and BellSouth Telecommunications, Inc., Pursuant to 47 U.S.C. § 252.

Docket No. 25704: In Re: Petition by AT&T Communications of the South Central States, Inc. for Arbitration of Certain Terms and Conditions of a Proposed Agreement with GTE South Incorporated and CONTEL of the South, Inc. Concerning Interconnection and Resale under the Telecommunications Act of 1996.

Docket No. 25835: In Re: Petition for Approval of a Statement of Generally Available Terms and Conditions Pursuant to §252(f) of the Telecommunications Act of 1996 and Notification of Intention to File a §271 Petition for In-Region InterLATA Authority with the Federal Communications Commission Pursuant to the Telecommunications Act of 1996.

Docket No. 26029: In Re: Generic Proceeding - Consideration of TELRIC Studies.

Docket No. 25980: Implementation of the Universal Support Requirements of Section 254 of the Telecommunications Act of 1996.

Docket No. 27091: Petition for Arbitration by ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996.

Docket No. 27821: Generic Proceeding to Establish Prices for Interconnection Services and Unbundled Network Elements.

Docket Nos. 27989 and 15957: BellSouth "Full Circle" Promotion and Generic Proceeding Considering the Promulgation of Telephone Rules Governing Promotions.

Docket No. 28841: In Re: Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996.

The Regulatory Commission of Alaska

Case No. U-02-039: In the Matter of Request by Alaska Digitel, LLC for Designation as a Carrier Eligible To Receive Federal Universal Service Support Under the Telecommunications Act of 1996.

Arkansas Public Service Commission

Docket No. 92-337-R: In the Matter of the Application for a Rule Limiting Collocation for Special Access to Virtual or Physical Collocation at the Option of the Local Exchange Carrier.

Public Utilities Commission of the State of California

Rulemaking 00-02-005: Order Instituting Rulemaking on the Commission's Own Motion into Reciprocal Compensation for Telephone Traffic Transmitted to Internet Service Provider Modems.

Application Nos. 01-02-024, 01-02-035, 02-02-031, 02-02-032, 02-02-034, 02-03-002: Applications for the Commission to Reexamine the Recurring Costs and Prices of Unbundled Network element Costs Pursuant to Ordering Paragraph 11 of D.99-11-050.

Public Utilities Commission of the State of Colorado

Docket No. 96A-345T: In the Matter of the Interconnection Contract Negotiations Between AT&T Communications of the Mountain States, Inc., and US West Communications, Inc., Pursuant to 47 U.S.C. Section 252. Docket No. 96A-366T: In the Matter of the Petition of MCIMetro Access Transmission Services, Inc., for Arbitration Pursuant to 47 U.S.C. § 252(b) of the Telecommunications Act of 1996 to Establish an Interconnection Agreement with US West Communications, Inc. (consolidated).

Docket No. 96S-257T: In Re: The Investigation and Suspension of Tariff Sheets Filed by US West Communications, Inc., with Advice Letter No. 2608 Regarding Proposed Rate Changes.

Docket No. 98F-146T: Colorado Payphone Association, Complainant, v. US West Communications, Inc., Respondent.

Docket No. 02A-276T: In the Matter of the Application of Wiggins Telephone Association for Approval of its Disaggregation Plan

Docket No. 02A-444T: In the Matter of NECC's Application to Redefine the Service Area of Eastern Slope Rural Telephone Association, Inc., Great Plains Communications, Inc., Plains Coop Telephone Association, Inc., and Sunflower Telephone Co., Inc.

State of Connecticut, Department of Utility Control

Docket 91-12-19: DPUC Review of Intrastate Telecommunications Services Open to Competition (Comments).

Docket No. 94-07-02: Development of the Assumptions, Tests, Analysis, and Review to Govern Telecommunications Service Reclassifications in Light of the Eight Criteria Set Forth in Section 6 of Public Act 94-83 (Comments).

Delaware Public Service Commission

Docket No. 93-31T: In the Matter of the Application of The Diamond State Telephone Company for Establishment of Rules and Rates for the Provision of IntelliLinQ-PRI and IntelliLinQ-BRI.

Docket No. 41: In the Matter of the Development of Regulations for the Implementation of the Telecommunications Technology Investment Act.

Docket No. 96-324: In the Matter of the Application of Bell Atlantic-Delaware, Inc. for Approval of its Statement of Terms and Conditions Under Section 252(f) of the Telecommunications Act of 1996 (Phase II).

Docket No. 02-001: In the Matter of the Inquiry into Verizon Delaware Inc.'s Compliance with the Conditions Set Forth in 47 U.S.C. § 271(c).

Florida Public Service Commission

Docket No. 881257-TL: In Re: Proposed Tariff by Southern Bell to Introduce New Features for Digital ESSX Service, and to Provide Structural Changes for both ESSX Service and Digital ESSX Service.

Docket No. 880812-TP: In Re: Investigation into Equal Access Exchange Areas (EAEAs), Toll Monopoly Areas (TMAs), 1+ Restriction to the Local Exchange Companies (LECs), and Elimination of the Access Discount.

Docket No. 890183-TL: In Re: Generic Investigation into the Operations of Alternate Access Vendors.

Docket No. 870347-TI: In Re: Petition of AT&T Communications of the Southern States for Commission Forbearance from Earnings Regulation and Waiver of Rule 25-4.495(1) and 25-24.480 (1) (b), F.A.C., for a trial period.

Docket No. 900708-TL: In Re: Investigation of Methodology to Account for Access Charges in Local Exchange Company (LEC) Toll Pricing.

Docket No. 900633-TL: In Re: Development of Local Exchange Company Cost of Service Study Methodology.

Docket No. 910757-TP: In Re: Investigation into the Regulatory Safeguards Required to Prevent Cross-Subsidization by Telephone Companies.

Docket No. 920260-TL: In Re: Petition of Southern Bell Telephone and Telegraph Company for Rate Stabilization, Implementation Orders, and Other Relief.

Docket No. 950985-TP: In Re: Resolution of Petitions to establish 1995 rates, terms, and conditions for interconnection involving local exchange companies and alternative local exchange companies pursuant to Section 364.162, Florida Statutes.

Docket No. 960846-TP: In Re: Petition by MCI Telecommunications Corporation and MCI Metro Access Transmission Services, Inc. for Arbitration of Certain Terms and Conditions of a proposed agreement with BellSouth Telecommunications, Inc. Concerning Interconnection and Resale Under the Telecommunications Act of 1996 and Docket No. 960833-TP: In Re: Petition by AT&T Communications of the Southern States, Inc. for Arbitration of Certain Terms and Conditions of a Proposed Agreement with BellSouth Telecommunications, Inc. Concerning Interconnection and Resale Under the Telecommunications Act of 1996 (consolidated).

Docket No. 960847-TP and 960980-TP: In Re: Petition by AT&T Communications of the Southern States, Inc., MCI Telecommunications Corporation, MCI Metro Access Transmission Service, Inc., for Arbitration of Certain Terms and Conditions of a Proposed Agreement with GTE Florida Incorporated Inc. Concerning Interconnection and Resale Under the Telecommunications Act of 1996 (consolidated).

Docket No. 961230-TP: In Re: Petition by MCI Telecommunications Corporation for Arbitration with United Telephone Company of Florida and Central Telephone Company of Florida Concerning Interconnection Rates, Terms, and Conditions, Pursuant to the Federal Telecommunications Act of 1996.

Docket No. 960786-TL: In Re: Consideration of BellSouth Telecommunications, Inc.'s Entry Into InterLATA Services Pursuant to Section 271 of the Federal Telecommunications Act of 1996.

Docket Nos. 960833-TP, 960846-TP, 960757-TP, and 971140-TP: Investigation to develop permanent rates for certain unbundled network elements.

Docket No. 980696-TP: In Re: Determination of the cost of basic local telecommunications service, pursuant to Section 364.025 Florida Statutes.

Docket No. 990750-TP: Petition by ITC^DeltaCom Communications, Inc., d/b/a/ ITC^DeltaCom, for arbitration of certain unresolved issues in interconnection negotiations between ITC^DeltaCom and BellSouth Telecommunications, Inc.

Docket No. 991605-TP: Petition of BellSouth Telecommunications, Inc. for Arbitration of the Interconnection Agreement Between Time Warner Telecom of Florida, L.P., pursuant to Section 252 (b) of the Telecommunications Act of 1996.

Docket No. 030137-TP: In re: Petition for Arbitration of Unresolved Issues in Negotiation of Interconnection Agreement with BellSouth Telecommunications, Inc. by ITC^DeltaCom Communications, Inc. d/b/a ITC^DeltaCom.

Georgia Public Service Commission

Docket No. 3882-U: In Re: Investigation into Incentive Telephone Regulation in Georgia.

Docket No. 3883-U: In Re: Investigation into the Level and Structure of Intrastate Access Charges.

Docket No. 3921-U: In Re: Compliance and Implementation of Senate Bill 524.

Docket No. 3905-U: In Re: Southern Bell Rule Nisi.

Docket No. 3995-U: In Re: IntraLATA Toll Competition.

Docket No. 4018-U: In Re: Review of Open Network Architecture (ONA) (Comments).

Docket No. 5258-U: In Re: Petition of BellSouth Telecommunications for Consideration and Approval of its "Georgians FIRST" (Price Caps) Proposal.

Docket No. 5825-U: In Re: The Creation of a Universal Access Fund as Required by the Telecommunications Competition and Development Act of 1995.

Docket No. 6801-U: In Re: Interconnection Negotiations Between BellSouth Telecommunications, Inc. and AT&T Communications of the Southern States, Inc., Pursuant to Sections 251-252 and 271 of the Telecommunications Act of 1996.

Docket No. 6865-U: In Re: Petition by MCI for Arbitration of Certain Terms and Conditions of Proposed Agreement with BellSouth Telecommunications, Inc. Concerning Interconnection and Resale Under the Telecommunications Act of 1996.

Docket No. 7253-U: In Re: BellSouth Telecommunications, Inc.'s Statement of Generally Available Terms and Conditions Under Section 252 (f) of the Telecommunications Act of 1996.

Docket No. 7061-U: In Re: Review of Cost Studies and Methodologies for Interconnection and Unbundling of BellSouth Telecommunications Services.

Docket No. 10692-U: In Re: Generic Proceeding to Establish Long-Term Pricing Policies for Unbundled Network Elements.

Docket No. 10854-U: In Re: Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996.

Docket No. 16583-U: In Re: Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996.

Public Utilities Commission of Hawaii

Docket No. 7702: In the Matter of Instituting a Proceeding on Communications, Including an Investigation of the Communications Infrastructure of the State of Hawaii.

Indiana Utility Regulatory Commission

Cause No. 42303: In the Matter of the Complaint of the Indiana Payphone Association for a Commission Determination of Just and Reasonable Rates and Charges and Compliance with Federal Regulations.

Cause No. 41052-ETC-43: In the Matter of the Designation of Eligible Telecommunications Carriers by the Indiana Utility Regulatory Commission Pursuant to the Telecommunications Act of 1996 and Related FCC Orders. In Particular, the Application of NPCR, Inc. d/b/a Nextel Partners to be Designated.

Iowa Utilities Board

Docket No. RPU-95-10.

Docket No. RPU-95-11.

State Corporation Commission of the State of Kansas

Docket No. 00-GIMT-1054-GIT: In the Matter of a General Investigation to Determine Whether Reciprocal Compensation Should Be Paid for Traffic to an Internet Service Provider.

Kentucky Public Service Commission

Administrative Case No. 10321: In the Matter of the Tariff Filing of South Central Bell Telephone Company to Establish and Offer Pulselink Service.

Administrative Case No. 323: In the Matter of An Inquiry into IntraLATA Toll Competition, An Appropriate Compensation Scheme for Completion of IntraLATA Calls by Interexchange Carriers, and WATS Jurisdictionality.

- Phase IA: Determination of whether intraLATA toll competition is in the public interest.
- Phase IB: Determination of a method of implementing intraLATA competition.
- Rehearing on issue of Imputation.

Administrative Case No. 90-256, Phase II: In the Matter of A Review of the Rates and Charges and Incentive Regulation Plan of South Central Bell Telephone Company.

Administrative Case No. 336: In the Matter of an Investigation into the Elimination of Switched Access Service Discounts and Adoption of Time of Day Switch Access Service Rates.

Administrative Case No. 91-250: In the Matter of South Central Bell Telephone Company's Proposed Area Calling Service Tariff.

Administrative Case No. 96-431: In Re: Petition by MCI for Arbitration of Certain Terms and Conditions of a Proposed Agreement with BellSouth Telecommunications, Inc. Concerning Interconnection and Resale Under the Telecommunications Act of 1996.

Administrative Case No. 96-478: In Re: The Petition by AT&T Communications of the South Central

States, Inc. for Arbitration of Certain Terms and Conditions of a Proposed Agreement with GTE South Incorporated Concerning Interconnection and Resale Under the Telecommunications Act of 1996.

Administrative Case No. 96-482: In Re: The Interconnection Agreement Negotiations Between AT&T Communications of the South Central States, Inc. and BellSouth Telecommunications, Inc., Pursuant to 47 U.S.C. § 252.

Administrative Case No. 360: In the Matter of: An Inquiry into Universal Service and Funding Issues.

Administrative Case No. 96-608: In the Matter of: Investigation Concerning the Provision of InterLATA Services by BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996.

Administrative Case No. 382: An Inquiry into the Development of Deaveraged Rates for Unbundled Network Elements.

Louisiana Public Service Commission

Docket No. 17970: In Re: Investigation of the Revenue Requirements, Rate Structures, Charges, Services, Rate of Return, and Construction Program of AT&T Communications of the South Central States, Inc., in its Louisiana Operations.

Docket No. U-17949: In the Matter of an Investigation of the Revenue Requirements, Rate Structures, Charges, Services, Rate of Return, and Construction Program of South Central Bell Telephone Company, Its Louisiana Intrastate Operations, The Appropriate Level of Access Charges, and All Matters Relevant to the Rates and Service Rendered by the Company.

- Subdocket A (SCB Earnings Phase)

- Subdocket B (Generic Competition Phase)

Docket No. 18913-U: In Re: South Central Bell's Request for Approval of Tariff Revisions to Restructure ESSX and Digital ESSX Service.

Docket No. U-18851: In Re: Petition for Elimination of Disparity in Access Tariff Rates.

Docket No. U-22022: In Re: Review and Consideration of BellSouth Telecommunications, Inc.'s TSLRIC and LRIC Cost Studies Submitted Pursuant to Sections 901(C) and 1001(E) of the Regulations for Competition in the Local Telecommunications Market as Adopted by General Order Dated March 15, 1996 in Order to Determine the Cost of Interconnection Services and Unbundled Network Components to Establish Reasonable, Non-Discriminatory, Cost Based Tariffed Rates and Docket No. U-22093: In Re: Review and Consideration of BellSouth Telecommunications, Inc.'s Tariff Filing of April 1, 1996, Filed Pursuant to Section 901 and 1001 of the Regulations for Competition in the Local Telecommunications Market Which Tariff Introduces Interconnection and Unbundled Services and Establishes the Rates, Terms and Conditions for Such Service Offerings (consolidated).

Docket No. U-22145: In the Matter of Interconnection Agreement Negotiations Between AT&T Communications of the South Central States, Inc. and BellSouth Telecommunications, Inc., Pursuant to 47 U.S.C. § 252.

Docket No. U-22252: In Re: Consideration and Review of BST's Preapplication Compliance with Section 271 of the Telecommunications Act of 1996, including but not limited to the fourteen requirements set forth in Section 271 (c) (2) (b) in order to verify compliance with section 271 and provide a recommendation to the FCC regarding BST's application to provide interLATA services originating in-region.

Docket No. U-20883 Subdocket A: In Re: Submission of the Louisiana Public Service Commission's Forward Looking Cost Study to the FCC for Purposes of Calculating Federal Universal Service Support.

Docket No. U-24206: In Re: Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996.

Docket No. U-22632: In Re: BellSouth Telecommunications, Inc. Filing of New Cost Studies for Providing Access Line Service for Customer Provided Public Telephones and Smartline Service for Public Telephone Access.

Docket No. Docket No. U-24714-A: In Re: Final Deaveraging of BellSouth Telecommunications, Inc. UNE Rates Pursuant to FCC 96-45 Ninth Report and Order and Order on Eighteenth Order on Reconsideration Released November 2, 1999.

Public Service Commission of Maryland

Case 8584, Phase II: In the Matter of the Application of MFS Intelenet of Maryland, Inc. for Authority to Provide and Resell Local Exchange and Intrastate Telecommunications Services in Areas Served by C&P Telephone Company of Maryland.

Case 8715: In the Matter of the Inquiry into Alternative Forms of Regulating Telephone Companies.

Case 8731: In the Matter of the Petitions for Approval of Agreements and Arbitration of Unresolved Issues Arising Under Section 252 of the Telecommunications Act of 1996.

Massachusetts Department of Telecommunications and Energy

D.P.U./D.T.E. 97088/97-18 (Phase II): Investigation by the Department of Telecommunications & Energy on its own motion regarding (1) implementation of section 276 of the Telecommunications Act of 1996 relative to public interest payphones, (2) Entry and Exit Barriers for the Payphone Marketplace, (3) New England Telephone and Telegraph Compnay d/b/a NYNEX's Public Access Smart-Pay Service, and (4) the rate policy for operator service providers.

Minnesota Public Utilities Commission

PUC Docket No. PT6153/AM-02-686, OAH Docket No. 3-2500-14980-2: In the Matter of Petition of Midwest Wireless Communications, LLC for Designation as an Eligible Communications carrier under 47 U.S.C. § 214(e)(2).

PUC Docket No. PT-6182, 6181/M-02-1503: In the Matter of RCC Minnesota, Inc. and Wireless Alliance, LLC for Designation as an Eligible Telecommunications Carrier under 47 U.S.C. § 214(e)(2).

Mississippi Public Service Commission

Docket No. U-5086: In Re: MCI Telecommunications Corporation's Metered Use Service Option D (Prism I) and Option E (Prism II).

Docket No. U-5112: In Re: MCI Telecommunications Corporation's Metered Use Option H (800 Service).

Docket No. U-5318: In Re: Petition of MCI for Approval of MCI's Provision of Service to a Specific Commercial Banking Customers for Intrastate Interexchange Telecommunications Service.

Docket 89-UN-5453: In Re: Notice and Application of South Central Bell Telephone Company for Adoption and Implementation of a Rate Stabilization Plan for its Mississippi Operations.

Docket No. 90-UA-0280: In Re: Order of the Mississippi Public Service Commission Initiating Hearings Concerning (1) IntraLATA Competition in the Telecommunications Industry and (2) Payment of Compensation by Interexchange Carriers and Resellers to Local Exchange Companies in Addition to Access Charges.

Docket No. 92-UA-0227: In Re: Order Implementing IntraLATA Competition.

Docket No. 96-AD-0559: In Re: In the Matter of the Interconnection Agreement Negotiations Between AT&T Communications of the South Central States, Inc. and BellSouth Telecommunications, Inc., Pursuant to 47 U.S.C. § 252.

Docket No. 98-AD-035: Universal Service.

Docket No. 97-AD-544: In Re: Generic Proceeding to Establish Permanent Prices for BellSouth Interconnection and Unbundled Network Elements.

Public Service Commission of the State of Montana

Docket No. D2000.8.124: In the Matter of Touch America, Inc.'s Petition for Arbitration Pursuant to Section 252(b) of the Telecommunications Act of 1996 of the Terms and Conditions of Interconnection with Qwest Corporation, f/k/a US West Communications, Inc.

Docket No. D2000.6.89: In the Matter of Qwest Corporation's Application to Establish Rates for Interconnection, Unbundled Network Elements, Transport and Termination, and Resale Services.

Nebraska Public Service Commission

Docket No. C-1385: In the Matter of a Petition for Arbitration of an Interconnection Agreement Between AT&T Communications of the Midwest, Inc., and US West Communications, Inc.

New York Public Service Commission

Case No. 28425: Proceeding on Motion of the Commission as to the Impact of the Modification of Final Judgement and the Federal Communications Commission's Docket 78-72 on the Provision of Toll Service in New York State.

North Carolina Public Utilities Commission

Docket No. P-100, Sub 72: In the Matter of the Petition of AT&T to Amend Commission Rules Governing Regulation of Interexchange Carriers (Comments).

Docket No. P-141, Sub 19: In the Matter of the Application of MCI Telecommunications Corporation to Provide InterLATA Facilities-Based Telecommunications Services (Comments).

Docket No. P-55, Sub 1013: In the Matter of Application of BellSouth Telecommunications, Inc. for, and Election of, Price Regulation.

Docket Nos. P-7, Sub 825 and P-10, Sub 479: In the Matter of Petition of Carolina Telephone and Telegraph and Central Telephone Company for Approval of a Price Regulation Plan Pursuant to G.S. 62-133.5.

Docket No. P-19, Sub 277: In the Matter of Application of GTE South Incorporated for and Election of, Price Regulation.

Docket No. P-141, Sub 29: In the Matter of: Petition of MCI Telecommunications Corporation for Arbitration of Interconnection with BellSouth Telecommunications, Inc., Petition of AT&T Communications of the Southern States, Inc. for Arbitration of Interconnection with BellSouth Telecommunications, Inc. (consolidated).

Docket No. P-141, Sub 30: In the Matter of: Petition of MCI Telecommunications Corporation for Arbitration of Interconnection with General Telephone Company of North Carolina, Inc., Petition of AT&T Communications of the Southern States, Inc. for Arbitration of Interconnection with General Telephone Company of North Carolina, Inc. (consolidated).

Docket No. P-100, Sub 133b: Re: In the Matter of Establishment of Universal Support Mechanisms Pursuant to Section 254 of the Telecommunications Act of 1996.

Docket No. P-100, Sub 133d: Re: Proceeding to Determine Permanent Pricing for Unbundled Network Elements.

Docket No. P-100, Sub 84b: Re: In the Matter of Petition of North Carolina Payphone Association for Review of Local Exchange Company Tariffs for Basic Payphone Services (Comments).

Docket No. P-561, Sub 10: BellSouth Telecommunications, Inc., Complainant, v. US LEC of North Carolina, LLC, and Metacomm, LLC, Respondents.

Docket No. P-472, Sub 15: In the Matter of the Interconnection Agreement Between BellSouth Telecommunications, Inc. and Time Warner Telecom of North Carolina, L.P. Pursuant to Section 252(b) of the Telecommunications Act of 1996.

Docket Nos. P-7, Sub 995; P-10, Sub 633: ALEC., Inc. v. Carolina Telephone and Telegraph Company and Central Telephone Company.

Docket No. P-500, Sub 18: In the Matter of: Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996.

Public Utilities Commission of Ohio

Case No. 93-487-TP-ALT: In the Matter of the Application of The Ohio Bell Telephone Company for Approval of an Alternative Form of Regulation.

Oklahoma Corporation Commission

Cause No. PUD 01448: In the Matter of the Application for an Order Limiting Collocation for Special Access to Virtual or Physical Collocation at the Option of the Local Exchange Carrier.

Cause No. PUD 200300195: Application of United States Cellular Corporation for Designation as an Eligible Telecommunications Carrier Pursuant to the Telecommunications Act of 1996.

Cause No. PUD 200300239: Application of Dobson Cellular Systems, Inc. for Designation as an Eligible Telecommunications Carrier Pursuant to the Telecommunications Act of 1996.

Public Utility Commission of Oregon

Docket No. UT 119: In the Matter of an Investigation into Tariffs Filed by US West Communications, Inc., United Telephone of the Northwest, Pacific Telecom, Inc., and GTE Northwest, Inc. in Accordance with ORS 759.185(4).

Docket No. ARB 3: In the Matter of the Petition of AT&T Communications of the Pacific Northwest, Inc., for Arbitration of Interconnection Rates, Terms, and Conditions Pursuant to 47 U.S.C. § 252(b) of the Telecommunications Act of 1996. Docket No. ARB 6: In the Matter of the Petition of MCIMetro Access Transmission Services, Inc. for Arbitration of Interconnection Rates, Terms, and Conditions Pursuant to 47 U.S.C. § 252(b) of the Telecommunications Act of 1996 (consolidated).

Docket No. ARB 9: In the Matter of the Petition of an Interconnection Agreement Between MCIMetro Access Transportation Services, Inc. and GTE Northwest Incorporated, Pursuant to 47 U.S.C. Section 252.

Docket No. UT-125: In the Matter of the Application of US West Communications, Inc. for an Increase in Revenues.

Pennsylvania Public Utilities Commission

Docket No. I-00910010: In Re: Generic Investigation into the Current Provision of InterLATA Toll Service.

Docket No. P-00930715: In Re: The Bell Telephone Company of Pennsylvania's Petition and Plan for Alternative Form of Regulation under Chapter 30.

Docket No. R-00943008: In Re: Pennsylvania Public Utility Commission v. Bell Atlantic-Pennsylvania, Inc. (Investigation of Proposed Promotional Offerings Tariff).

Docket No. M-00940587: In Re: Investigation pursuant to Section 3005 of the Public Utility Code, 66 Pa. C. S. §3005, and the Commission's Opinion and Order at Docket No. P-930715, to establish standards and safeguards for competitive services, with particular emphasis in the areas of cost allocations, cost studies, unbundling, and imputation, and to consider generic issues for future rulemaking.

South Carolina Public Service Commission

Docket No. 90-626-C: In Re: Generic Proceeding to Consider Intrastate Incentive Regulation.

Docket No. 90-321-C: In Re: Petition of Southern Bell Telephone and Telegraph Company for Revisions to its Access Service Tariff Nos. E2 and E16.

Docket No. 88-472-C: In Re: Petition of AT&T of the Southern States, Inc., Requesting the Commission to Initiate an Investigation Concerning the Level and Structure of Intrastate Carrier Common Line (CCL) Access Charges.

Docket No. 92-163-C: In Re: Position of Certain Participating South Carolina Local Exchange Companies for Approval of an Expanded Area Calling (EAC) Plan.

Docket No. 92-182-C: In Re: Application of MCI Telecommunications Corporation, AT&T Communications of the Southern States, Inc., and Sprint Communications Company, L.P., to Provide IntraLATA Telecommunications Services.

Docket No. 95-720-C: In Re: Application of BellSouth Telecommunications, Inc. d/b/a Southern Bell Telephone and Telegraph Company for Approval of an Alternative Regulation Plan.

Docket No. 96-358-C: In Re: Interconnection Agreement Negotiations Between AT&T Communications of the Southern States, Inc. and BellSouth Telecommunications, Inc., Pursuant to 47 U.S.C. § 252.

Docket No. 96-375-C: In Re: Interconnection Agreement Negotiations Between AT&T Communications of the Southern States, Inc. and GTE South Incorporated Pursuant to 47 U.S.C. § 252.

Docket No. 97-101-C: In Re: Entry of BellSouth Telecommunications, Inc. into the InterLATA Toll Market.

Docket No. 97-374-C: In Re: Proceeding to Review BellSouth Telecommunications, Inc. Cost for Unbundled Network Elements.

Docket No. 97-239-C: Intrastate Universal Service Fund.

Docket No. 97-124-C: BellSouth Telecommunications, Inc. Revisions to its General Subscriber Services Tariff and Access Service Tariff to Comply with the FCC's Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996.

Docket No. 1999-268-C: Petition of Myrtle Beach Telephone, LLC, for Arbitration Pursuant to Section 252(b) of the Telecommunications Act of 1996 to Establish an Interconnection Agreement with Horry Telephone Cooperative, Inc.

Docket No. 1999-259-C: Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996.

Docket No. 2001-65-C: Generic Proceeding to Establish Prices for BellSouth's Interconnection Services, Unbundled Network Elements and Other Related Elements and Services.

Tennessee Public Service Commission

Docket No. 90-05953: In Re: Earnings Investigation of South Central Bell Telephone Company.

Docket Nos. 89-11065, 89-11735, 89-12677: AT&T Communications of the South Central States, MCI Telecommunications Corporation, US Sprint Communications Company -- Application for Limited IntraLATA Telecommunications Certificate of Public Convenience and Necessity.

Docket No. 91-07501: South Central Bell Telephone Company's Application to Reflect Changes in its Switched Access Service Tariff to Limit Use of the 700 Access Code.

Tennessee Regulatory Authority

Docket No. 96-01152: In Re: Petition by AT&T Communications of the South Central States, Inc. for Arbitration under the Telecommunications Act of 1996 and Docket No. 96-01271: In Re: Petition by MCI Telecommunications Corporation for Arbitration of Certain Terms and Conditions of a Proposed Agreement with BellSouth Telecommunications, Inc. Concerning Interconnection and Resale Under the Telecommunications Act of 1996 (consolidated).

Docket No. 96-01262: In Re: Interconnection Agreement Negotiations Between AT&T of the South Central States, Inc. and BellSouth Telecommunications, Inc. Pursuant to 47 U.S.C. § 252.

Docket No. 97-01262: Proceeding to Establish Permanent Prices for Interconnection and Unbundled Network Elements.

Docket No. 97-00888: Universal Service Generic Contested Case.

Docket No. 99-00430: Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. pursuant to the Telecommunications Act of 1996.

Docket No. 97-00409: In Re: All Telephone Companies Tariff Filings Regarding Reclassification of Pay Telephone Service as Required by Federal Communications Commission Docket No. 96-128.

Docket No. 03-00119: In Re: Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc.

Public Utility Commission of Texas

Docket No. 12879: Application of Southwestern Bell Telephone Company for Expanded Interconnection for Special Access Services and Switched Transport Services and Unbundling of Special Access DS1 and DS3 Services Pursuant to P. U. C. Subst. R. 23.26.

Docket No. 18082: Complaint of Time Warner Communications against Southwestern Bell Telephone Company.

Docket No. 21982: Proceeding to Examine Reciprocal Compensation Pursuant to Section 252 of the Federal Telecommunications Act of 1996.

Docket No. 23396: Joint Petition of CoServ, LLC d/b/a CoServ Communications and Multitechnology Services, LP d/b/a CoServ Broadband Services for Arbitration of Interconnection Rates, Terms, Conditions, and Related Arrangements with Southwestern Bell Telephone Company.

Docket No. 24015: Consolidated Complaints and Requests of Post-Interconnection Dispute Resolution Regarding Inter-Carrier Compensation for FX-Type Traffic Against Southwestern Bell Telephone Company.

PUC Docket No. 27709: Application of NPCR, Inc., dba Nextel Partners for Eligible Telecommunications Carrier Designation (ETC).

State of Vermont Public Service Board

Docket No. 6533: Application of Verizon New England Inc. d/b/a Verizon Vermont for a Favorable Recommendation to Offer InterLATA Services Under 47 U.S.C. 271.

Virginia State Corporation Commission

Case No. PUC920043: Application of Virginia Metrotel, Inc. for a Certificate of Public Convenience and Necessity to Provide InterLATA Interexchange Telecommunications Services.

Case No. PUC920029: Ex Parte: In the Matter of Evaluating the Experimental Plan for Alternative Regulation of Virginia Telephone Companies.

Case No. PUC930035: Application of Contel of Virginia, Inc. d/b/a GTE Virginia to implement community calling plans in various GTE Virginia exchanges within the Richmond and Lynchburg LATAs.

Case No. PUC930036: Ex Parte: In the Matter of Investigating Telephone Regulatory Methods Pursuant to Virginia Code § 56-235.5, & Etc.

Washington Utilities and Transportation Commission

Docket Nos. UT-941464, UT-941465, UT-950146, and UT-950265 (Consolidated): Washington Utilities and Transportation Commission, Complainant, vs. US West Communications, Inc., Respondent; TCG Seattle and Digital Direct of Seattle, Inc., Complainant, vs. US West Communications, Inc., Respondent; TCG Seattle, Complainant, vs. GTE Northwest Inc., Respondent; Electric Lightwave, Inc., vs. GTE Northwest, Inc., Respondent.

Docket No. UT-950200: In the Matter of the Request of US West Communications, Inc. for an Increase in its Rates and Charges.

Docket No. UT-000883: In the Matter of the Petition of U S West Communications, Inc. for Competitive Classification.

Public Service Commission of West Virginia

Case No. 02-1453-T-PC: Highland Cellular, Inc. Petition for consent and approval to be designated as an eligible telecommunications carrier in the areas served by Citizens Telecommunications Company of West Virginia.

Public Service Commission of Wyoming

Docket No. 70000-TR-95-238: In the Matter of the General Rate/Price Case Application of US West Communications, Inc. (Phase I).

Docket No. PSC-96-32: In the Matter of Proposed Rule Regarding Total Service Long Run Incremental Cost (TSLRIC) Studies.

Docket No. 70000-TR-98-420: In the Matter of the Application of US West Communications, Inc. for authority to implement price ceilings in conjunction with its proposed Wyoming Price Regulation Plan for essential and noncompetitive telecommunications services (Phase III).

Docket No. 70000-TR-99-480: In the Matter of the Application of US West Communications, Inc. for authority to implement price ceilings in conjunction with its proposed Wyoming Price Regulation Plan for essential and noncompetitive telecommunications services (Phase IV).

Docket No. 70000-TR-00-556: In the Matter of the Filing by US West Communications, Inc. for Authority to File its TSLRIC 2000 Annual Input Filing and Docket No. 70000-TR-00-570: In the Matter of the Application of US West Communications, Inc. for Authority to File its 2000 Annual TSLRIC Study Filing.

Public Service Commission of the District of Columbia

Formal Case No. 814, Phase IV: In the Matter of the Investigation into the Impact of the AT&T Divestiture and Decisions of the Federal Communications Commission on Bell Atlantic - Washington, D. C. Inc.'s Jurisdictional Rates.

Puerto Rico Telecommunications Regulatory Board

Case No. 98-Q-0001: In Re: Payphone Tariffs.

Docket No.: JRT-2001-AR-0002: In the Matter of Interconnection Rates, Terms and Conditions between WorldNet Telecommunications, Inc. and Puerto Rico Telephone Company.

COMMENTS/DECLARATIONS - FEDERAL COMMUNICATIONS COMMISSION

CC Docket No. 92-91: In the Matter of Open Network Architecture Tariffs of Bell Operating Companies.

CC Docket No. 93-162: Local Exchange Carriers' Rates, Terms, and Conditions for Expanded Interconnection for Special Access.

CC Docket No. 91-141: Common Carrier Bureau Inquiry into Local Exchange Company Term and Volume Discount Plans for Special Access.

CC Docket No. 94-97: Review of Virtual Expanded Interconnection Service Tariffs.

CC Docket No. 94-128: Open Network Architecture Tariffs of US West Communications, Inc.

CC Docket No. 94-97, Phase II: Investigation of Cost Issues, Virtual Expanded Interconnection Service Tariffs.

CC Docket No. 96-98: In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996

CC Docket No. 97-231: Application by BellSouth to Provide In-Region InterLATA Services

CC Docket No. 98-121: Application by BellSouth to Provide In-Region InterLATA Services

CCB/CPD No. 99-27: In the Matter of Petition of North Carolina Payphone Association for Expedited Review of, and/or Declaratory Ruling Concerning, Local Exchange Company Tariffs for Basic Payphone Services.

CC Docket No. 96-128: In the Matter of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, CCB/CPD No. 99-31: Oklahoma Independent Telephone Companies Petition for Declaratory Ruling (consolidated).

CCB/CPD No. 00-1: In the Matter of the Wisconsin Public Service Commission Order Directing Filings.

CC Docket No. 99-68: In the Matter of Inter-Carrier Compensation for ISP-Bound Traffic

File No. EB-01-MD-020: In the Matter of Sprint Communications Company, L.P., Complainant v. Time Warner Telecom, Inc. Defendant.

Request by the American Public Communications Council that the Commission Issue a Notice of Proposed Rulemaking to Update the Dial-Around Compensation Rate

File Nos. EB-02-MD-018-030: In the Matter of Communications Vending Corp. of Arizona, et. al., Complainants, v. Citizens Communications Co. f/k/a Citizens Utilities Co. and Citizens Telecommunications Co., et. al., Defendants.

CC Docket No. 96-45: In the Matter of Federal-State Joint Board on Universal Service, Cellular South License, Inc., RCC Holdings, Inc., Petitions for designation as an Eligible Telecommunications Carrier in the State of Alabama.

CC Docket No. 96-45: In the Matter of Federal-State Joint Board on Universal Service, Declaration in Support of the Comments to the Federal-State Joint Board of the Rural Cellular Association and the Alliance of Rural CMRS Carriers.

REPRESENTATIVE TESTIMONY – STATE, FEDERAL, AND OVERSEAS COURTS

Court of Common Pleas, Philadelphia County, Pennsylvania

Shared Communications Services of 1800-80 JFK Boulevard, Inc., Plaintiff, v. Bell Atlantic Properties, Inc., Defendant.

Texas State Office of Administrative Hearings

Office of Customer Protection (OCP) Investigation of Axces, Inc. for Continuing Violations of PUC Substantive Rule §26.130, Selection of Telecommunications Utilities, Pursuant to Procedural Rules 22.246 Administrative Penalties.

Superior Court for the State of Alaska, First Judicial District

Richard R. Watson, David K. Brown and Ketchikan Internet Services, a partnership of Richard R. Watson and David K. Brown, plaintiffs, v. Karl Amylon and the City of Ketchikan, Defendants.

United States District Court for the District of South Carolina, Columbia Division

Brian Wesley Jeffcoat, on behalf of himself and others similarly situated, Plaintiffs, v. Time Warner Entertainment - Advance/Newhouse Partnership, Defendant.

United States District Court for the Northern District of Texas, Fort Worth Division

Multitechnology Services, L. P. d/b/a CoServ Broadband Services, Plaintiffs, v. Southwestern Bell Telephone Company, Defendant.

Multitechnology Services, L. P. d/b/a CoServ Broadband Services, Plaintiffs, v. Verizon Southwest f/k/a GTE Southwest Incorporated.

High Court of the Hong Kong Special Administrative Region, Court of First Instance

Commercial List No. 229 of 1999: Cable and Wireless HKT International Limited, Plaintiff v. New World Telephone Limited, Defendant.

REPRESENTATIVE TESTIMONY – PRIVATE COMMERCIAL ARBITRATION TRIBUNALS

American Arbitration Association

Southwestern Bell Telephone Company, Claimant vs. Time Warner Telecom, Respondent.

CPR Institute for Dispute Resolution

Supra Telecommunications and Information Systems, Inc., Claimant vs. BellSouth Telecommunications, Inc., Respondent.

Restatement of the OPASTCO Principles

The OPASTCO white paper attached as an exhibit to Mr. Brown's testimony contains no information relevant to this proceeding, and its statement of seven principles suffers from shortcomings in both economic theory and fact. It is possible, however, to restate these principles in a way that represents a more accurate and economically valid (though still not relevant) articulation of sound public policy. To the extent that the Commission has any interest in testimony regarding issues well beyond the scope of this proceeding (and that are already being addressed in the proper forum), this restatement of the OPASTCO principles is as follows:

1) Rural consumers should receive access to affordable, high-quality telecommunications and information services, including advanced services, that are reasonably comparable to those services provided in urban areas and at reasonably comparable rates.

2) The design and operation of high-cost mechanisms should be competitively neutral, and should not be used to discourage competitive entry or to protect incumbent LECs from competitive market forces.

3) The USF is a national resource that should be managed to serve the public interest over the short run (by making competitive options available to people who live or work and rural areas and to encourage efficient operation by all carriers) and over the long run (by providing support, if support proves to be necessary, to the most efficient provider of these services).

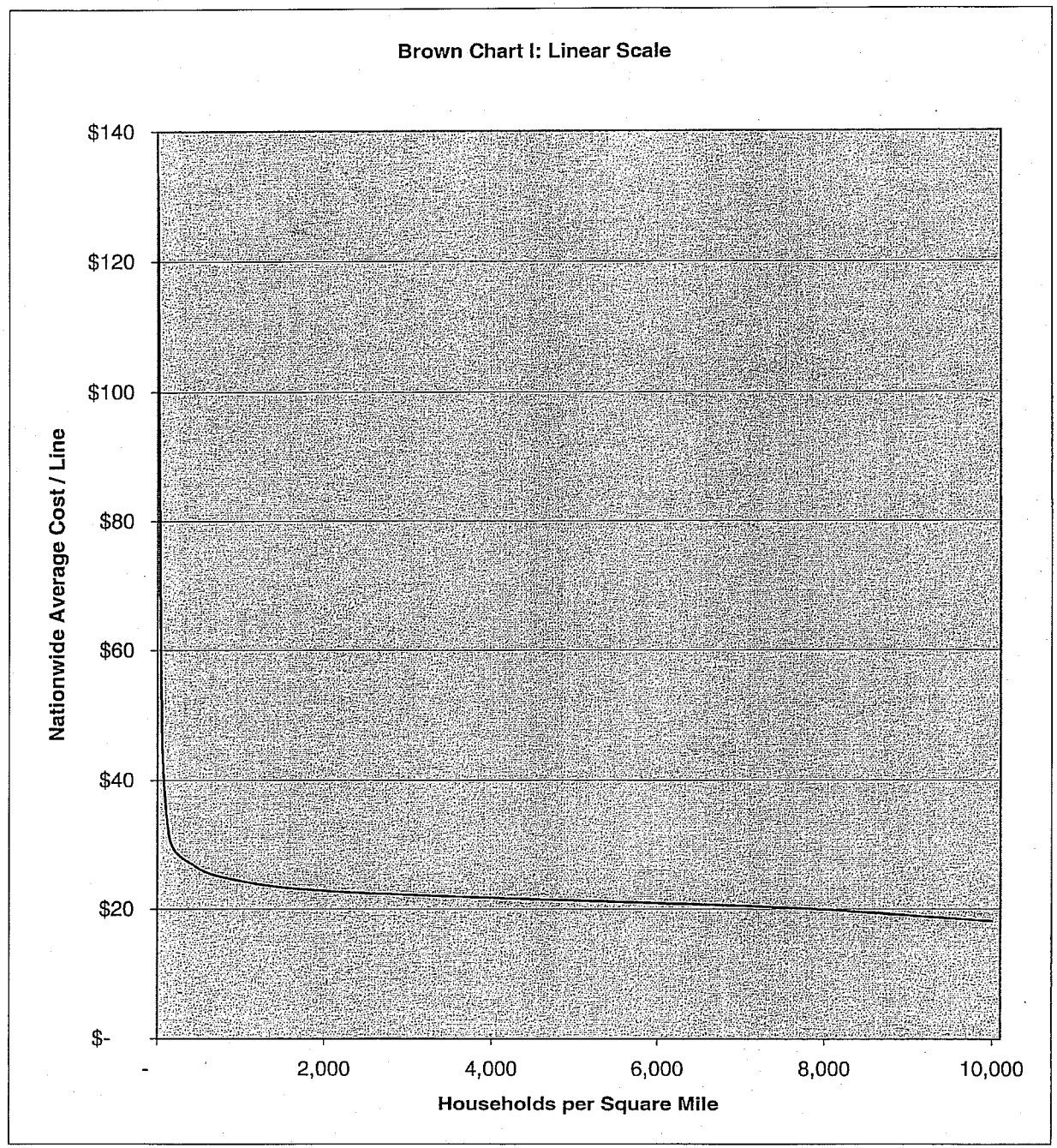
4) Rural universal service support should be based on the economic costs incurred by an efficient provider to provide these services, and should not perpetuate existing network or operational inefficiencies.

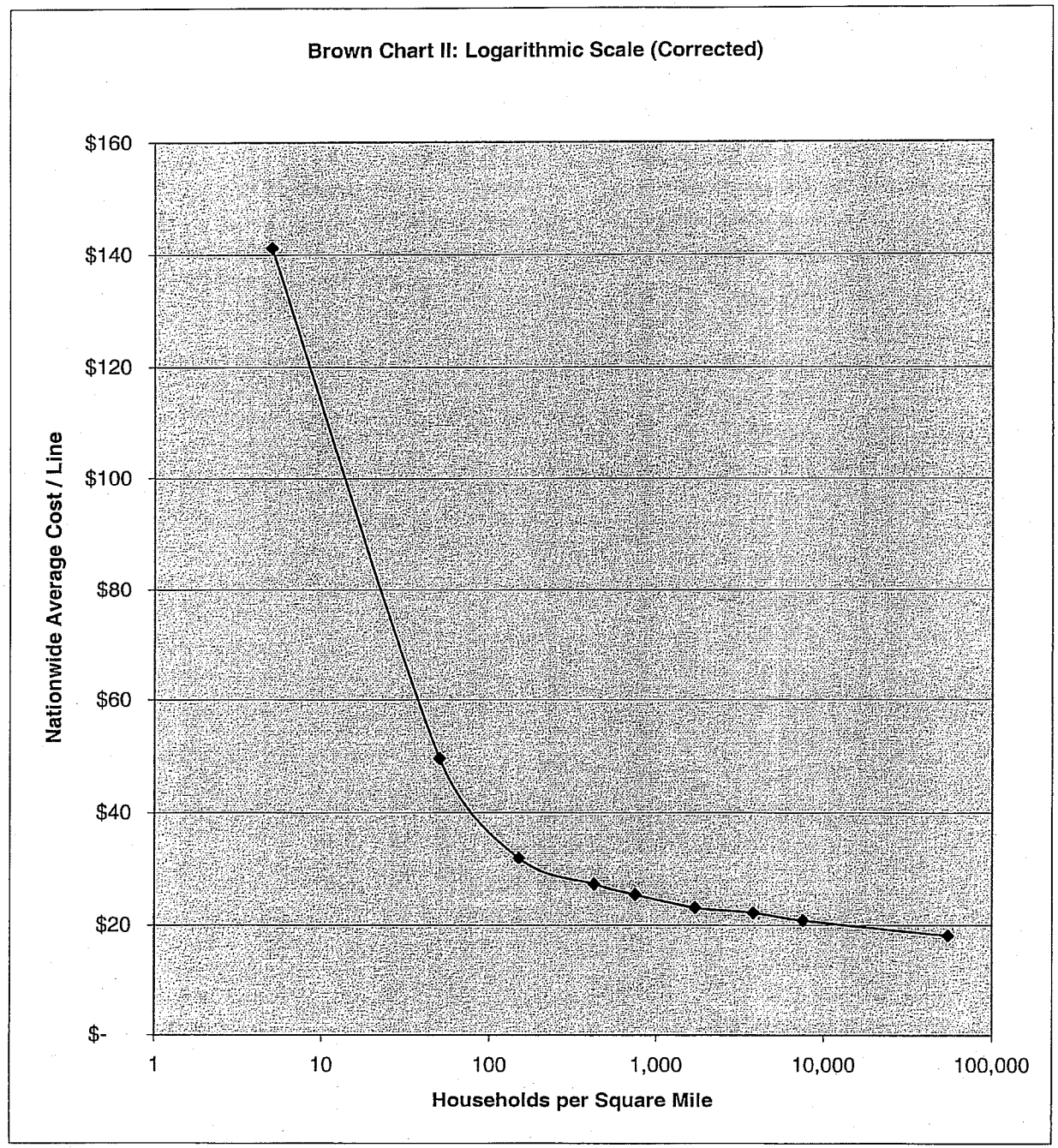
5) The public interest is served over the long run when the costs of an efficient provider using the most efficient technology to serve the area are supported. In order to achieve this goal, it may be necessary to fund multiple networks in the short run.

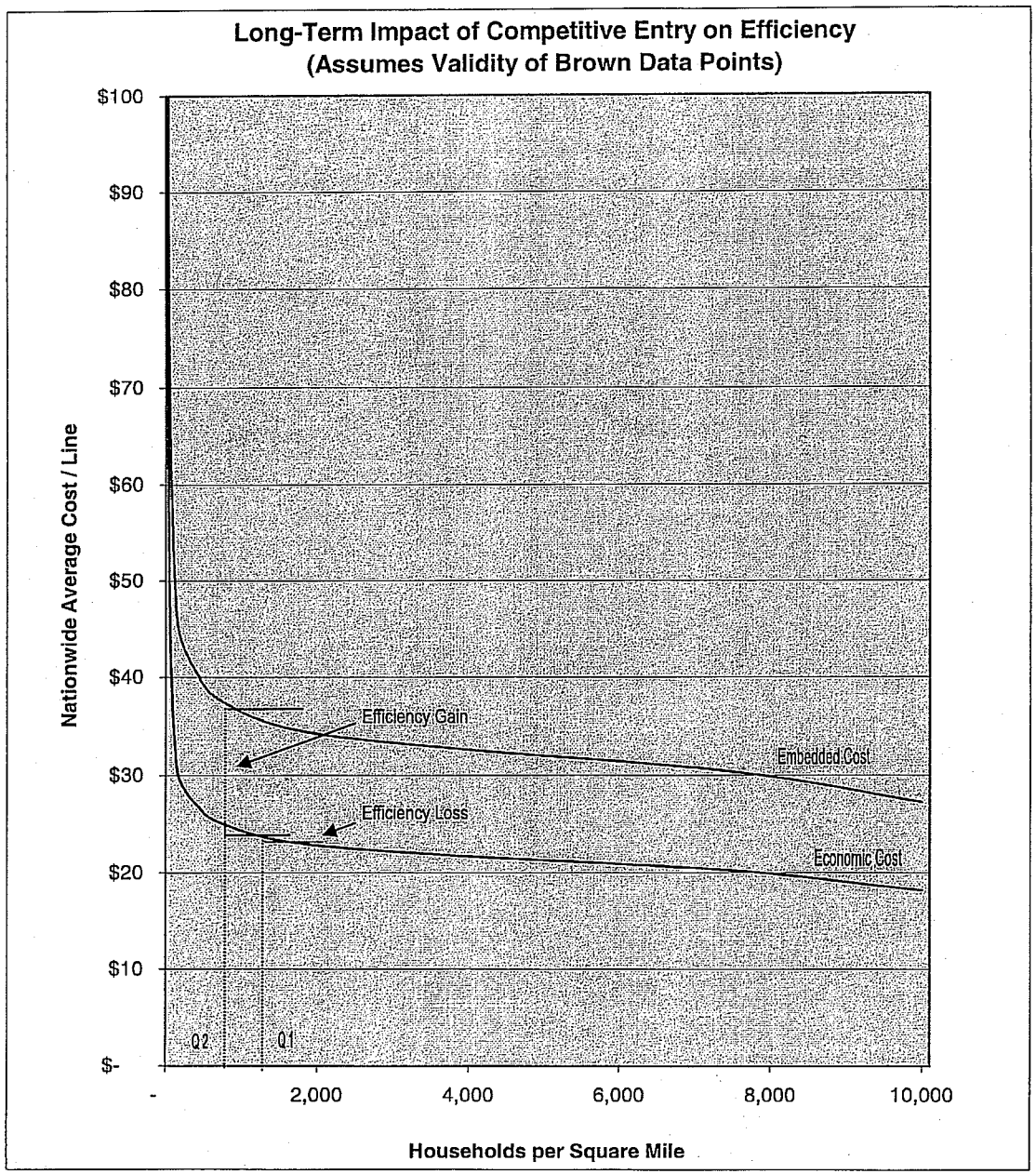
6) The question of whether to support multiple carriers in the short run should be based on an objective of cost minimization over the long run. If a single carrier is to be supported in a given geographic area over the long run, it is essential that the "right" carrier to be supported be identified. Competitive market forces are an effective means of identifying this carrier.

7) The cost to Americans living and working in rural areas of treating universal service support as "ILEC protection support," in terms of both economic development and personal safety, could be severe.

While these broad principles have no real bearing on the Commission's decision in this proceeding, I have provided them here simply to balance Mr. Brown's presentation in his testimony.


Brown Chart I: Linear Scale
$140
$120
$100
$80
$60
$40
$20
$-
Nationwide Average Cost / Line
-
2,000
4,000
6,000
8,000
10,000
Households per Square Mile


Brown Chart II: Logarithmic Scale (Corrected)
$160
$140
$120
$100
$80
$60
$40
$20
$-
Nationwide Average Cost / Line
1
10
100
1,000
10,000
100,000
Households per Square Mile


Long-Term Impact of Competitive Entry on Efficiency
(Assumes Validity of Brown Data Points)
$100
$90
$80
$70
$60
$50
$40
$30
$20
$10
$-
Nationwide Average Cost / Line
Efficiency Gain
Efficiency Loss
Embedded Cost
Economic Cost
Q2
Q1
-
2,000
4,000
6,000
8,000
10,000
Households per Square Mile

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Filing by WWC License, LLC d/b/a CellularOne® for Designation as an Eligible Telecommunications Carrier in Other Rural Areas	)))))	Docket No. TC03-191

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UTILITIES COMMISSION

SURREBUTTAL TESTIMONY OF DON J. WOOD ON BEHALF OF WWC LICENSE, LLC

April 26, 2004

EXHIBIT
WWC 6

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Background and Purpose of Testimony

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Don J. Wood. My business address is 30000 Mill Creek Avenue, Suite 395, Alpharetta, Georgia 30022.

Q. ARE YOU THE SAME DON J. WOOD WHO PREFILED REBUTTAL TESTIMONY ON BEHALF OF WWC LICENSE, LLC ("WWC") IN THIS PROCEEDING?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. The primary purpose of this testimony is to respond to the surrebuttal testimony of Mr. Glenn H. Brown and Ms. Sue Vanicek on behalf of SDTA. I will also respond to the testimonies of Mr. George Strandell (Golden West Telecommunications Cooperative, Inc. and Vivian Telephone Company), Mr. James Groft (James Valley Cooperative Telephone Company), and Mr. Randy Houdek (Venture Communications Cooperative).

Q. PLEASE SUMMARIZE YOUR SURREBUTTAL TESTIMONY.

A. When their surrebuttal testimony is examined closely, it becomes apparent that Mr. Brown and Ms. Vanicek have fallen victim to two basic errors: (1) in terms of the standard to be applied, the testimony of each witness betrays some fundamental misunderstandings about how the federal universal service mechanism operates today, how the FCC has implemented the existing requirements in its *Virginia Cellular* and *Highland Cellular* orders, and how the *Joint Board Recommendation* impacts (or more

properly, fails to impact) the current standard, and (2) in terms of the facts to which the standard is to be applied, each witness makes important factual mistakes that cause incorrect conclusions to be reached. I will attempt to address each type of error in my testimony.

SDTA "Requirements" Error No. 1: Assumption that a carrier must serve the entire area before being designated as an ETC.

Q. MR. BROWN ARGUES THAT THE FCC HAS MADE SERVICE THROUGHOUT AN AREA A PRECONDITION TO ETC DESIGNATION AND THAT THE JOINT BOARD HAS RECOMMENDED SUCH A REQUIREMENT. IS HE CORRECT?

A. No. Specifically, Mr. Brown asserts (p. 9) that "the FCC in the Virginia Cellular and Highland Cellular Orders, as well as the Joint Board in its Recommended Decision, have stated that as a precondition to granting ETC status a wireless carrier must serve throughout the service area." In reality, of course, the FCC has consistently said just the opposite: "a telecommunications carriers' inability to demonstrate that it can provide ubiquitous service at the time of its request for designation as an ETC should not preclude its designation as an ETC."[1] The FCC noted and reaffirmed its previous conclusion that "to require a carrier to actually provide the supported services before it is designated as an ETC" creates a barrier to the carrier's ability to provide service in high cost areas, and that "Instead, 'a new entrant can make a reasonable demonstration ... of its capability and commitment to provide universal service without the actual provision of the proposed service'." The FCC's reasoning is sound: "the requirement that a carrier

provide service to every potential customer throughout the service area before receiving ETC designation has the effect of prohibiting the provision of service in high cost areas."[2]

Mr. Brown's assertion that the Joint Board reached a different conclusion is also demonstrably wrong: the Joint Board explicitly took note of the FCC's previous conclusions that an new entrant "cannot reasonably be expected to be able to make the substantial financial investment required to provide the supported services in high-cost areas without some assurance that it will be eligible for federal universal service support."[3] What the Joint Board actually did was to recommend that state commissions "require ETC applicants to demonstrate their capability and commitment to provide service throughout the designated service area to all customers who make a reasonable request for service."[4] The Joint Board then goes on to describe the different methods adopted by state regulators to ascertain a carrier's "capability and commitment" and the varying definitions of "reasonable request for service." WWC's testimony in this proceeding demonstrates its satisfaction of this standard.

[1] *Virginia Cellular Order*, ¶ 23.
[2] *South Dakota Preemption Order*, ¶ 17.
[3] *Joint Board Recommendation*, ¶ 22.
[4] *Id.*, ¶ 23.

SDTA "Requirements" Error No. 2: Failure to distinguish between "serving 100% of a given area" and "meeting all reasonable requests for service."

Q. IS MR. BROWN CORRECT WHEN HE STATES THAT THE JOINT BOARD PROVIDED A SPECIFIC RECOMMENDATION REGARDING HOW THESE ISSUES ARE TO BE ADDRESSED?

A. No. The Joint Board simply recommended that the FCC "adopt a guideline encouraging state commissions" to require demonstrations of a carrier's "capability and commitment" to meet a "reasonable request for service."[5] The Joint Board went on to describe a recent decision by the Regulatory Commission of Alaska. In that case, the RCA concluded that "the provider need not prove its ability to build facilities throughout every portion of the incumbent LEC's service area," and instead focused on the potential ETC's action plan for meeting reasonable requests for service.[6] I participated in that proceeding (as did Mr. Brown), and at no time did the RCA express any expectation that the potential ETC would serve throughout 100% of the geographic area served by the ILEC, either before or after ETC designation.

Q. HAS WWC MADE A COMMITMENT TO RESPOND TO ALL REASONABLE REQUESTS FOR SERVICE?

A. Yes. WWC's commitment is fully addressed in Mr. Blundell's testimony.

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[5] *Id.*
[6] *Id.*, ¶ 24. The FCC accepted as reasonable an essentially identical action plan in its *Virginia Cellular Order* (¶ 15).

Q. HAS WWC DEMONSTRATED THE "CAPABILITY AND COMMITMENT" NECESSARY TO MEET ITS OBLIGATIONS IN THIS REGARD?

A. Yes. In fact, WWC has demonstrated that its current capability goes well beyond the level of capability previously required by the FCC, required by the FCC in the *Virginia Cellular Order*, and contemplated by the Joint Board in its discussion of the issue. As Mr. Blundell explains in his rebuttal testimony, WWC has limited its request for ETC designation to those ILEC wire centers within which it can serve a minimum of 85% of customer locations with its existing network.

SDTA "Requirements" Error No. 3: Assumption that a carrier must provide a detailed buildout plan before being designated as an ETC.

Q. MR. BROWN ARGUES THAT THE FCC HAS MADE THE PRODUCTION OF A DETAILED BUILDOUT PLAN A PRECONDITION TO ETC DESIGNATION AND THAT THE JOINT BOARD HAS ALSO RECOMMENDED SUCH A REQUIREMENT. IS HE CORRECT?

A. No. Specifically, Mr. Brown asserts (p. 9) that the FCC concluded in the *Virginia Cellular Order* and *Highland Cellular Order* that such a buildout plan must be produced prior to ETC designation. In reality, the FCC accepted a buildout plan by Virginia Cellular because Virginia Cellular did not have network facilities in a large portion of the area for which it sought designation.[7] In contrast, the FCC did not require and did not

[7] *See Virginia Cellular Order*, ¶¶ 16, 23.

receive buildout plans from Highland Cellular for the areas in which it was designated as an ETC.[8]

Mr. Brown is also wrong about the Joint Board's recommendation. As described above, the Joint Board (¶ 23) simply recommended that the FCC "adopt a guideline encouraging state commissions" to require demonstrations of a carrier's "capability and commitment" to meet a "reasonable request for service." The Joint Board goes on to say that "state commissions *may* choose to implement this requirement, *for example*, by requiring a formal buildout plan for areas where facilities are not yet built out at the time the ETC application is considered" (emphasis added), and noted that states have examined ETC applicant's plans to serve new customers" in a "variety" of ways.[9] Even if the Joint Board's recommendation here is ultimately adopted (as I described in my rebuttal testimony, the Joint Board Recommendations are currently just that: recommendations) it is hardly accurate to state – as Mr. Brown does at p. 9 – that "the Joint Board in its Recommended Decision" has "stated that as a precondition to ETC status … the carrier must provide a buildout plan."

As Mr. Blundell explains in his surrebuttal testimony, WWC does not usually incur the significant cost of developing a detailed buildout plan for an area prior to receiving ETC designation. In my experience, this practice is not unusual and represents prudent management.

[8] *See Highland Cellular Order*, ¶ 17 and footnote 51.
[9] *Joint Board Recommendation*, ¶ 24.

SDTA "Requirements" Error No. 4: Assumption that a carrier must show that its rural service quality is equal to urban service quality before being designated as an ETC.

Q. MR. BROWN ARGUES THAT WWC SHOULD NOT BE DESIGNATED AS AN ETC BECAUSE ITS RURAL SERVICE QUALITY IS NOT EQUAL TO ITS SERVICE QUALITY IN URBAN AREAS. DO YOU AGREE?

A. No. Mr. Brown argues (p. 23) that "there are significant portions of the requested service areas where Western Wireless' signal coverage is far below urban standards." As an initial matter, Mr. Brown's signal propagation analysis is flawed and provides no useful information (Mr. Blundell addresses this issue in his surrebuttal testimony).[10] Even if his analysis had technical merit, what Mr. Brown has demonstrated is that federal universal service funds can be well used in these areas to improve service quality. Mr. Brown does not argue – nor can he – that the service quality of the Rural LECs is unrelated to their receipt of federal universal service support over time. Service quality improvements by both incumbent LECs and CETCs are an appropriate and reasonable use of federal universal service support.

Q. IN THEIR TESTIMONY, MR. JAMES GROFT AND MR. RANDY HOUDEK ATTEMPT TO IDENTIFY THE EXISTENCE OF SOME GAPS IN WWC'S EXISTING COVERAGE AND SUGGESTS THAT WWC SHOULD NOT BE

[10] The Commission may wish to take note that Mr. Brown produced a similar propagation analysis in the proceeding before the Regulatory Commission of Alaska cited by the Joint Board and referenced above. In addition to being flawed, the Alaska Commission ultimately found Mr. Brown's analysis irrelevant.

DESIGNATED AS AN ETC FOR THIS REASON. DO YOU AGREE WITH THEIR ASSERTIONS?

A. No. As described above and in my rebuttal testimony, a carrier with complete coverage and the ability to meet all reasonable requests for service with its existing network, service quality equal to or greater than the incumbent LEC, and service quality equal to or greater than that available in urban areas, might better be characterized as one without a need for universal service support. Incumbent LECs and CETCs need universal service support in order to provide service to these areas.

It is also important to note that the FCC squarely addressed this issue in its *Virginia Cellular Order*: "we find the existence of so-called 'dead spots' in Virginia Cellular's network does not preclude us from designating Virginia Cellular as an ETC ... In addition, the Commission's rules acknowledge the existence of dead spots ... we are not persuaded by the Virginia Rural ILECs that the possibility of dead spots demonstrates that Virginia Cellular is not willing or capable of providing acceptable levels of service throughout its service area."[11]

As I also described in my rebuttal testimony, Rural LEC assertions that WWC is not capable of providing service of the necessary quality because it does not (currently) serve 100% of the geographic area are disingenuous at best. Wireline networks are capable of serving only a tiny fraction of the ILEC's actual service area (typically less than 5%). For a wireline subscriber, a "dead spot" exists everywhere that a phone jack is not immediately available. In this regard, areas of "no service" are the rule for wireline networks, and a phone jack represents the exception to this rule where service actually is

available. In contrast, service availability is the rule for a wireless network, and areas of "no service" (such as those identified by Mr. Groft and Mr. Houdek) are the exception. Wireless is the only technology that can ultimately eliminate all "dead spots" and provide truly ubiquitous service. This level of ubiquity can only be accomplished in high cost areas if ETC designations are made on a technology-neutral basis.

SDTA "Requirements" Error No. 5: Assumption that a wireless ETC must use all federal universal service funds to construct new cell towers.

Q. MR. BROWN MAKES A SERIES OF ARGUMENTS THROUGHOUT HIS TESTIMONY THAT WWC HAS SOMEHOW MISUSED THE FEDERAL UNIVERSAL SERVICE FUNDS RECEIVED TO DATE. DO YOU AGREE?

A. Absolutely not. This kind of assertion, unaccompanied by any supporting facts, is irresponsible and provides no useful information to the Commission in a case such as this one. Mr. Brown now seems quite preoccupied with the idea that WWC should be using all of the federal USF that it receives to construct new towers and establish new cell sites. This preoccupation appears to have developed relatively recently; I have reviewed Mr. Brown's previous testimony and other writings on this topic (and have presented testimony responsive to his in several state ETC investigations), and his surrebuttal testimony in this case is the first time that I am aware of Mr. Brown's focus on this odd idea.

As an initial matter, Mr. Brown's assumptions about the appropriate uses of federal USF are just wrong. 47 C.F.R. §§ 54.313 and 54.314 require that a carrier that

[11] *Virginia Cellular Order*, ¶ 23.

receives federal universal service support shall use that support "only for the provision, maintenance, and upgrading of facilities and services for which the support is intended." I have reviewed both closely, and can state with some confidence that nowhere in the 1996 Act or FCC rules does the requirement "a wireless carrier that receives federal universal service support shall use that support only for the construction of new towers" appear.

Just as the Rural LECs have done, WWC has utilized the federal USF that it has received to provision, maintain, and upgrade its facilities. Some of these funds have gone to expand coverage, while others have been used to improve service quality or to operate network facilities in high cost areas.

SDTA Factual Error No. 1: Construction of new towers is the only option for extending wireless coverage or improving wireless service quality.

Q. MR. BROWN EQUATES THE CONCEPT OF EXTENDING COVERAGE WITH THE CONSTRUCTION OF NEW CELL SITES. IS HE CORRECT?

A. No. From a technical standpoint, there are multiple options for extending coverage and improving signal strength. The construction of new towers is one method, though not always the most rational and most desirable.

Based on his misunderstanding of the requirements, lack of knowledge regarding how wireless companies expand coverage, and an incorrect factual assumption (described below), Mr. Brown has concocted a conspiracy theory that somehow WWC has received federal USF and has not utilized these funds appropriately. A useful sanity check can be applied by considering the amount of federal USF received by several South Dakota

ILECs during 2003. These amounts are shown in Exhibit DJW-6. According to Mr. Brown's theory, the Rural LECs must be able to show that they invested at least these amounts in new facilities to serve new areas during 2003. If they cannot do so, they have received a financial windfall and have improperly used the federal support that they received.

SDTA Factual Error No. 2: WWC has received $16 million in federal USF since being designated as an ETC for certain areas in South Dakota.

Q. IN ORDER TO FUND HIS CONSPIRACY THEORY, MR. BROWN REPORTS THAT WWC HAS RECEIVED $16 MILLION IN FEDERAL USF. IS HE RIGHT?

A. As Mr. Blundell points out in his surrebuttal testimony, Mr. Brown has significantly overstated the amount of federal support received to date by WWC for its designated areas in South Dakota.

SDTA Factual Error No. 3: WWC can somehow receive high cost support for low cost customers.

Q. MR. BROWN SUGGESTS THAT WWC HAS AN INCENTIVE TO AVOID THE EXTENSION OF SERVICE INTO MORE REMOTE, HIGH COST AREAS. DO YOU AGREE?

A. No. Specifically, Mr. Brown's theory is that there is some financial incentive for a CETC to serve only low cost areas. He argues (p. 6) that "if a prospective ETC applicant can meet the minimal qualifying criteria without having to expend the financial resources that it would take to build tower facilities throughout the remote, rural areas, then it stands to

gain a significant financial windfall," and that each of the carrier's customers in a relatively low cost area "becomes a 'cash cow' without the need to invest in costly tower facilities in remote rural areas."

This is nonsense for several reasons. First, as discussed above, tower construction is not the only means of extending service coverage into high cost areas. Second, a CETC cannot serve only low cost customers and receive high cost support; if support has been properly disaggregated pursuant to 47 C.F.R. §54.315, a CETC will receive high cost support only when it serves high cost customers, and will receive low cost (or no) support when it serves a customer in a low cost area. The arbitrage opportunity envisioned by Mr. Brown is a fantasy: high cost support is received when an ETC (whether an ILEC or a CETC) serves a high cost customer. Third, the Rural LECs have not shown why their existing customers should not also be characterized as "cash cows." Pursuant to Mr. Brown's theory, each ILEC must show that it has made an incremental investment in new network facilities to serve new customers that is equal to the amount of federal USF received. Any ILEC that has not done so would be guilty of an improper use of these funds. Finally, because the amount of per-line support is higher in high cost areas (assuming that support has been properly disaggregated in order to reflect variations in cost levels) CETCs have an equal incentive to serve both high and low cost areas.

At p. 6, Mr. Brown describes his "windfall" scenario and concludes that "this appears to be exactly what Western Wireless has done in South Dakota." In reality, Mr. Brown has no idea what WWC has actually done. He does not know how much federal support WWC has received; he does no know how the federal USF actually received to date has been used for the provision, maintenance, and upgrading of facilities; and - most

1 importantly - he has not and cannot show that WWC has used one penny of these funds
2 in an improper manner.
3
4 *SDTA Factual Error No. 4: $20 million is support equals 100 new towers per year.*
5
6 Q. AT P. 8, MR. BROWN CALCULATES THE NUMBER OF NEW TOWERS THAT HE
7 BELIEVES WWC MUST CONSTRUCT EACH YEAR IN ORDER TO PROPERLY
8 UTILIZE THE FEDERAL USF THAT IT RECEIVES. IS HIS CALCULATION
9 ACCURATE?
10 A. No. At best, Mr. Brown's "analysis" demonstrates that he can divide $20 million by
11 $200,000. This fact was presumably not in dispute.
12 Nevertheless, Mr. Brown does not explain how an ETC (whether it is an ILEC or
13 a CETC) that makes investments equal to the amount of support received will then
14 operate and maintain that equipment. If Golden West Telephone Cooperative receives $5
15 million in federal USF support is a given year, there is no requirement that it invest all $5
16 million in new network facilities and equipment. I strongly suspect that none of the Rural
17 LECs would welcome such a requirement, because it is based on a simplistic financial
18 view that fails to consider network-related operation and maintenance costs or non-
19 network costs associated with providing service.
20 Mr. Brown concludes (p. 8) that "something does not add up here." He is right;
21 his figures do not "add up" because he ignores the fact that, once put into place, network
22 facilities must be operated and maintained.
23

SDTA Factual Error No. 5: A meaningful estimate of network costs can be obtained by simply looking at an average of customers per square mile.

Q. MR. BROWN SUGGESTS THAT YOU WOULD AGREE WITH HIS BASIC ASSERTION REGARDING THE RELATIONSHIP BETWEEN CUSTOMER DENSITY AND NETWORK COSTS. DO YOU?

A. No. Mr. Brown states (p.20) that "costs go up as density decreases ... the only real question is how much" and suggests that I would agree with him. Mr. Brown is still wrong about this: as I explained in detail in my rebuttal testimony, Mr. Brown's conclusions regarding this relationship fail to consider important variables and his approach is just too simplistic to yield meaningful results. Network costs do vary, and do so (1) at a very discrete level that does not have meaning when averaged over large areas, and (2) based on the number of lines provided *in the area actually served with facilities.* The clustering of customers directly impacts the area to which network facilities are actually constructed, and directly impacts the cost to serve the area.

SDTA Factual Error No. 6: The effect of line clustering on network costs can be reflected by looking at an average cost per density zone.

Q. MR. BROWN ARGUES (PP. 20-21) THAT HIS ANALYSIS PROPERLY REFLECTS VARIATIONS IN DENSITY. DO YOU AGREE?

A. No. Mr. Brown's description of his analysis at pp. 20-21 of his surrebuttal testimony underscores the problem. He argues that "the higher the percentage in the over 100 zone, the more clustering there is. The higher the percentage in the 5 to 100 and, more importantly, the under 5 household per square mile zone, the more dispersed the

customers are and the higher the cost will be." Mr. Brown is still missing an important concept here. In the models he relies upon, an average of the results for all lines in a given density zone actually says nothing about the costs to serve a given area.

Equally importantly, Mr. Brown continues to ignore the mis-match between the "households per square mile" in the cost models and the households per square mile of ILEC service territory. While the number of lines should be roughly the same, the number of square miles is very different. In the cost model results he relies upon, density is measured for the area actually served with facilities and costs are calculated in this way. The total square miles actually served is much less than the total square miles within an ILEC service area.

SDTA Factual Error No. 7: The flawed BCPM model cannot be validated by comparing its results to the results of other cost models.

Q. MR. BROWN STATES THAT THE BCPM DOES NOT OVERSTATE COSTS IN RURAL AREAS, AND SUPPORTS THIS ASSERTION BY COMPARING BCPM RESULTS TO THOSE OF OTHER COST PROXY MODELS. IS HIS COMPARISON VALID?

A. Not at all. His Exhibit GHB-11 purports to show the relationship between cost model results. What Mr. Brown fails to point out is that the models do not define the entries in his first column, "households per square mile," in the same way. Each model takes a different approach to the problem of determining how to measure the area actually served with network facilities, and each model produces a different estimate. Mr. Browns' table

represents an apples-to-oranges-to-bananas comparison, and in no way validates the BCPM.

SDTA Factual Error No. 8: The size of the federal fund can be limited over the long run by restricting entry by more efficient carriers.

Q. MR. BROWN ARGUES THAT WWC'S PETITION FOR ETC DESIGNATION SHOULD BE DENIED IN ORDER TO LIMIT AND PRESERVE THE FEDERAL FUND. IS HIS REASONING SOUND?

A. No. At several points in his surrebuttal testimony (pp. 7, 11-12, 24) Mr. Brown argues for the restriction of CETC entry into high cost areas, and suggests that designating CETCs in these areas will threaten the viability of the federal fund. Mr. Brown is taking a purely short run view that distorts his analysis. By limiting entry by carriers as an ETC, the size of the fund may be kept small over the short run, but it will be larger than necessary over the long run. As the FCC has consistently concluded, the entry of a competitive ETC can be expected to provide incentives for the ILECs to improve both efficiency and service quality.

As I explained in my rebuttal testimony, the way to minimize the size of the federal USF over the long run is to ensure that only the most efficient network is ultimately funded. The efficient network for a given high cost area may be wireline or wireless, and may be provided by the ILEC or a CETC. The only way to identify the efficient network configuration is to permit CETCs to serve an area on an equal footing with the ILEC.

Ms. Vanicek takes this argument further, and argues (pp. 9-10) that "the designation of additional carriers as ETCs in service areas receiving the highest amounts of per line support would have the greatest impact on increasing costs for the universal service fund." Ms. Vanicek, with no supporting analysis, reaches the conclusion that the ILEC network represents the low cost solution for serving these areas. In reality, it is possible that another carrier can serve the area more efficiently. Because wireless and wireline costs vary in different ways, it is likely that wireless represents a lower cost solution to serve many areas that are high cost for the wireline ILEC. The only way to reach this efficient solution is to make ETC designations on a technology neutral basis.

SDTA Factual Error No. 8: An unlimited number of ETCs will seek designation in an area.

Q. BOTH MR. BROWN AND MS. VANICEK SUGGEST THAT THERE IS A DANGER THAT AN UNLIMITED NUMBER OF CARRIERS WILL SEEK ETC DESIGNATION IN A GIVEN GEOGRAPHIC AREA. DO YOU AGREE?

A. No. Such a conclusion rests upon an assumption that carriers will act irrationally. The ability for a carrier to serve an area profitably depends on several factors, including the market rate to end users, the per-unit cost to serve the area using the carrier's chosen technology, the efficiency of the carrier, and the amount of USF available. The per-unit cost is in most cases a direct function of the carrier's market share. Any carrier considering entry into a high cost area would have to consider its likely market share and resulting per-unit cost so that it can compare that cost with the available revenues associated with end user rates and USF. The existing mechanism represents a self-regulating structure that discourages entry by more carriers than the area can support.

Q. WOULD THE ADOPTION OF A "PRIMARY LINE" RESTRICTION IMPACT YOUR CONCLUSION?

A. While I believe that a primary line restriction should not be adopted because it will discourage entry by a potentially more efficient provider, I disagree that it will fundamentally change incentives for market entry by CETCs in the way described by Ms. Vanicek.

SDTA Factual Error No. 9: Designating multiple ETCs in an area means that no carrier of last resort will exist.

Q. MS. VANICEK SUGGESTS THAT NO CARRIER OF LAST RESORT WILL EXIST IF MULTIPLE ETC DESIGNATIONS ARE MADE. DO YOU AGREE?

A. No. She argues (pp. 10, 16) that, if the Joint Board's recommendation to adopt a "primary line" mechanism is adopted, changes in the amount of support available will cause all carriers to be non-viable and no carrier of last resort will be available to end users.

Such a conclusion ignores several relevant facts. First, no primary line restriction has been adopted by the FCC, and it is not clear that the FCC will ultimately decide to take this route. Given the depth of the "primary line" mechanism's shortcomings and the breadth of its opposition, the adoption of the Joint Board's recommendation (at least in anything resembling its current form) is unlikely.

Second, Ms. Vanicek ignores the various safeguards and ILEC protection mechanisms that have been proposed and that are almost certain to accompany any

primary line restriction. It is possible that ILECs will continue to receive a relatively constant level of funding, at least for some period of time.

Third, Ms. Vanicek jumps to the conclusion that the loss of any amount of federal USF will have catastrophic financial consequences for the Rural LECs, but offers no financial or other data to support this assumption. As Mr. Blundell pointed out in his rebuttal testimony, the loss of even a significant amount of their current USF receipts is unlikely to put the Rural LECs into an unprofitable position.

Fourth, Ms. Vanicek completely ignores the fact that Rural LECs will have their fate in their own hands. If an ILEC can offer a quality service that meets the needs of its customers at competitive prices, those customers will designate the ILEC as their primary carrier and the ILEC will receive the federal USF for that line. If the customer prefers the service offered by a different carrier – because the service is offered at lower cost, a higher level of quality, with better customer service, or with an additional capability not offered by the ILEC – then the CETC will receive the available federal USF. If it turns out that the area can only support one carrier, customers will have chosen the carrier that they prefer.

SDTA "Requirements" Error No. 6: An assumption that rates, rather than networks, are funded by federal USF.

Q. MS. VANICEK ARGUES THAT WWC SHOULD NOT BE DESIGNATED AS AN ETC BECAUSE ITS RATES ARE NOT "AFFORDABLE." IS HER REASONING SOUND?

A. No. At pp. 13-14, Ms. Vanicek argues that the decision of whether a given service offering is affordable should not be left to customers, but instead should be decided by the Commission. As discussed in my rebuttal testimony, this is a non-issue: if customers do not find WWC's rates to be affordable, they will not purchase the services, and if they do not purchase the services, WWC receives no federal USF.

Ms. Vanicek next goes on to suggest (pp. 13-14) that all of the service offerings of an ETC must be found to be affordable by all customers: "if affordability guidelines are not considered when determining ETC designations and paying universal service support, high income consumers may receive support for offerings that low and middle income consumers may not purchase because they do not consider such offerings affordable." What Ms. Vanicek has apparently described is the existing Rural LEC rate structure: customers purchase different bundles of services and features from the ILECs, and do so based on what they consider to be affordable and a good value. Consumers with different income levels consider different combinations of features and functions to be affordable.

Ms. Vanicek next suggests (p. 14) that support should be based on service rates rather than carrier costs. For example, she argues that "any differences between the universal service offerings of Western Wireless and the rates of rural ILECs that are

attributable to mobility are not eligible for universal service support." There is no basis whatsoever in the Act or FCC rules for this position, and it betrays a lack of understanding regarding both the existing federal USF mechanism and the rate structure of the Rural LECs.

Carriers receive federal USF, and specifically high cost support, in order to recover the costs associated with provisioning, maintaining, and upgrading network facilities; in other words, carrier networks, not carrier services, are being funded. A statement that certain "rate differences" are "not eligible for universal service support" has no meaning in this context.

It is also important for Ms. Vanicek to take a closer look at how the Rural LECs sell services and receive federal funds. ILECs provide service and feature offerings that go well beyond the nine supported service elements set forth in the Act and FCC rules. At no time is the USF support to these carriers reduced or eliminated because these additional capabilities are provided to the customers who also purchase a basic service with the nine supported service elements. It would be equally meaningful, and in this case equally meaningless, to argue that any portion of the rate paid to an SDTA member company that is attributable to call waiting would make the underlying service ineligible for universal service support. While it is necessary for any ETC to offer – at a minimum – the nine supported service elements, it is carrier networks, and not their service offerings, that are supported.

Therefore, it is entirely appropriate for a wireless ETC to provide the benefit of mobility to customers, as long as the wireless ETC offers the nine supported service elements.

SDTA "Requirements" Error No. 7: The Joint Board Recommendation *should be treated as if it has already been adopted.*

Q. BOTH MR. BROWN AND MS. VANICEK ARGUE THAT THE *JOINT BOARD RECOMMENDATION* SHOULD BE TREATED AS THE CURRENT LAW. DO YOU AGREE?

A. No. None of the recommendations made by the Joint Board has been adopted, and the FCC has not yet received comments from interested parties. Speculation regarding which recommendations, if any, will ultimately be adopted would result in inconsistent conclusions by state regulators.

Beyond the legal status, any application of the various elements of the *Joint Board Recommendation* is impossible as a practical matter. In many cases, the Joint Board simply recommended that the FCC adopt a "guideline," but did not state with any specificity what that guideline should be. Until the FCC creates such a guideline, there is nothing to apply. Ms. Vanicek explicitly recognizes the currently level of ambiguity in the *Joint Board Recommendation*. When discussing the primary line constraint, she correctly points out that, as of now, "it is unclear exactly how this proposal would function." I agree. There is no compelling reason for this Commission to attempt to guess what the FCC might ultimately adopt after completing its investigation.

Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A. Yes.

2003

State	SAC	Study Area Name	Total High Cost Monthly	Total High Cost Quarterly	Total High Cost Yearly
SD	391657	Splitrock Telecom Cooperative Inc.	$70,545	$211,635	$846,540
SD	391659	Golden West Tel. Coop. Inc.	$473,849	$1,421,547	$5,686,188
SD	391664	James Valley Cooperative Tel. Co.	$104,265	$312,795	$1,251,180
SD	391680	Venture Communications Cooperative	$300,554	$901,662	$3,606,648
SD	391682	Tri-County Telecom, Inc.	$17,063	$51,189	$204,756
SD	391686	Vivian Tel. Co., dba Golden West Communications, Inc.	$400,616	$1,201,848	$4,807,392
SD	391689	West River Cooperative Tel. Co.	$138,889	$416,667	$1,666,668

2003

State	SAC	Study Area Name	Total High Cost Monthly	Total High Cost Quarterly	Total High Cost Yearly
SD	391657	Splitrock Telecom Cooperative Inc.	$70,545	$211,635	$846,540
SD	391659	Golden West Tel. Coop. Inc.	$473,849	$1,421,547	$5,686,188
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SD	391689	West River Cooperative Tel. Co.	$138,889	$416,667	$1,666,668

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#9

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May 20, 2004

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SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Next Day Delivery
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Executive Director
SD Public Utilities Commission
500 E Capitol Avenue
Pierre SD 57501

RE: WWC's Petition for Designation as an ETC
TC03-191 GPGN File No. 5925.030691

Dear Ms. Bonrud:

Pursuant to determinations and requests made at the hearing regarding designation of WWC License LLC as an eligible telecommunications carrier, TC03-191, this past May 4th through 7th, enclosed please find Supplemental Exhibits. These exhibits were agreed to at the time of the hearing.

I have provided ten copies of the Supplemental Exhibits for distribution to the Commissioners, counsel and staff. The original of each supplemental exhibit is being delivered to the court reporter, Cheri Wittler. Ms. Wittler then will place her original exhibit sticker on each original exhibit and then provide those directly to the Public Utilities Commission of the State of South Dakota for placing in the permanent hearing record.

The supplemental exhibits being provided are as follows:

1. WWC Exhibit 7A – consisting of three corrected maps correcting the original Western Wireless Exhibit 7 that had neglected to account for out-of-state tower coverage into the State of South Dakota;

2. WWC Exhibit 7B –maps requested by Commissioner Berg wherein the maps only show CDMA coverage and have removed all coverage based on 3W AMPS/TDMA use.

3. WWC Exhibit 8A –Attachments to answers to interrogatories submitted on March 31, 2004. Those answers to interrogatories were marked as Western Wireless Exhibit 8. Western Wireless Exhibit 8A does not have in it the 2001 and 2002 Annual Reports, although they were provided on March 31. Pursuant to an agreement with Mr. Coit, who at the hearing requested the attachments be added, it has been determined not to provide those annual reports because they are

voluminous and the 2002 Annual Report was marked as a separate exhibit at the time of the hearing, Intervenors' Exhibit 15, and the 2003 Annual Report is being produced as a supplement exhibit. If any party should desire the 2001 Annual Report be made part of the hearing records, WWC would immediately provide it.

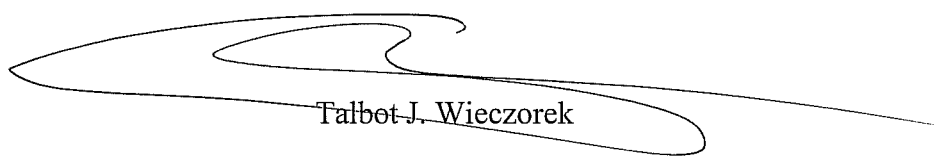
4. WWC Exhibit 9 – Map of WWC's current cell sites also showing future cell sites should ETC designation be received. Please note that Western Wireless currently has 111 sites in the State of South Dakota. The locations showed here appear to only reflect 105 "dots" showing locations. The other remaining six locations are covered by "dots" given the proximity of neighboring towers and the scale of this map.

5. Intervenors' Exhibit 16 –Western Wireless Corporation's 2003 Annual Report; and

6. Intervenors' Exhibit 19 – WWC's marketing materials for wireless loop service.

Please note that all maps being provided are confidential maps and have been labeled as such. Further, it was agreed at the time of the hearing that the map exhibits would be treated as confidential by the parties and the Commission.

Sincerely,



Talbot J. Wieczorek

TJW:klw
Enclosures
c: Via Next Day Delivery: Richard Coit
Darla Pollman Rogers
Jim Cremer
Ben Dickens
Cheri Wittler
Clients

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May 20, 2004

NEXT DAY DELIVERY
Cheri Wittler
105 South Euclid Avenue Suite E
Pierre SD 57501

RE: WWC's Petition for Designation as an ETC
Docket TC03-191 GPGN File No. 5925.030691

Dear Ms. Wittler:

Enclosed please find a copy of my letter to Ms. Bonrud and the original exhibits that were to be supplemented for the hearing record in the above-entitled matter. For your convenience, each exhibit has a post-it sticker on it designating the number to accompany it.

It is my understanding, and I have informed the Commission, that you will mark the original exhibits and deliver the original exhibits to the Commission for the hearing record. If you have any questions regarding the exhibits or anything else, please feel free to give me a call.

Sincerely,



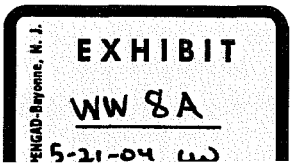
Talbot J. Wieczorek

TJW:klw
Enclosures
c: Richard Coit
Darla Pollman Rogers
Jim Cremer
Ben Dickens
Pam Bonrud
Clients

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#10

WWC EXHIBIT 8A



CTIA

Consumer Code *for* Wireless Service

To provide consumers with information to help them make informed choices when selecting wireless service, to help ensure that consumers understand their wireless service and rate plans, and to continue to provide wireless service that meets consumers' needs, the CTIA and the wireless carriers that are signatories below have developed the following Consumer Code. The carriers that are signatories to this Code have voluntarily adopted the principles, disclosures, and practices here for wireless service provided to individual consumers.

THE WIRELESS CARRIERS THAT ARE SIGNATORIES TO THIS CODE WILL:

ONE

DISCLOSE RATES AND TERMS OF SERVICE TO CONSUMERS

For each rate plan offered to new consumers, wireless carriers will make available to consumers in collateral or other disclosures at point of sale and on their web sites, at least the following information, as applicable: (a) the calling area for the plan; (b) the monthly access fee or base charge; (c) the number of airtime minutes included in the plan; (d) any nights and weekend minutes included in the plan or other differing charges for different time periods and the time periods when nights and weekend minutes or other charges apply; (e) the charges for excess or additional minutes; (f) per-minute long distance charges or whether long distance is included in other rates; (g) per-minute roaming or off-network charges; (h) whether any additional taxes, fees or surcharges apply; (i) the amount or range of any such fees or surcharges that are collected and retained by the carrier; (j) whether a fixed-term contract is required and its duration; (k) any activation or initiation fee; and (l) any early termination fee that applies and the trial period during which no early termination fee will apply.

TWO

MAKE AVAILABLE MAPS SHOWING WHERE SERVICE IS GENERALLY AVAILABLE

Wireless carriers will make available at point of sale and on their web sites maps depicting approximate voice service coverage applicable to each of their rate plans currently offered to consumers. To enable consumers to make comparisons among carriers, these maps will be generated using generally accepted methodologies and standards to depict the carrier's outdoor coverage. All such maps will contain an appropriate legend concerning limitations and/or variations in wireless coverage and map

usage, including any geographic limitations on the availability of any services included in the rate plan. Wireless carriers will periodically update such maps as necessary to keep them reasonably current. If necessary to show the extent of service coverage available to customers from carriers' roaming partners, carriers will request and incorporate coverage maps from roaming partners that are generated using similar industry-accepted criteria, or if such information is not available, incorporate publicly available information regarding roaming partners' coverage areas.

THREE

PROVIDE CONTRACT TERMS TO CUSTOMERS AND CONFIRM CHANGES IN SERVICE

When a customer initiates service with a wireless carrier or agrees to a change in service whereby the customer is bound to a contract extension, the carrier will provide or confirm the material terms and conditions of service with the subscriber.

FOUR

ALLOW A TRIAL PERIOD FOR NEW SERVICE

When a customer initiates service with a wireless carrier, the customer will be informed of and given a period of not less than 14 days to try out the service. The carrier will not impose an early termination fee if the customer cancels service within this period, provided that the customer complies with applicable return and/or exchange policies. Other charges, including airtime usage, may still apply.

FIVE

PROVIDE SPECIFIC DISCLOSURES IN ADVERTISING

In advertising of prices for wireless service or devices, wireless carriers will disclose material charges and conditions related to the advertised prices, including if applicable and to the extent the advertising medium reasonably allows: (a) activation or initiation fees; (b) monthly access fees or base charges; (c) any required contract term; (d) early termination fees; (e) the terms and conditions related to receiving a product or service for "free;" (f) the times of any peak and off-peak calling periods; (g) whether different or additional charges apply for calls outside of the carrier's network or outside of designated calling areas; (h) for any rate plan advertised as "nationwide," (or using similar terms), the carrier will have available substantiation for this claim; (i) whether prices or benefits apply only for a limited time or promotional period and, if so, any different fees or charges to be paid for the remainder of the contract term; (j) whether any additional taxes, fees or surcharges apply; and (k) the amount or range of any such fees or surcharges collected and retained by the carrier.

SIX

SEPARATELY IDENTIFY CARRIER CHARGES FROM TAXES ON BILLING STATEMENTS

On customers' bills, carriers will distinguish (a) monthly charges for service and features, and other charges collected and retained by the carrier, from (b) taxes, fees and other charges collected by the carrier and remitted to federal state or local governments. Carriers will not label cost recovery fees or charges as taxes.

SEVEN

PROVIDE CUSTOMERS THE RIGHT TO TERMINATE SERVICE FOR CHANGES TO CONTRACT TERMS

Carriers will not modify the material terms of their subscribers' contracts in a manner that is materially adverse to subscribers without providing a reasonable advance notice of a proposed modification and allowing subscribers a time period of not less than 14 days to cancel their contracts with no early termination fee.

EIGHT

PROVIDE READY ACCESS TO CUSTOMER SERVICE

Customers will be provided a toll-free telephone number to access a carrier's customer service during normal business hours. Customer service contact information will be provided to customers online and on billing statements. Each wireless carrier will provide information about how customers can contact the carrier in writing, by toll-free telephone number, via the Internet or otherwise with any inquiries or complaints, and this information will be included, at a minimum, on all billing statements, in written responses to customer inquiries and on carriers' web sites. Each carrier will also make such contact information available, upon request, to any customer calling the carrier's customer service departments.

NINE

PROMPTLY RESPOND TO CONSUMER INQUIRIES AND COMPLAINTS RECEIVED FROM GOVERNMENT AGENCIES

Wireless carriers will respond in writing to state or federal administrative agencies within 30 days of receiving written consumer complaints from any such agency.

TEN

ABIDE BY POLICIES FOR PROTECTION OF CUSTOMER PRIVACY

Each wireless carrier will abide by a policy regarding the privacy of customer information in accordance with applicable federal and state laws, and will make available to the public its privacy policy concerning information collected online.

PRODUCED SUBJECT TO CONFIDENTIALITY AGREEMENT AND ARSD 20:10:01:41

The_Name	Longitude	Latitude	SITE_CLASS	County	Sector	RADIATED_POWER	Antenna	Ant_Height	Battery_Power	Aux_Generator_Type
SD03_Aberdeen	-98.514167	45.474722	Cell	BROWN	O	48.74	Sinclair SRL488 *	308	4 hours minimum	
SD03_Aberdeen	-98.514167	45.474722	Cell	BROWN	CDMA_O	50.67	Sinclair SRL488 *	300	4 hours minimum	
SD04_Sisseton	-97.167778	45.661388	Cell	ROBERTS	CDMA_O	51.65	Sinclair SRL488 *	108	4 hours minimum	
SD08_Woonsocket	-98.249283	44.040649	Cell	SANBORN	O	49.35	Celwave BCR12-Ht0.75*	490	4 hours minimum	
SD09_Yankton	-97.409167	42.87361	Cell	YANKTON	CDMA_Y	58.77	Antel RWA-80017*	64	4 hours minimum	
SDRC_Keystone	-103.421667	43.924999	Cell	PENNINGTON	O	45.79	Celwave PD1109*	348	4 hours minimum	
SDRC_RapidCityW	-103.30535	44.142067	Cell	MEADE	CDMA_O	52.62	Antel BCR-80010:180 *	148	4 hours minimum	
SDSF_IsaacWalton	-96.639168	43.571666	Cell	MINNEHAHA	CDMA_Y	54.34	Rwa-80014-9.txt	282	4 hours minimum	
SD01_BelleFourche	-103.856946	44.66307	Cell	BUTTE	CDMA_O	54.99	Celwave BCR12-Ht0.75*	290	4 hours minimum	
SD01_BelleFourche	-103.856946	44.66307	Cell	BUTTE	O	50.16	Celwave BCR12-Ht0.75*	290	4 hours minimum	
SD01_Buffalo	-103.643333	45.513056	Cell	HARDING	CDMA_O	52.93	Celwave BCR12-Ht0.75*	760	4 hours minimum	
SD01_Buffalo	-103.643333	45.513056	Cell	HARDING	O	51.79	Celwave BCR12-Ht0.75*	760	4 hours minimum	
SD01_Deadwood	-103.7225	44.376666	Cell	LAWRENCE	GSM850_X	50.33	Antel BCD-80010*	84	4 hours minimum	
SD01_Deadwood	-103.7225	44.376666	Cell	LAWRENCE	CDMA_O	46.69	Decibel DB806-XC *	84	4 hours minimum	
SD01_Deadwood	-103.7225	44.376666	Cell	LAWRENCE	O	39.67	Decibel DB806-XC *	84	4 hours minimum	
SD01_LookoutMt	-103.834998	44.492778	Cell	LAWRENCE	O	42.43	Decibel DB809K-XC *	75	4 hours minimum	
SD01_LookoutMt	-103.834998	44.492778	Cell	LAWRENCE	GSM850_X	53.94	Antel BCD-80010*	75	4 hours minimum	
SD01_LookoutMt	-103.834998	44.492778	Cell	LAWRENCE	CDMA_O	49.8	Decibel DB809K-XC *	75	4 hours minimum	
SD01_LookoutMt	-103.834998	44.492778	Cell	LAWRENCE	GSM1900_X	44.76	DAPA-09010*	55	4 hours minimum	
SD01_Spearfish	-103.893334	44.491111	Cell	LAWRENCE	CDMA_X	54.8	Antel RWA-80014*	250	4 hours minimum	
SD01_Spearfish	-103.893334	44.491111	Cell	LAWRENCE	CDMA_Y	54.8	Antel RWA-80014*	250	4 hours minimum	
SD01_Spearfish	-103.893334	44.491111	Cell	LAWRENCE	O	48.29	Antel BCD-80612*	250	4 hours minimum	
SD01_TerryPk	-103.836665	44.326666	Cell	LAWRENCE	O	41.35	ASPD977-6*	207	4 hours minimum	
SD01_TerryPk	-103.836665	44.326666	Cell	LAWRENCE	CDMA_O	48.72	ASPD977-6*	207	4 hours minimum	
SD01_TerryPk	-103.836665	44.326666	Cell	LAWRENCE	A	7.92	SCALA SL11-885/DT4DU *	207	4 hours minimum	
SD02_Akaska	-99.98611	45.27722	Cell	WALWORTH	CDMA_O	48.35	Sinclair SRL488 *	506	4 hours minimum	
SD02_Akaska	-99.98611	45.27722	Cell	WALWORTH	O	47.21	Sinclair SRL488 *	606	4 hours minimum	
SD02_EagleButte	-101.210831	45.022222	Cell	DEWEY	CDMA_Y	53.09	Antel RWB-80015/90*	463	4 hours minimum	
SD02_EagleButte	-101.210831	45.022222	Cell	DEWEY	O	46.74	Sinclair SRL488 *	488	4 hours minimum	
SD02_EagleButte	-101.210831	45.022222	Cell	DEWEY	CDMA_X	53.09	Antel RWB-80015/90*	463	4 hours minimum	
SD02_EagleButte	-101.210831	45.022222	Cell	DEWEY	CDMA_Z	53.09	Antel RWB-80015/90*	463	4 hours minimum	
SD02_Gettysburg	-100.065	44.936944	Cell	POTTER	CDMA_O	47.9	Sinclair SRL488 *	488	4 hours minimum	
SD02_Gettysburg	-100.065	44.936944	Cell	POTTER	O	46.74	Sinclair SRL488 *	488	4 hours minimum	
SD02_Mobridge	-100.351667	45.553611	Cell	WALWORTH	O	48.03	Sinclair SRL488 *	316	4 hours minimum	
SD02_Mobridge	-100.351667	45.553611	Cell	WALWORTH	CDMA_O	54.59	Celwave BCR12-Ht0.75*	316	4 hours minimum	
SD03_Faulkton	-99.154817	45.039999	Cell	FAULK	O	49.28	Sinclair SRL488 *	188	4 hours minimum	Howard, continuous
SD03_Faulkton	-99.154817	45.039999	Cell	FAULK	CDMA_O	50.15	Sinclair SRL488 *	188	4 hours minimum	
SD03_Groton	-98.05275	45.458383	Cell	BROWN	CDMA_X	50.15	Sinclair SRL488 *	188	4 hours minimum	
SD03_Groton	-98.05275	45.458383	Cell	BROWN	O	48.14	Sinclair SRL488 *	188	4 hours minimum	
SD03_Redfield	-98.531944	44.911389	Cell	SPINK	CDMA_X	53.32	Celwave BCR12-At0.75 *	339	4 hours minimum	
SD03_Redfield	-98.531944	44.911389	Cell	SPINK	A	6.92	SCALA SL11-885/DT4DU *	340	4 hours minimum	
SD03_Redfield	-98.531944	44.911389	Cell	SPINK	O	52.32	Celwave BCR12-At0.75 *	340	4 hours minimum	
SD03_Roscoe	-99.216389	45.635278	Cell	MCPHERSON	O	50	Decibel DB812K-XT *	320	4 hours minimum	
SD03_Roscoe	-99.216389	45.635278	Cell	MCPHERSON	CDMA_O	51.16	Decibel DB812K-XT *	320	4 hours minimum	
SD04_Britton	-97.613333	45.721667	Cell	MARSHALL	O	47.39	Sinclair SRL488 *	488	4 hours minimum	
SD04_Britton	-97.613333	45.721667	Cell	MARSHALL	CDMA_X	47.9	Sinclair SRL488 *	488	4 hours minimum	
SD04_Clark	-97.771944	44.860277	Cell	CLARK	CDMA_O	48.11	Sinclair SRL488 *	460	4 hours minimum	
SD04_Clark	-97.771944	44.860277	Cell	CLARK	O	45.54	Sinclair SRL488 *	460	4 hours minimum	
SD04_Sisseton	-97.167778	45.661388	Cell	ROBERTS	GSM850_X	49.15	Antel BCD-80010*	108	4 hours minimum	
SD04_Sisseton	-97.167778	45.661388	Cell	ROBERTS	O	49.72	Sinclair SRL488 *	108	4 hours minimum	
SD04_Sisseton	-97.167778	45.661388	Cell	ROBERTS	GSM1900_X	51.29	Antel BCD-80010*	108	4 hours minimum	
SD04_Summit	-97.071111	45.34	Cell	ROBERTS	GSM850_X	50.92	Antel BCD-80010*	408	4 hours minimum	Generac, continuous
SD04_Summit	-97.071111	45.34	Cell	ROBERTS	CDMA_O	49.92	Sinclair SRL488 *	408	4 hours minimum	
SD04_Summit	-97.071111	45.34	Cell	ROBERTS	O	47.57	Sinclair SRL488 *	408	4 hours minimum	
SD04_Summit	-97.071111	45.34	Cell	ROBERTS	GSM1900_X	40.38	DAPA-09010*	408	4 hours minimum	
SD04_Webster	-97.541111	45.353334	Cell	DAY	CDMA_Z	56.4	Antel RWA-80017*	288	4 hours minimum	

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The_Name	Longitude	Latitude	SITE_CLASS	County	Sector	RADIATED_POWER	Antenna	Ant Height	Battery Power	Aux Generator Type
SD04_Webster	-97.541111	45.353334	Cell	DAY	CDMA_Y	56.4	Antel RWA-80017*	288	4 hours minimum	
SD04_Webster	-97.541111	45.353334	Cell	DAY	O	45.47	Sinclair SRL488 *	288	4 hours minimum	
SD04_Webster	-97.541111	45.353334	Cell	DAY	CDMA_X	56.4	Antel RWA-80017*	288	4 hours minimum	
SD05_Custer	-103.624443	43.766945	Cell	CUSTER	O	49.49	Decibel DB561K-CT *	188	4 hours minimum	
SD05_Custer	-103.624443	43.766945	Cell	CUSTER	CDMA_O	51.36	Decibel DB561K-CT *	188	4 hours minimum	
SD05_Edgemont	-103.836514	43.296978	Cell	FALL RIVER	O	49.36	Sinclair SRL488 *	108	4 hours minimum	
SD05_Edgemont	-103.836514	43.296978	Cell	FALL RIVER	CDMA_O	50.54	Sinclair SRL488 *	108	4 hours minimum	
SD05_HotSprings	-103.453333	43.442499	Extender	FALL RIVER	O	47.29	Decibel DB806-XC *	104	4 hours minimum	
SD05_MtCoolidge	-103.48111	43.744722	Cell	CUSTER	CDMA_O	48.73	DB872H120	108	4 hours minimum	
SD05_MtCoolidge	-103.48111	43.744722	Cell	CUSTER	O	41.36	DB872H120	108	4 hours minimum	
SD05_Oglala	-102.622587	43.175484	Cell	SHANNON	CDMA_X	53.07	Antel RWB-80015/90*	465	4 hours minimum	Generac, continuous
SD05_Oglala	-102.622587	43.175484	Cell	SHANNON	CDMA_Z	53.07	Antel RWB-80015/90*	465	4 hours minimum	
SD05_Oglala	-102.622587	43.175484	Cell	SHANNON	CDMA_Y	53.07	Antel RWB-80015/90*	465	4 hours minimum	
SD05_Oglala	-102.622587	43.175484	Cell	SHANNON	O	53.35	Celwave BCR12-Ht0.75*	490	4 hours minimum	
SD05_RockyFord	-102.692486	43.517845	Cell	SHANNON	CDMA_Z	52.12	EMS Fr901300_AL2*	490	4 hours minimum	
SD05_RockyFord	-102.692486	43.517845	Cell	SHANNON	O	49.45	Antel BCD-80612*	489	4 hours minimum	
SD05_RockyFord	-102.692486	43.517845	Cell	SHANNON	CDMA_X	52.12	EMS Fr901300_AL2*	490	4 hours minimum	
SD05_RockyFord	-102.692486	43.517845	Cell	SHANNON	CDMA_Y	52.12	EMS Fr901300_AL2*	490	4 hours minimum	
SD06_Belvidere	-101.102582	43.903038	Cell	JACKSON	O	54.63	Celwave BCR12-Ht0.75*	340	4 hours minimum	
SD06_Belvidere	-101.102582	43.903038	Cell	JACKSON	CDMA_O	55.85	Celwave BCR12-Ht0.75*	350	4 hours minimum	
SD06_Belvidere	-101.102582	43.903038	Cell	JACKSON	GSM850_X	51.45	Antel BCD-80010*	340	4 hours minimum	
SD06_Belvidere	-101.102582	43.903038	Cell	JACKSON	GSM1900_X	44.41	DAPA-09010*	340	4 hours minimum	
SD06_Martin	-101.869722	43.178611	Cell	BENNETT	CDMA_X	53.08	Antel RWB-80015/90*	464	4 hours minimum	
SD06_Martin	-101.869722	43.178611	Cell	BENNETT	CDMA_Z	53.08	Antel RWB-80015/90*	464	4 hours minimum	
SD06_Martin	-101.869722	43.178611	Cell	BENNETT	CDMA_Y	53.08	Antel RWB-80015/90*	464	4 hours minimum	
SD06_Martin	-101.869722	43.178611	Cell	BENNETT	O	52.13	Celwave BCR12-Ht0.75*	489	4 hours minimum	
SD06_Philip	-101.705278	43.970833	Cell	JACKSON	O	47.34	Sinclair SRL488 *	408	4 hours minimum	Generac, continuous
SD06_Philip	-101.705278	43.970833	Cell	JACKSON	CDMA_O	48.5	Sinclair SRL488 *	375	4 hours minimum	
SD06_Pierre	-100.404722	44.369999	Cell	STANLEY	CDMA_Z	53.49	Antel RWA-80014*	302	4 hours minimum	Generac, continuous
SD06_Pierre	-100.404722	44.369999	Cell	STANLEY	CDMA_X	53.49	Antel RWA-80014*	302	4 hours minimum	
SD06_Pierre	-100.404722	44.369999	Cell	STANLEY	O	48.95	Sinclair SRL488 *	304	4 hours minimum	
SD06_Pierre	-100.404722	44.369999	Cell	STANLEY	GSM1900_X	43.45	DAPA-09010*	304	4 hours minimum	
SD06_Pierre	-100.404722	44.369999	Cell	STANLEY	GSM850_X	50.49	Antel BCD-80010*	304	4 hours minimum	
SD06_Pierre	-100.404722	44.369999	Cell	STANLEY	CDMA_Y	53.49	Antel RWA-80014*	302	4 hours minimum	
SD06_PotatoCk	-101.937297	43.54547	Cell	JACKSON	CDMA_X	52.12	EMS Fr901300_AL2*	490	4 hours minimum	
SD06_PotatoCk	-101.937297	43.54547	Cell	JACKSON	CDMA_Y	52.12	EMS Fr901300_AL2*	490	4 hours minimum	
SD06_PotatoCk	-101.937297	43.54547	Cell	JACKSON	O	49.45	Antel BCD-80612*	490	4 hours minimum	
SD06_PotatoCk	-101.937297	43.54547	Cell	JACKSON	CDMA_Z	52.12	EMS Fr901300_AL2*	490	4 hours minimum	
SD06_Reliance	-99.601111	43.967222	Cell	LYMAN	CDMA_X	48.5	Sinclair SRL488 *	408	4 hours minimum	Generac, continuous
SD06_Reliance	-99.601111	43.967222	Cell	LYMAN	O	47.57	Sinclair SRL488 *	408	4 hours minimum	
SD06_Reliance	-99.601111	43.967222	Cell	LYMAN	GSM850_X	49.71	Antel BCD-80010*	408	4 hours minimum	
SD06_Reliance	-99.601111	43.967222	Cell	LYMAN	GSM1900_X	39.17	DAPA-09010*	408	4 hours minimum	
SD06_Vivian	-100.284917	44.0379	Cell	LYMAN	GSM1900_Y	44.93	BXA-185060-8CF.txt	390	4 hours minimum	Detroit, continuous
SD06_Vivian	-100.284917	44.0379	Cell	LYMAN	O	52.67	Celwave BCR12-Ht0.75*	390	4 hours minimum	
SD06_Vivian	-100.284917	44.0379	Cell	LYMAN	GSM1900_Z	44.93	BXA-185060-8CF.txt	390	4 hours minimum	
SD06_Vivian	-100.284917	44.0379	Cell	LYMAN	CDMA_O	54.03	Celwave BCR12-Ht0.75*	390	4 hours minimum	
SD06_Vivian	-100.284917	44.0379	Cell	LYMAN	GSM850_X	51.07	Antel BCD-80010*	368	4 hours minimum	
SD06_Vivian	-100.284917	44.0379	Cell	LYMAN	GSM1900_X	44.93	BXA-185060-8CF.txt	390	4 hours minimum	
SD06_WhiteClayButte	-100.678333	43.937778	Cell	JONES	CDMA_O	48.87	Sinclair SRL488 *	358	4 hours minimum	
SD06_WhiteClayButte	-100.678333	43.937778	Cell	JONES	A	6.78	SCALA SL11-885/DT4DU *	358	4 hours minimum	
SD06_WhiteClayButte	-100.678333	43.937778	Cell	JONES	GSM850_X	52.22	Antel BCD-80010*	358	4 hours minimum	
SD06_WhiteClayButte	-100.678333	43.937778	Cell	JONES	O	47.71	Sinclair SRL488 *	358	4 hours minimum	
SD06_WhiteClayButte	-100.678333	43.937778	Cell	JONES	GSM1900_X	45.18	DAPA-09010*	358	4 hours minimum	
SD06_Winner	-99.867223	43.296112	Cell	TRIPP	CDMA_O	48.87	Sinclair SRL488 *	358	4 hours minimum	
SD06_Winner	-99.867223	43.296112	Cell	TRIPP	O	47.76	Sinclair SRL488 *	358	4 hours minimum	
SD06_WinnerDT	-99.855	43.368889	Cell	TRIPP	O	50.2	Antel BCR-80012*	85	4 hours minimum	

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The Name	Longitude	Latitude	SITE CLASS	County	Sector	RADIATED POWER	Antenna	Ant Height	Battery Power	Aux Generator Type
SD06_WinnerDT	-99.855	43.368889	Cell	TRIPP	CDMA_O	52.53	Antel BCR-80012*	85	4 hours minimum	
SD07_Chamberlain	-99.317222	43.800277	Cell	BRULE	CDMA_X	50.54	Sinclair SRL488 *	108	4 hours minimum	
SD07_Chamberlain	-99.317222	43.800277	Cell	BRULE	GSM850_X	51.73	Antel BCD-80010*	84	4 hours minimum	
SD07_Chamberlain	-99.317222	43.800277	Cell	BRULE	GSM1900_X	39.23	Antel BCD-80010*	108	4 hours minimum	
SD07_Chamberlain	-99.317222	43.800277	Cell	BRULE	O	49.5	Sinclair SRL488 *	88	4 hours minimum	
SD07_Kimball	-98.957167	43.732183	Cell	BRULE	O	49.57	Sinclair SRL488 *	158	4 hours minimum	
SD07_Kimball	-98.957167	43.732183	Cell	BRULE	CDMA_O	50.37	Sinclair SRL488 *	158	4 hours minimum	
SD07_Kimball	-98.957167	43.732183	Cell	BRULE	GSM1900_X	36.8	DAPA-09010*	158	4 hours minimum	
SD07_MillerReeHts	-99.191111	44.484723	Cell	HAND	O	48.99	Sinclair SRL488 *	188	4 hours minimum	
SD07_MillerReeHts	-99.191111	44.484723	Cell	HAND	CDMA_O	55.55	Celwave BCR12-Ht0.75*	188	4 hours minimum	
SD07_Mitchell	-98.1075	43.698888	Cell	DAVISON	CDMA_O	49.44	Sinclair SRL488 *	380	4 hours minimum	Generac, continuous
SD07_Mitchell	-98.1075	43.698888	Cell	DAVISON	OH	48.02	Sinclair SRL488 *	380	4 hours minimum	
SD07_Mitchell	-98.1075	43.698888	Cell	DAVISON	OL	40.07	Sinclair SRL488 *	380	4 hours minimum	
SD07_MitchellDT	-98.02023	43.716473	Cell	DAVISON	O	48.46	Sinclair SRL488 *	123	4 hours minimum	
SD07_MitchellDT	-98.02023	43.716473	Cell	DAVISON	CDMA_Y	55.46	Antel RWA-80014*	117	4 hours minimum	
SD07_MitchellDT	-98.02023	43.716473	Cell	DAVISON	CDMA_X	55.46	Antel RWA-80014*	117	4 hours minimum	
SD07_MitchellDT	-98.02023	43.716473	Cell	DAVISON	CDMA_Z	55.46	Antel RWA-80014*	117	4 hours minimum	
SD07_Pickstown	-98.480556	43.077779	Cell	CHARLES MIX	O	48.56	Sinclair SRL488 *	188	4 hours minimum	
SD07_Pickstown	-98.480556	43.077779	Cell	CHARLES MIX	CDMA_Y	57.3	Antel RWA-80016*	184	4 hours minimum	
SD07_Pickstown	-98.480556	43.077779	Cell	CHARLES MIX	CDMA_Z	57.3	Antel RWA-80016*	184	4 hours minimum	
SD07_Pickstown	-98.480556	43.077779	Cell	CHARLES MIX	CDMA_X	57.3	Antel RWA-80016*	184	4 hours minimum	
SD07_Platte	-98.84645	43.358034	Cell	CHARLES MIX	CDMA_O	55.54	Celwave BCR12-Ht0.75*	189	4 hours minimum	
SD07_Platte	-98.84645	43.358034	Cell	CHARLES MIX	O	54.68	Celwave BCR12-Ht0.75*	190	4 hours minimum	
SD07_WhiteLk	-98.758057	43.891389	Cell	AURORA	GSM1900_X	39.17	DAPA-09010*	408	4 hours minimum	Kohler, continuous
SD07_WhiteLk	-98.758057	43.891389	Cell	AURORA	O	47.57	Sinclair SRL488 *	408	4 hours minimum	
SD07_WhiteLk	-98.758057	43.891389	Cell	AURORA	CDMA_Z	55.72	Antel RWA-80017*	378	4 hours minimum	
SD07_WhiteLk	-98.758057	43.891389	Cell	AURORA	CDMA_X	55.72	Antel RWA-80017*	378	4 hours minimum	
SD07_WhiteLk	-98.758057	43.891389	Cell	AURORA	GSM850_X	49.71	Antel BCD-80010*	408	4 hours minimum	
SD07_WhiteLk	-98.758057	43.891389	Cell	AURORA	CDMA_Y	55.72	Antel RWA-80017*	378	4 hours minimum	
SD08_Coleman	-96.769444	43.991943	Cell	MOODY	O	46.45	Antel BCD-80010*	480	4 hours minimum	Onan, continuous
SD08_Coleman	-96.769444	43.991943	Cell	MOODY	GSM850_X	49.17	Antel BCD-80010*	480	4 hours minimum	
SD08_Coleman	-96.769444	43.991943	Cell	MOODY	CDMA_O	48.17	Antel BCD-80010*	480	4 hours minimum	
SD08_DeSmet	-97.556035	44.355307	Cell	KINGSBURY	O	48.06	Sinclair SRL488 *	312	4 hours minimum	
SD08_DeSmet	-97.556035	44.355307	Cell	KINGSBURY	CDMA_O	49.43	Sinclair SRL488 *	312	4 hours minimum	
SD08_Huron	-98.243889	44.342223	Cell	BEADLE	CDMA_Z	52.6	Allgon 7144_24_33_00*	300	4 hours minimum	
SD08_Huron	-98.243889	44.342223	Cell	BEADLE	CDMA_Y	52.6	Allgon 7144_24_33_00*	300	4 hours minimum	
SD08_Huron	-98.243889	44.342223	Cell	BEADLE	O	50.1	Celwave BCR12-OT0.75 *	307	4 hours minimum	
SD08_Huron	-98.243889	44.342223	Cell	BEADLE	CDMA_X	52.6	Allgon 7144_24_33_00*	300	4 hours minimum	
SD08_Junius	-97.255556	43.965834	Cell	LAKE	CDMA_O	48.66	Sinclair SRL488 *	415	4 hours minimum	
SD08_Junius	-97.255556	43.965834	Cell	LAKE	O	47.29	Sinclair SRL488 *	415	4 hours minimum	
SD08_Woonsocket	-98.249283	44.040649	Cell	SANBORN	CDMA_O	54.72	Celwave BCR12-Ht0.75*	490	4 hours minimum	
SD09_Spencer	-97.547778	43.703056	Cell	McCook	O	49.08	Antel BCD-80010*	310	4 hours minimum	Kohler, continuous
SD09_Spencer	-97.547778	43.703056	Cell	McCook	CDMA_O	54.84	Celwave BCR12-Ht0.75*	310	4 hours minimum	
SD09_Springfield	-97.8325	42.881112	Cell	BON HOMME	CDMA_O	50.16	Sinclair SRL488 *	187	4 hours minimum	
SD09_Springfield	-97.8325	42.881112	Cell	BON HOMME	O	48.99	Sinclair SRL488 *	188	4 hours minimum	
SD09_Tripp	-98.051111	43.195833	Cell	HUTCHINSON	CDMA_Z	57.15	Antel RWA-80017*	184	4 hours minimum	
SD09_Tripp	-98.051111	43.195833	Cell	HUTCHINSON	O	48.42	Sinclair SRL488 *	188	4 hours minimum	
SD09_Tripp	-98.051111	43.195833	Cell	HUTCHINSON	CDMA_X	57.15	Antel RWA-80017*	184	4 hours minimum	
SD09_Tripp	-98.051111	43.195833	Cell	HUTCHINSON	CDMA_Y	57.15	Antel RWA-80017*	184	4 hours minimum	
SD09_TurkeyRidge	-97.375833	43.243889	Cell	TURNER	A	7.16	SCALA SL11-885/DT4DU *	308	4 hours minimum	
SD09_TurkeyRidge	-97.375833	43.243889	Cell	TURNER	CDMA_O	49.44	Sinclair SRL488 *	308	4 hours minimum	
SD09_TurkeyRidge	-97.375833	43.243889	Cell	TURNER	O	48.78	Sinclair SRL488 *	308	4 hours minimum	
SD09_Yankton	-97.409167	42.87361	Cell	YANKTON	CDMA_X	58.77	Antel RWA-80017*	64	4 hours minimum	
SD09_Yankton	-97.409167	42.87361	Cell	YANKTON	O	49.35	Sinclair SRL488 *	78	4 hours minimum	
SD09_Yankton	-97.409167	42.87361	Cell	YANKTON	CDMA_Z	58.77	Antel RWA-80017*	64	4 hours minimum	
SDRC_BoxElder	-103.0733	44.085068	Cell	PENNINGTON	CDMA_Z	55.1	Antel RWA-80014*	150	4 hours minimum	

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SDRC_BoxElder	-103.0733	44.085068	Cell	PENNINGTON	O	51.14	Antel BCR-80010-180	150	4 hours minimum	
SDRC_BoxElder	-103.0733	44.085068	Cell	PENNINGTON	CDMA_X	55.1	Antel RWA-80014*	150	4 hours minimum	
SDRC_BoxElder	-103.0733	44.085068	Cell	PENNINGTON	CDMA_Y	55.1	Antel RWA-80014*	150	4 hours minimum	
SDRC_Enning	-102.558335	44.573334	Extender	MEADE	O	51.52	Sinclair SRL488 *	108	4 hours minimum	
SDRC_ForestPark	-103.251446	44.026355	Cell	PENNINGTON	Y	51.1	Antel LPD-7905-4 *	152	4 hours minimum	
SDRC_ForestPark	-103.251446	44.026355	Cell	PENNINGTON	X	45.19	Antel LPD-7905-4 *	152	4 hours minimum	
SDRC_ForestPark	-103.251446	44.026355	Cell	PENNINGTON	CDMA_Y	55.1	Antel RWA-80014*	148	4 hours minimum	
SDRC_ForestPark	-103.251446	44.026355	Cell	PENNINGTON	Z	51.1	Antel LPD-7905-4 *	152	4 hours minimum	
SDRC_ForestPark	-103.251446	44.026355	Cell	PENNINGTON	CDMA_X	55.1	Antel RWA-80014*	148	4 hours minimum	
SDRC_ForestPark	-103.251446	44.026355	Cell	PENNINGTON	CDMA_Z	55.1	Antel RWA-80014*	148	4 hours minimum	
SDRC_HillCity	-103.578335	43.928348	Cell	PENNINGTON	CDMA_O	51.66	Sinclair SRL488 *	138	4 hours minimum	
SDRC_HillCity	-103.578335	43.928348	Cell	PENNINGTON	O	49.3	Sinclair SRL488 *	138	4 hours minimum	
SDRC_Keystone	-103.421667	43.924999	Cell	PENNINGTON	CDMA_O	51.16	Antel BCD-80612*	348	4 hours minimum	Generac, continuous
SDRC_NewUnderwood	-102.829722	44.107221	Cell	PENNINGTON	GSM1900_X	42.03	DAPA-09010*	160	4 hours minimum	Generac, continuous
SDRC_NewUnderwood	-102.829722	44.107221	Cell	PENNINGTON	GSM850_X	52.57	Antel BCD-80010*	142	4 hours minimum	
SDRC_NewUnderwood	-102.829722	44.107221	Cell	PENNINGTON	O	48.68	Antel BCD-80010*	160	4 hours minimum	
SDRC_NewUnderwood	-102.829722	44.107221	Cell	PENNINGTON	CDMA_O	56.42	Celwave BCR12-Ht0.75*	160	4 hours minimum	
SDRC_RapidCityW	-103.30535	44.142067	Cell	MEADE	O	49.64	Sinclair SRL488 *	158	4 hours minimum	
SDRC_Sturgis	-103.514722	44.424445	Cell	MEADE	O	50.8	Decibel DB563K-CT *	347	4 hours minimum	
SDRC_Sturgis	-103.514722	44.424445	Cell	MEADE	GSM850_X	52.31	Antel BCD-80010*	347	4 hours minimum	
SDRC_Sturgis	-103.514722	44.424445	Cell	MEADE	CDMA_O	52.17	Decibel DB563K-CT *	347	4 hours minimum	
SDRC_Sturgis	-103.514722	44.424445	Cell	MEADE	GSM1900_X	39.63	DAPA-09010*	347	4 hours minimum	
SDRC_Wasta	-102.379444	44.042777	Cell	PENNINGTON	GSM1900_X	40.38	DAPA-09010*	410	4 hours minimum	Kohler, continuous
SDRC_Wasta	-102.379444	44.042777	Cell	PENNINGTON	CDMA_O	53.88	Celwave BCR12-Ht0.75*	410	4 hours minimum	
SDRC_Wasta	-102.379444	44.042777	Cell	PENNINGTON	GSM850_X	50.92	Antel BCD-80010*	400	4 hours minimum	
SDRC_Wasta	-102.379444	44.042777	Cell	PENNINGTON	O	48.55	Antel BCD-80010*	410	4 hours minimum	
SDSF_Brandon	-96.575556	43.604443	Cell	MINNEHAHA	GSM850_X	51.94	Antel BCD-80010*	160	4 hours minimum	
SDSF_Brandon	-96.575556	43.604443	Cell	MINNEHAHA	O	49	Sinclair SRL488 *	178	4 hours minimum	
SDSF_Brandon	-96.575556	43.604443	Cell	MINNEHAHA	CDMA_O	50.94	Sinclair SRL488 *	185	4 hours minimum	
SDSF_Crooks	-96.82	43.643889	Cell	MINNEHAHA	CDMA_Y	54.56	Rwa-80014-5.txt	200	4 hours minimum	Kohler, continuous
SDSF_Crooks	-96.82	43.643889	Cell	MINNEHAHA	CDMA_X	56.44	Antel RWA-80017*	400	4 hours minimum	
SDSF_Crooks	-96.82	43.643889	Cell	MINNEHAHA	GSM850_X	46.27	Antel BCD-80010*	400	4 hours minimum	
SDSF_Crooks	-96.82	43.643889	Cell	MINNEHAHA	CDMA_Z	56.44	Antel RWA-80017*	400	4 hours minimum	
SDSF_Crooks	-96.82	43.643889	Cell	MINNEHAHA	O	47.27	TXRX 101-90-10-0-01*	400	4 hours minimum	
SDSF_DellRapids	-96.668056	43.790278	Cell	MINNEHAHA	O	48.07	Decibel ASPD952 *	139	4 hours minimum	
SDSF_DellRapids	-96.668056	43.790278	Cell	MINNEHAHA	GSM850_X	51.44	Antel BCD-80010*	129	4 hours minimum	
SDSF_DellRapids	-96.668056	43.790278	Cell	MINNEHAHA	CDMA_O	49.44	Decibel ASPD952 *	139	4 hours minimum	
SDSF_Humboldt	-97.087222	43.731666	Cell	MINNEHAHA	CDMA_O	49.53	Sinclair SRL488 *	298	4 hours minimum	
SDSF_Humboldt	-97.087222	43.731666	Cell	MINNEHAHA	GSM850_X	50.53	Antel BCD-80010*	298	4 hours minimum	
SDSF_Humboldt	-97.087222	43.731666	Cell	MINNEHAHA	O	49.08	Sinclair SRL488 *	298	4 hours minimum	
SDSF_IsaacWalton	-96.639168	43.571666	Cell	MINNEHAHA	CDMA_Z	54.34	Rwa-80014-9.txt	282	4 hours minimum	Generac, continuous
SDSF_IsaacWalton	-96.639168	43.571666	Cell	MINNEHAHA	O	46.56	Decibel DB878H120-X *	284	4 hours minimum	
SDSF_IsaacWalton	-96.639168	43.571666	Cell	MINNEHAHA	CDMA_X	54.34	Rwa-80014-9.txt	282	4 hours minimum	
SDSF_SESiouxFalls	-96.701111	43.505555	Cell	MINNEHAHA	CDMA_Z	54.86	Antel RWA-80014*	95	4 hours minimum	
SDSF_SESiouxFalls	-96.701111	43.505555	Cell	MINNEHAHA	OL	7.86	SRL411C9L/4*	95	4 hours minimum	
SDSF_SESiouxFalls	-96.701111	43.505555	Cell	MINNEHAHA	OH	49.49	SRL411C9L/4*	95	4 hours minimum	
SDSF_SESiouxFalls	-96.701111	43.505555	Cell	MINNEHAHA	CDMA_Y	54.86	Antel RWA-80014*	95	4 hours minimum	
SDSF_SESiouxFalls	-96.701111	43.505555	Cell	MINNEHAHA	CDMA_X	54.86	Antel RWA-80014*	95	4 hours minimum	

~~APPENDIX B~~
UNLIMITED LOCAL CALLING
UNIVERSAL SERVICE OFFERING
TERMS AND CONDITIONS OF SERVICE

(The following Terms and Conditions are in a form of an agreement between the Company and the Customer and will be provided to all Customers, both residential and business, choosing the Company's unlimited local calling plan universal service offerings.)

These Terms and Conditions govern unlimited local calling plan universal service offerings by the Company (referred to herein as "CellularOne®, or "Company") for wireless (commercial mobile radio service or "CMRS") and related services and features that the Customer may select from time to time, including for example, but not limited to: data, messaging, paging, and internet services (together, "Service"), and for the purchase and use of wireless equipment and/or other receiving and transmitting equipment, including any additional or replacement equipment (together, your "Equipment"), for use with the Service. If you have any questions regarding your CellularOne® Service, please call the Company at (800) 635-0304 or write a letter to the correspondence address printed on Customer's most recent CellularOne® billing statement.

SECTION 1– COMPANY RESPONSIBILITIES

1.1 Services -- General

1.1.1 The Company provides wireless services to Customers for voice, data and other types of services capable of transmission over the Company's network.

1.1.2 The Company will provide basic local telecommunications service to applicants within the Company's designated service area.

1.1.3 The Company provides telecommunications services in accordance with applicable law and, for purposes of universal service, the Terms and Conditions set forth herein.

1.1.4 The local calling for the Company's universal service offering will typically be as large or larger than the calling area of the incumbent local exchange carrier.

1.1.5 The Company's services are provided on a monthly basis, unless otherwise stated herein. Services are available twenty-four (24) hours per day, seven (7) days per week. Company will make reasonable arrangements to resolve emergencies resulting from failures of service, unusual and prolonged increases in traffic, illness of personnel, fire, storm or other acts of God, and inform its employees as to procedures to be followed in the event of such emergencies in order to prevent or minimize interruptions or impairment of telecommunications service.

1.1.6 The Company will provide notice in customer bills informing customers of the availability of its service offerings and will also advertise its services through media of general distribution.

1.1.7 The Company will provide continuous and adequate service in compliance with the quality of service standards defined in Chapters §§ 20:10:33 and 20:10:34, as required by SDCL Chapter 49-31, to the extent that the terms of the rules are applicable to the Company.

1.1.8 The Company will provide Customers basic information about reduced rate telecommunications services under the federal Lifeline and Link Up programs. The Company will provide Lifeline and Link Up service to customers who request such service and who meet the eligibility requirements to qualify for such service. The Company will comply with all current and future requirements related to Lifeline and Link Up.

1.2 Service Offerings

The Company will provide those services and features selected by Customers as identified on the Customer Preference Page.

1.3 Customer Service Policies

1.3.1 Customer Care service personnel will be available 24 hours per day, 7 days per week. Customer Care can be reached by dialing 611 on the Company's network, or by dialing 1-800-635-0304 from another network. A Customer can also speak with Company representatives located at its retail store outlets, who can provide information relating to services and rates, explain charges on Customers' bills, adjust charges made in error, and generally act as the Company's representatives.

1.3.2 Customer Care service personnel will attempt to answer any questions a Customer has, and will strive to resolve complaints or disputes during the initial Customer call. If a complaint or dispute is not resolved on the initial customer call, the Company will, at the request of the Customer, investigate the matter further.

1.4 Limitations of Service

1.4.1 Service is offered subject to the availability of facilities and the provisions contained herein.

1.4.2 Service is furnished to the Customer for any lawful purpose. Service shall not be used for any unlawful purpose, nor used in such a manner as to interfere unreasonably with the use of service by any other users of Company's network.

1.4.3 The use of the Company's services without payment for service, or an attempt to avoid payment for service by fraudulent means or devices, false or invalid numbers, or false calling or credit cards is prohibited.

1.4.4 The use of the Company's services to make calls that might reasonably be expected to frighten, abuse, torment, or harass another person is prohibited.

1.5 Limitations of Liability

1.5.1 Because the Company has no control of the content of communications transmitted over its network, and because of the possibility of errors incident to the provision and use of its services, services furnished by the Company are subject to the terms, conditions and limitations specified herein.

1.5.2 The liability of the Company for errors in billing that result in overpayment by the Customer shall be limited to a credit equal to the dollar amount erroneously billed or, in the event that payment has been made and service has been disconnected, to a refund of the amount erroneously billed.

1.5.3 The Customer agrees, except where the events, incidents or eventualities set forth in this section are the result of the Company's gross negligence or willful misconduct, to release, indemnify and hold harmless the Company against any and all loss, claims, demands, suits or other action or any liability whatsoever, whether suffered, made, instituted or asserted by the Customer or by any other party or person, for any personal injury to or death of any person or persons, or for any loss of or damage to any property, whether owned by the Customer or others.

1.5.4 The Company assumes no responsibility for the availability or performance of any facilities under the control of other entities that are used to provide services to Customer.

1.5.5 The Company makes no express representations or warranties regarding the services or equipment provided, except as set forth herein, and disclaims any implied warranties, including, but not limited to, warranties of title or implied warranties of merchantability or fitness for a particular purpose. The Company does not authorize anyone to make a warranty of any kind on its behalf and Customer should not rely on any such warranty.

1.5.6 The Company makes no express or implied representations or warranties on the availability of service, including 911 service, and the ability to complete calls.

1.6 Interruptions of Service

1.6.1 General

1.6.1.1 Service is interrupted when it becomes unusable to the Customer or when the Customer is unable to transmit or receive calls due to the failure of a

component of the network furnished by the Company under these Terms and Conditions.

1.6.1.2 An interruption period begins when the Customer reports a service, facility or circuit to be inoperative and releases it for testing and repair. An interruption period ends when the service, facility or circuit is operative.

1.6.1.2 If the Customer reports a service, facility or circuit to be inoperative but declines to release it for testing and repair, the service, facility or circuit is considered to be impaired but not interrupted. No credit allowances will be made for a service facility or circuit considered by the Company to be impaired.

1.6.2 Reestablishing Service

The Company will make all reasonable efforts to prevent interruptions of service and, when interruptions do occur, reestablish service with the shortest possible delay. Company will make attempts to resolve emergencies at all hours, consistent with the bona fide needs of customers and the personal safety of Company's employees. In almost all cases, Company will be able to reestablish service within 24 hours. If unusual repairs are required, or other factors will prevent the prompt reestablishment of service, the Company will make reasonable efforts to contact Customer.

1.6.3 Network Maintenance

The Company will make every reasonable effort to provide notice to Customers of any network unavailability due to regularly scheduled maintenance.

1.6.4 Application of Credits for Interrupted Services

In the event a Customer's service is interrupted and remains out of order for 24 hours after being reported to the Company, adjustments will be made to Customer's monthly bill based on the pro rata part of any charge due and payable from Customer. A refund will be accomplished by a credit on a subsequent bill, or if service has been terminated, by refund check issued to Customer. If service is restored on or before the day after it is reported, no allowance will be made. No adjustments will be earned by accumulating non-continuous periods of interruption.

1.6.5 Limitations on Allowances

No credit allowance will be made for any interruption of service due to the failure of power, equipment, systems or services not provided by the Company; during any period in which the Company is not given full and free access to the

Customer's or Company's facilities and equipment for the purpose of investigating and correcting the interruption; during any period in which the Customer continues to use the service on an impaired basis; during any period in which the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements; or that was not reported to the Company within thirty (30) days of the date that service was affected.

SECTION 2 – CUSTOMER RESPONSIBILITIES

2.1 The Customer is responsible for placing any necessary orders, complying with the terms and conditions specified herein and assuring that all users of the services provided by Company comply with the same. The Customer shall ensure compliance with any applicable laws, regulations, orders or other requirements of any governmental entity relating to services provided by the Company to the Customer or made available by the Customer to another user. The Customer also is responsible for the payment of charges for all calls originated at the Customer's telephone number which are not collect, third party, calling card, or credit card calls.

2.2 The Customer is responsible for charges incurred for special construction and/or special facilities, which the Customer requests and which are ordered by the Company on the Customer's behalf, except as noted on the Customer Preference Page.

2.3 If required for the provisioning of the Company's services, the Customer must provide the Company, free of charge, with any necessary equipment space, supporting structure, conduit and electrical power.

2.4 The Customer is responsible for arranging access to its premises at times mutually agreeable to the Company and the Customer when required for Company personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of the Company's services.

2.5 The Customer must pay the Company for replacement or repair of damage to the Company's equipment or facilities caused by negligent or improper use on the part of the Customer or others.

2.6 The Customer shall be responsible for the theft, damage to, or loss of, any Company equipment or facilities, including the wireless access unit located or installed at the Customer's premises.

SECTION 3 – TERMINATION OF SERVICE

3.1 The Customer may terminate service, with or without cause, by giving the Company three days' notice. Service will be disconnected on the requested termination day, and customer will not be responsible for services rendered after that day.

3.2 The Company may terminate service with notice to Customer, for failure of the Customer to pay a bill when due, for failure of the Customer to permit the Company to have reasonable access to its equipment, or for failure of the Customer to otherwise adhere to these Terms and Conditions. The notice provided to Customer will state the reasons for and the date of scheduled discontinuance of service, and actions that Customer may take to avoid discontinuance of service.

3.3 The Company may terminate service without notice in the event of any of the following occurrences: hazardous or unsafe conditions on the Customer's premises; the Customer's maintaining and/or operating its own equipment in such a manner as to adversely affect the Company's equipment, network or service to others; Customer intentionally using the service in a manner that causes wrongful billing charges to another person; Customer intentionally using the service to transmit messages or to locate a person to give or obtain information without payment of appropriate charges; Customer's use of the service with fraudulent intent by impersonating someone else; use of the service for unlawful purposes; abandonment of the service; Customer tampering with the Company's equipment; Customer's provision of false information in applying for Company's service; or the Customer's unauthorized, fraudulent, or illegal use of the Company's service or equipment. The Company may also terminate service when necessary to comply with any order or request of any governmental authority.

3.4 Upon termination of service, the Customer shall return in good working order, any and all equipment that the Company owns. If the Customer does not return equipment to the Company within a reasonable time period, the Company will charge the amount of the equipment to the Customer on a final bill.

SECTION 4 -- RATES AND CHARGES

4.1 Payment of Charges

4.1.1 The Customer is responsible for payment of all charges for service furnished to the Customer, and for all charges incurred to the Customer's telephone number regardless of which party terminates the service.

4.1.2 The Company will provide bills to Customer that are typed or machine-printed, and which contain an itemized listing of all charges and the period of time covered by the billing.

4.1.3 The Company reserves the right to assess late payment charges for a Customer whose account(s) carries principal owing from the prior billing period. Any charges not paid in full within 15 days after the due date indicated on the billing statement may be subject to a late fee of 1.5% of the total of the bill. At the end of the initial subsequent billing period, an additional charge of 1.5% of any remaining unpaid amount may be assessed on the Customer. Thereafter, a further

additional charge of 2% of any portion of the original unpaid amount may be assessed.

4.1.4 Recurring monthly charges may be invoiced one month in advance. Invoicing cycles are approximately 30 days in length. Customer will have at least 20 days from the bill date to pay the new balance.

4.1.5 Customers must notify the Company either verbally or in writing of any disputed charges, otherwise all charges on the invoice will be deemed accepted. All charges remain due and payable at the due date.

4.2 Deposits

The Company may collect a deposit for Company-provided equipment used by the Customer and for long distance service.

4.3 Contested Charges

All bills are presumed accurate and shall be binding on the Customer unless the Company receives objection. In the event that a billing dispute between the Customer and the Company for service furnished to the Customer cannot be settled with mutual satisfaction, the Customer may request, and the Company will provide, an in-depth review of the disputed amount. The undisputed portion of any bill and any subsequent bills must be paid on a timely basis or the service may be subject to disconnect. Disputed charges may be withheld by the Customer. The Company will treat all charges as undisputed unless notified otherwise by the Customer. If it is determined that any amount previously paid was incorrectly billed, the Company will reduce Customer's subsequent bill accordingly, or, at the request of the Customer, will issue a refund.

4.4 Taxes

State and local sales, use and similar taxes and fees, and governmental assessments, including gross receipts taxes, are billed as separate items and are not included in the quoted rates for telecommunications services listed on the Customer Preference Page.

4.5 Start of Billing

For billing purposes, the start of service is the day shown on the Customer Preference Page, or the day following acceptance by the Customer of the Company's service or equipment. The end of service date is the last day of the minimum notification of cancellation, or any portion of the last day after receipt by the Company of notification of cancellation as described in Paragraphs 4.1 through 4.3 of this Agreement.

4.6 Promotions

From time to time, the Company may offer services or waive or vary service rates for promotional, market research or other similar business purposes.

4.7 Bad Check Charge

If payment for services is made by a check, draft, or similar instrument (collectively "Check") that is returned to the Company unpaid by a bank or another financial institution for any reason, the Company will bill the Customer a $20.00 service charge. In addition, the Customer may be required to replace the returned Check with a payment in cash or equivalent to cash, such as cashier's check, certified check or money order.

4.8 Reconnect Charge

If service has been discontinued for proper cause, the Company will charge a fee of $30.00 to defray the cost of restoring service to the Customer.

SECTION 5- ADDITIONAL TERMS

5.1 Amendment of this Agreement

Company will provide Customer with written notice of any amendments to this Agreement. By use of the service on or after the effective date of the Amendment, Customer acknowledges acceptance of all such amendments. Customer may add or delete services reflected on the Customer Preference Page by giving the Company verbal or written notice of the intent to do so.

5.2 Assignment

Customer may not sell, assign, or transfer rights and obligations contained in this Agreement without the consent of the Company, which may be withheld at its sole discretion.

5.3 Notices

All written notices required or allowed under this Agreement shall be given to Company at the Following address: ATTN: Regulatory Department, Western Wireless Corporation, 3650 131st Avenue S.E., Suite 400, Bellevue, WA 98006. All written notices required or allowed under this Agreement shall be given to Customer at the billing address listed on the Customer Preference Page.

5.4 Entire Agreement

This Agreement contains the entire Agreement between Company and Customer and supersedes and cancels all prior understandings, agreements, contracts or arrangements

between them concerning the subject matter hereof. No statements or representations not included herein shall not be binding upon the parties.

5.5 Governing Law

This agreement shall be governed by applicable federal law, the regulations of the FCC, and the laws of the State of South Dakota, to the extent applicable, and applicable orders of the Commission. Any disputes or claims arising under this Agreement may be subject to the Commission's jurisdiction. The address of the Commission is: Public Utilities Commission of South Dakota, Capitol Building, First Floor, 500 East Capitol Avenue, Pierre, South Dakota 57501-5070. The telephone number is: 1 -800-332-1782.

5.6 Waiver

Failure by either party to strictly enforce any provision of this Agreement shall not be construed as a waiver thereof, or as excusing the other party from future performance.

5.7 Savings Clause

If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, such provision shall be deemed not to be a part of this Agreement, except in the case of a state or local prohibition, in which event it shall be eliminated only for such state or locality, but no such elimination shall invalidate any other provision.

Appendix C

MEASURED RATE UNIVERSAL SERVICE OFFERING
TERMS AND CONDITIONS OF SERVICE

APPENDIX C
MEASURED RATE CALLING PLAN
UNIVERSAL SERVICE OFFERING
TERMS AND CONDITIONS OF SERVICE

(The following Terms and Conditions are in a form of an agreement between the Company and the Customer and will be provided to all Customers, residential and business, choosing the Company's measured rate plan universal service offerings. The Company will, on a prospective basis, substitute this Agreement with any Measured Rate Terms and Conditions Agreements that are currently being used between the Company and the Customer and in the interim will provide the notice, appendix D in these submissions, modifying existing contracts.)

WWC License LLC, Inc., a wholly-owned subsidiary of Western Wireless Corporation, doing business in South Dakota as Cellular One®, (the "Company") offers universal service consistent with all applicable state and federal requirements and the purposes and intent of the Telecommunications Act of 1996, the implementing regulations of the Federal Communications Commission ("FCC"), and applicable rules and orders of the South Dakota Public Utilities Commission (the "Commission").

These terms and conditions of service vary depending upon the applicable rate plan. For unlimited local calling rate plans, the applicable terms and conditions of service are contained in the "Unlimited Local Calling Plan Terms and Conditions" document. For all other rate plans, the applicable terms and conditions of service are contained herein.

This is an agreement between you and Western Wireless Corporation and its affiliates that do business as Cellular One ("Cellular One," "we" or "us") for wireless (commercial mobile radio) service and related services and features that you may select from time to time, including for example data, messaging, paging, and internet services (together, "Service"), and for the purchase and use of wireless equipment and/or other receiving and transmitting equipment, including any additional or replacement equipment, for use with the Service (together, your "Equipment").

If you have any questions regarding your Cellular One Service, please call us at (800) 635-0304 or write to us at the correspondence address printed on your last Cellular One billing statement.

1. Agreements Governing Use of Service. These Cellular One Terms and Conditions, the Cellular One Service Agreement you signed or otherwise agreed to, and the Cellular One materials that describe the price plan, features and services you selected (together, this "Agreement"), govern the use of the Service and your Equipment. This Agreement supersedes any earlier agreement between you and us. Please read this Agreement carefully before activating Service with us or making any changes to your existing Service.

2. Acceptance of Agreement by Activation or Changes to Service. BY ACTIVATING SERVICE WITH US YOU AGREE TO BE BOUND BY THIS AGREEMENT. If you do not agree to the terms of this Agreement, do not activate Service. Instead, return your Equipment as provided in Paragraph 29. You must activate Service within thirty (30) days after purchase of your Equipment (unless you return your Equipment). If you fail to do so, you will not be able to return your Equipment and we will bill you monthly service charges at the rate in your Service Agreement and you will be deemed to have accepted this Agreement. IF YOU ARE AN EXISTING CUSTOMER, YOU ACCEPT THIS AGREEMENT IN LIEU OF ANY PRIOR AGREEMENT BETWEEN YOU AND US BY (1) REQUESTING AND RECEIVING A NEW PRICE PLAN,

ADDITIONAL FEATURES, SPECIAL OFFERS, NEW SERVICE, OR COURTESY CREDITS OF VALID CHARGES; AND (2) CONTINUING TO USE THE SERVICE AFTER WE FULFILL YOUR REQUEST. If you do not want to accept this Agreement, do not request any changes or additional Service: your Service will continue under the existing agreement between you and us.

3. Mandatory Arbitration; Governing Law. EXCEPT FOR ACTIONS SOLELY TO COLLECT UNPAID CHARGES DUE BY YOU UNDER THIS AGREEMENT, CLAIMS THAT QUALIFY FOR RESOLUTION IN SMALL CLAIMS COURT OR DISPUTES WHERE THE SOUTH DAKOTA UTILITIES COMMISSION HAS JURISDICTION (SEE PARAGRAPH 33 BELOW), ANY CONTROVERSY, CLAIM OR DISPUTE ARISING UNDER OR IN ANY WAY RELATED TO OR CONCERNING THIS AGREEMENT AND/OR OUR PROVISION TO YOU OF GOODS, SERVICES, OR EQUIPMENT SHALL BE SUBMITTED TO FINAL, BINDING ARBITRATION UNDER THE AUSPICES OF THE AMERICAN ARBITRATION ASSOCIATION ("AAA") IN ACCORDANCE WITH ITS PUBLISHED WIRELESS INDUSTRY ARBITRATION RULES, AS SUPPLEMENTED BY ITS SUPPLEMENTARY PROCEDURES FOR CONSUMER-RELATED DISPUTES, AND ANY OTHER AAA RULES OR POLICIES THAT MAY BE APPLICABLE FROM TIME TO TIME, ALL INCORPORATED HEREIN BY THIS REFERENCE AND AVAILABLE BY CALLING THE AAA AT (800) 778-7879 OR VISITING ITS WEB SITE AT http://www.adr.org. Additional information may be obtained by contacting the AAA directly, as set forth above. Any such arbitration proceeding shall be subject to the choice of law provision in Paragraph 33. Judgment on an award rendered by an arbitrator may be entered in any court having jurisdiction thereof. Any arbitration shall remain confidential. Neither you nor Cellular One may disclose the existence, content or results of any arbitration or award, except as may be required by law, or to confirm and enforce an award. Notice of an arbitration commenced by you must be served on our registered agent. Two or more individual disputes may not be consolidated or otherwise determined in one proceeding without the prior consent of all parties. No party may act as a representative of other claimants or potential claimants in any dispute without the prior consent of all parties. An arbitrator may not award relief in excess of or inconsistent with the provisions of this Agreement, order consolidation or arbitration on a classwide basis, or award punitive, incidental, or consequential damages or any other damages other than the prevailing party's actual damages, except that the arbitrator may award damages required or authorized by statute on an individual basis and may order injunctive or declaratory relief pursuant to applicable law. All administrative fees and costs of an arbitration will be equally divided between you and us, except that for claims of less than one thousand dollars ($1,000), at your request, you may initially pay only twenty five ($25) and we will initially advance to the AAA all other administrative fees and costs. The arbitrator may, however, reallocate these and other AAA fees and costs in any arbitration award made. Each party agrees to pay the expenses and costs of its own counsel, experts, and witnesses at the arbitration.
YOU ACKNOWLEDGE AND AGREE THAT THIS ARBITRATION PROVISION CONSTITUTES A WAIVER OF ANY RIGHT TO A JURY TRIAL, PUNITIVE, INCIDENTAL OR CONSEQUENTIAL DAMAGES, OR PARTICIPATION AS A PLAINTIFF OR AS A CLASS MEMBER IN A CLASS ACTION. IF FOR ANY REASON THIS ARBITRATION CLAUSE IS DEEMED INAPPLICABLE OR INVALID, YOU AND WE BOTH WAIVE ANY CLAIMS TO RECOVER PUNITIVE, EXEMPLARY, INCIDENTAL, OR CONSEQUENTIAL DAMAGES AND ANY RIGHT TO PURSUE, OR PARTICIPATE AS A PLAINTIFF OR AS A CLASS MEMBER IN, CLAIMS ON A CLASSWIDE, CONSOLIDATED, OR REPRESENTATIVE BASIS.

4. Use of Equipment; Service Availability. Service is available to your Equipment only when it is within the operating range of our system or the system of an operator with which we have an applicable roaming agreement. Coverage maps that you may have received or viewed are only estimates; actual service coverage, quality and availability may vary. Service is subject to unavailability or transmission limits caused by network problems or limitations, the model, condition and functioning of your Equipment, or atmospheric or topographical conditions, and may temporarily be interrupted, dropped, refused, limited, or curtailed. We are not liable for any Service limits, failures or outages, including without limitation the failure of a 9-1-1 emergency call to be connected or completed (see Paragraph 24). "Digital" service is only available within our digital service area; certain digital features may not function outside of our local digital service area or while roaming. We reserve the right to block or impose safeguards for calls to certain categories of calls (e.g., international, country, 900, 976) if we determine that such calls pose an increased billing, collection, or fraud risk. You may not transfer Service to another geographic area unless we consent. If we allow you to transfer Service, we may charge you a transfer fee of up to $200, we may require you to select a new price plan, and we may limit the areas that you may transfer to.

5. Use of Service; Appropriate Conduct. You will not resell any aspect of the Service, whether for profit or otherwise, modify your Equipment, or use the Service or your Equipment for any unlawful, harassing or abusive purpose, or in such a way as to create damage or risk to our business, reputation, employees, subscribers, customers, facilities, third parties or to the public generally. You will not use the Service or your Equipment to send any unsolicited commercial text or e-mail messages or any harassing, threatening, or obscene text or e-mail messages. If your contact with us is threatening or offensive or interferes with our ability to conduct our business, we may immediately suspend, restrict or cancel Service without notifying you.

6. Number. Except as otherwise provided by law, you have no proprietary or ownership rights to or interests in a specific telephone number, IP address, or E-mail address assigned to you or your Equipment (collectively and individually, your "Number"). We may change your Number at any time. You will not use or assign your Number to any other equipment without our prior consent, nor will you program any other Number into your Equipment.

7. Credit Verification. You authorize Cellular One to verify your creditworthiness with a credit reporting agency from time to time to determine your initial and continuing eligibility for Service.

8. Deposits. We may require a deposit in which you grant us a security interest to secure your payment of charges. Unless prohibited by law, deposits received by us may be commingled with our other funds, and will not earn interest. The amount of your deposit may be increased by us at any time upon notice to you upon reevaluation of your usage, credit, or payment history. You may either provide us with the required deposit or terminate Service within seven (7) days after we notify you of an increase in your deposit, in which case any cancellation fee will be waived. In our discretion, we may allow you to receive Service with a lower deposit in exchange for your agreement to limit charges to your account and comply with certain Service restrictions. A deposit may not be used to pay any amounts owed to us (unless it is used to pay a final invoice) or to delay payment. You must promptly pay your bills even if you have given us a deposit. If Service is terminated for any reason, any deposit will be applied to pay any charges due by you to us. Any remaining deposit or other credit balance will be returned without interest (to the extent allowed by law) to you. It may take ninety (90) days or longer after Service termination to process any refund due to you. Unless prohibited by law, (a) any balances of five dollars ($5.00) or less will not be returned but will automatically remain our property, and (b) if the Postal

Service is not able to deliver the funds to you and returns them to us, title to such funds will be conclusively deemed to remain ours, and you will have no further right to them.

9. Price Plans. Cellular One offers a variety of Service price plans, features, programs and promotions ("Plans"). Each Plan may have its own eligibility requirements, terms and conditions in addition to these Terms and Conditions, as described in the written Plan materials available at each Cellular One store or by request from Customer Relations.

10. Changes to this Agreement or Charges by Us. We may change the terms of this Agreement, including the charges for Service, from time to time upon thirty (30) days' notice to you. If a change to this Agreement is materially adverse to you, you may, upon receipt of notice of the change, terminate Service without incurring a cancellation fee (if any) by following the termination instructions set forth in the notice or, if no instructions are provided, by writing to Customer Relations at the correspondence address printed on your last Cellular One billing statement. Termination of service without being charged a cancellation fee is your sole remedy for any material adverse change. Failure to properly terminate Service within fourteen (14) days after the date of the notice of a change will mean that you agree to such change, and you must pay us any additional charges that may be due as a result, even if you paid for Service in advance. Changes to the rates, terms, or availability of ancillary features and services such as voicemail, call forwarding, Internet, long distance and roaming services will not be considered material. You acknowledge that no Cellular One dealer or other agent is authorized to make any representation or warranty with respect to this Agreement, the Service or the Equipment, or to waive or alter any provisions of this Agreement between you and us.

11. Changes to Service by You. By request and if we agree by entering the change into our billing system, you may add additional lines of Service to your account or change to a different Plan at the beginning of your next billing cycle. Any person that you list on your account as an "authorized user" may make changes to the Service and your account, and you will pay any additional charges that may be due as a result. We may from time to time restrict the type of changes that an authorized user may make to the Service or your account. Changes to your account are subject to credit verification, payment of any applicable activation or transfer fees, and provision of any additional deposit required by us. All Service provided to you by us is subject to this Agreement. If you have agreed to a Service Commitment (defined in Paragraph 21), your choice of Plans may be limited during the Service Commitment. If we allow you to change to a different Plan, you agree to a new Service Commitment beginning on the date of the change and continuing for the number of full months applicable to the Service Commitment that applies to the new Plan, subject to this Agreement.

12. Roaming. If permitted under your Plan, you may use Service ("roam") outside of your Cellular One home calling area, or within your Cellular One home calling area but on a different Service provider's system (by resetting your Equipment). Your use of Service while roaming on a system that is not operated by us is subject to the same limitations of liability that the Service provider imposes on its own customers, in addition to the terms and conditions of this Agreement. WE DISCLAIM ALL LIABILITY FOR SERVICE ON A SYSTEM THAT IS NOT OPERATED BY US. Charges you are billed while roaming will include charges billed by the Service provider according to its billing practices, which may be different than our billing practices. If you have any questions about another Service provider's service or billing practices, you should contact that service provider directly. Roaming charges also include a surcharge billed by us and, in some areas, a minimum daily service fee that is charged regardless of Service usage.

13. Payment of Charges. You agree to pay in full each month all charges for Service under this Agreement, including regular monthly Service access charges and additional usage charges for all calls processed (placed and received) through your Equipment, if you accepted Service on your own behalf, or on behalf of a business or other customer without authorization. Usage charges may include, for example, charges for calls, messages, and data that are processed through your Equipment or through any Number assigned to you, toll charges, long distance charges (for calls placed to or received from outside the local calling area, which may be more restrictive than your designated home calling area), charges for busy or unanswered calls, roaming charges, any applicable landline access charges (including, for example, directory assistance charges), and additional calling services or other features or services offered by us which you use. An activation fee may apply to new or suspended Service. Except as otherwise provided by the Plan that you have selected, airtime minutes apply only to calls placed within your home calling area. Additional charges apply for calls placed outside of your home calling area ("roaming"). You will be charged for Service and other features on a monthly billing cycle basis, which may vary from the calendar month. Unused minutes or other allocated Services (e.g., text messages, call forwarding, and data transmission) from any Plan do not carry over to the next billing cycle. We may change your billing cycle at any time. Charges for both roaming and long distance vary and will be billed at the then-current rates, which are subject to change without notice to you. Please contact us for current roaming or long distance rates in a particular area. Depending on system configuration, certain calls may incur charges at the rates of the area in which the call was initiated, even if the call continues or is terminated in a different billing area, while charges for other calls may be adjusted according to each billing area that Service for the call was provided in. Billing of some charges such as roaming charges may be delayed or applied against allocated minutes or Services in a subsequent billing cycle, which may cause you to exceed your allocated minutes or Services in that particular billing cycle. Incoming and outgoing calls are billed in full minute increments from the time the wireless network begins to process the call (before the call rings or is answered) through its termination of the call; any fraction of a minute of usage is rounded up and charged, or deducted from any allocated minutes, as a full minute. As a result, you should not rely upon any function or time counter in your Equipment to determine the number of minutes that you have used. Any taxes, fees, costs or charges imposed on us as a result of providing the Service or the Equipment to you will be added to your charges as provided in Paragraph 14.

14. Taxes. Any applicable sales, use, excise, public utility or other taxes, fees or regulatory costs, including, for example, E911-related fees or costs, or charges imposed on you or us as a result of providing the Service or your Equipment to you will be added to your charges as permitted or required by law. If you are exempt from payment of such taxes, you may provide us with an original Tax Exempt Document. Tax exemption will only apply to charges incurred after the date we receive the Tax Exempt Document from you. The address you have provided to us is used to bill federal, state and local taxes and fees that we are required to collect from you. In some cases this address may indicate that you live in one local jurisdiction (for example, a particular city or county) when you actually live in another. This could result in an incorrect charge for certain taxes and fees. If you have been incorrectly billed for any tax or fee, please contact Customer Care so that any incorrect charges may be removed from your account. You must notify us within ninety (90) days from the date of the first bill that contains the incorrectly billed taxes or fees or you waive your right to dispute those charges.

15. Automatic Debit Payments. If we have agreed that you may pay for charges with a credit or debit card or through automatic bank account withdrawal ("Electronic Funds Transfer"), we will process an Electronic Funds Transfer after we bill for the charges, for current charges and/or all other charges or obligations incurred. You also authorize us to process an Electronic Funds

Transfer at or after termination of Service to pay what you then owe (including, but not limited to, payment of any cancellation fee). If for any reason your bank or card issuer declines to pay us, we may suspend or terminate your Service without notifying you, and we may require that all further payments be made by an alternate payment method. Charges that are not paid through Electronic Funds Transfer must be promptly paid by an alternate payment method.

16. Late Payments. Charges, not including disputed amounts, must be paid by the date shown on the monthly billing statement. You agree that (a) time is of the essence; (b) it would be impractical to fix the exact amount of our damages if you fail to pay promptly; and (c) in the event we do not receive your payment by the due date shown on your monthly billing statement, your payment is past due and you will pay us default interest of the lower of 1.5% per month (or any portion thereof) of any past due amount until paid, or a different amount if required by law.

17. Service Problems; Disputed Charges. If you have a Service problem that is not caused by inherent transmission or system limitations, you should promptly report it to us by contacting Customer Care. If you believe your bill contains any incorrect charges, you should promptly call us and report the incorrect charges so that we may investigate and limit any possible fraud losses. If incorrect charges are the result of unlawful conduct by a third party, you agree to reasonably cooperate with us in investigating such unlawful conduct. To receive credit for any incorrect charges, you must notify us in writing of such disputed charges within sixty (60) days (except as provided in Paragraph 14) from the date of the first bill that contains the disputed charges or you waive your right to dispute those charges. Written notification of disputed charges should be sent to Customer Relations at the correspondence address printed on your last Cellular One billing statement. You may also call us for assistance in resolving any disputed charges, however, calling may not preserve your rights.

18. Check Notations; Returned Checks. If we accept late or partial payments or payments marked "Paid in Full" or similar notations, it will not waive any of our rights to collect all amounts that you owe us nor will it constitute an accord and satisfaction. We may immediately disconnect Service for breach of this Agreement and charge you a fee of up to $50 (or a different amount if required by law) for any check that is returned as non-negotiable or for insufficient funds, stop-payment order, or other deficiency.

19. Lost or Stolen Equipment. If your Equipment is lost or stolen and (1) you notify Customer Care within 72 hours that your Equipment has been lost or stolen, (2) you authorize us to immediately deactivate the Lost or Stolen Equipment, and (3) within fourteen (14) days you provide us with a copy of the filed police report, you will not be required to pay any unauthorized airtime charges incurred on the lost or stolen Equipment. Even if your Equipment is lost or stolen, you must fulfill the remainder of your Service Commitment by promptly purchasing and activating replacement Equipment, or you will be charged a $200 cancellation fee per line of Service. We will deactivate Service to any Number without notifying you if we suspect the Number or Service is being used in any unlawful manner or in breach of this Agreement. You agree to reasonably cooperate with us in investigating suspected unlawful use.

20. Term; Termination. This Agreement begins on the date Service is activated (or this Agreement is otherwise deemed to have been accepted as provided in Paragraph 2) and will continue until terminated by you or us in the manner provided in this Agreement. Even if this Agreement is terminated by you or us, you must still pay any charges due or satisfy any other obligations incurred before or upon termination. You may terminate this Agreement for any reason by providing thirty (30) days advance notice to us, or as otherwise provided in Paragraph

10. We may terminate this Agreement for any reason upon three (3) days notice to you, or as otherwise provided in this Agreement.

21. Cancellation Fee. Except as provided in Paragraph 10, if you select a Plan with a service commitment longer than one month, you agree to continue Service under the Plan for the number of full months applicable to the term selected (the "Service Commitment"). If Service is temporarily disconnected for any reason, the Service Commitment will be extended by the length of the temporary suspension. At the end of the Service Commitment, this Agreement will continue on a month-to-month basis until terminated by you or us. If you terminate Service before the end of the Service Commitment or if you otherwise breach this Agreement, you agree to pay us, as a reasonable estimate of our damages and in addition to other amounts owed, a $200 fee per line of Service (which you agree may be deducted from your deposit or automatically billed to your account). In addition, we may apply your deposit or other prepayment towards any charges that are due by you to us.

22. Termination for Default. You will be in default under this Agreement if you do not pay any sum when due, breach this Agreement or any other agreement between you and us, fail to perform your obligations under this Agreement or in any other agreement between you and us, become the subject of any proceeding under the Bankruptcy Code or become insolvent. In any such case, you will remain responsible for payment of all charges and fees (including any cancellation fee) due to us under this Agreement (including any charges after a bankruptcy filing), which charges will be immediately due and payable. We may suspend, restrict, or cancel Service without notice to you if you are in default under this Agreement. However, disputed charges may be withheld by the Customer. We will treat all charges as undisputed unless notified otherwise by the Customer. If we agree to renew Service to you after discontinuing Service because of your default, you agree to pay a reactivation fee. Our remedies in this Agreement are not exclusive but are in addition to all other remedies provided by law.

23. Disclaimer of Warranties. ALL SERVICES AND EQUIPMENT ARE PROVIDED ON AN "AS IS" AND "WITH ALL FAULTS" BASIS, AND WITHOUT WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF TITLE, MERCHANTABILITY, NON-INFRINGEMENT, OR FITNESS FOR A PARTICULAR PURPOSE. YOU ASSUME ALL RESPONSIBILITY AND RISK FOR USE OF THE SERVICE OR EQUIPMENT. WE DO NOT AUTHORIZE ANYONE TO MAKE A WARRANTY OF ANY KIND ON OUR BEHALF AND YOU SHOULD NOT RELY ON ANY SUCH STATEMENT. ANY STATEMENTS MADE IN PACKAGING, MANUALS OR OTHER DOCUMENTATION, OR BY ANY OF OUR AGENTS, ARE PROVIDED FOR INFORMATIONAL PURPOSES ONLY AND NOT AS WARRANTIES BY US OF ANY KIND. NEITHER CELLULAR ONE NOR ITS OFFICERS, DIRECTORS, EMPLOYEES, CONTRACTORS, SUPPLIERS, AGENTS, DEALERS, PARENTS, SUBSIDIARIES OR AFFILIATES ("CELLULAR ONE AFFILIATES") WARRANT THAT THE INFORMATION, PRODUCTS, PROCESSES, AND/OR SERVICES AVAILABLE THROUGH THE SERVICE OR EQUIPMENT WILL BE UNINTERRUPTED, ACCURATE, COMPLETE, USEFUL, FUNCTIONAL OR ERROR FREE. SOME STATES DO NOT ALLOW THE EXCLUSION OR LIMITATION OF IMPLIED WARRANTIES, SO THE ABOVE EXCLUSION MAY NOT APPLY TO YOU, IN WHOLE OR IN PART.

24. Limitation of Liability. We shall not be liable for any deficiency in performance caused in whole or in part by act or omission of an underlying carrier or service provider, equipment or facility failure, Equipment failure, network problems, lack of coverage or network capacity,

equipment or facility upgrade or modification, acts of God, strikes, fire, war, riot, government actions, equipment or facility shortage or relocation, or causes beyond our reasonable control, including without limitation the failure of an incoming or outgoing call, including a 9-1-1 emergency call, to be connected or completed. EVEN IF CELLULAR ONE OR ANY OF ITS AFFILIATES HAVE BEEN ADVISED OF THE POSSIBILITY OF DAMAGES, THEY WILL NOT BE LIABLE TO YOU OR ANY OF YOUR EMPLOYEES, AGENTS, CUSTOMERS OR ANY THIRD PARTIES FOR ANY DAMAGES ARISING FROM USE OF THE SERVICE OR ANY EQUIPMENT, INCLUDING WITHOUT LIMITATION: SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE, CONSEQUENTIAL OR LOSS OF PRIVACY DAMAGES; PERSONAL INJURY OR PROPERTY DAMAGES; OR ANY DAMAGES WHATSOEVER RESULTING FROM INTERRUPTION OR FAILURE OF SERVICE, LOST PROFITS, LOSS OF BUSINESS, LOSS OF DATA, COST OF REPLACEMENT PRODUCTS AND SERVICES, THE INABILITY TO USE THE SERVICE, THE CONTENT OF ANY DATA TRANSMISSION, COMMUNICATION OR MESSAGE TRANSMITTED TO OR RECEIVED BY YOUR EQUIPMENT, OR LOSSES RESULTING FROM ANY GOODS OR SERVICE PURCHASED OR MESSAGES RECEIVED OR TRANSACTIONS ENTERED INTO THROUGH THE SERVICE. SOME STATES DO NOT ALLOW THE EXCLUSION OR LIMITATION OF INCIDENTAL OR CONSEQUENTIAL DAMAGES, OR OTHER MODIFICATIONS OF OR LIMITATIONS TO CERTAIN REMEDIES, SO THE ABOVE EXCLUSION OR LIMITATION MAY NOT APPLY TO YOU, IN WHOLE OR IN PART. THE MAXIMUM AGGREGATE LIABILITY OF CELLULAR ONE AND ANY OF ITS AFFILIATES TO YOU, AND THE EXCLUSIVE REMEDY AVAILABLE IN CONNECTION WITH THIS AGREEMENT FOR ANY AND ALL DAMAGES, INJURY, AND LOSSES ARISING FROM ANY AND ALL CLAIMS AND/OR CAUSES OF ACTION RELATED TO THE SERVICE OR EQUIPMENT, SHALL BE TO RECOVER THE PRORATED MONTHLY OR OTHER CHARGES TO YOU FOR THE APPLICABLE SERVICE OR EQUIPMENT. THE EXISTENCE OF MULTIPLE CLAIMS OR SUITS UNDER OR RELATED TO THIS AGREEMENT WILL NOT ENLARGE OR EXTEND THE LIMITATION OF MONEY DAMAGES. YOU AGREE THAT OTHER PARTS OF THIS AGREEMENT RELY UPON THE INCLUSION OF THIS PARAGRAPH. THE LIMITATIONS SET FORTH IN THE PRECEDING TWO PARAGRAPHS ARE INDEPENDENT OF EACH OTHER AND BOTH THE LIMITATION OF DAMAGES AND LIMITATION OF REMEDY SET FORTH ABOVE WILL SURVIVE ANY FAILURE OF THE ESSENTIAL PURPOSE OF ANY OR ALL PARTS OF THE LIMITED REMEDY SET FORTH IN THE PARAGRAPH IMMEDIATELY ABOVE.

25. Indemnification. You agree to defend, indemnify and hold us, any underlying carrier, and any Cellular One affiliates harmless from and against any and all claims, demands, actions, liabilities, costs or damages arising out of your use of the Service or Equipment or your violation of this Agreement. You further agree to pay our reasonable attorneys' and expert witnesses' fees and costs arising from any actions or claims hereunder and those incurred in establishing the applicability of this paragraph.

26. Equipment Insurance or Extended Warranty. Any available insurance and/or extended warranty program is provided by a third party. We may provide you with the provider's coverage information, and permit the provider to bill premiums through us, however, we are otherwise unconnected with any such insurance or extended warranty program. You should contact the program provider directly at the contact number printed in program materials for complete information regarding the service or any related claims that you may have.

27. Privacy of Calls. Wireless systems use radio channels to transmit voice and data communications over a complex network. Although monitoring calls may be illegal, it is

possible. As a result, call privacy cannot be guaranteed, and we will not be liable to you for any lack of privacy you experience while using your Equipment or the Service. In addition, we may intercept and disclose any transmissions over or using our facilities, and may provide to third parties billing, account, or calling records, and related information under certain circumstances (for example, in response to lawful process, orders, subpoenas, or warrants, or to protect our rights or property). Calls to Cellular One may be monitored or recorded by us for quality, training, safety or assistance purposes; you may not record calls to Cellular One. Your telephone number and "Cellular One" may be disclosed to persons that you call who use caller identification; your location may also be disclosed to emergency or public safety officials. By contacting emergency or public safety officials, you consent to the disclosure of information by Cellular One to them in connection with such contact.

28. Privacy of Information. We may share information we obtain from you with credit reporting agencies, collection agencies, sub-contractors, affiliates, or other third parties as may be either required by law or necessary or advisable to provide Service or to protect our rights or a third party's safety. In addition, anyone who is listed as an authorized user on your account may access your account information. If you ask us in writing not to otherwise share your information, we will not. Otherwise, we may share your information under other circumstances to the extent permitted by law.

29. Return Policy. Unless we otherwise agree in writing, you may return your Equipment with proof of purchase if the Equipment is in its original packaging with original contents, undamaged and in good working condition with fewer than twenty (20) minutes of use, within 72 hours of activation for a full refund of your purchase price. You may be required to pay a restocking fee. Please note that for purchases made by phone or via the internet, you may return your Equipment for a full refund of your purchase price if the Equipment is returned within 10 days of activation, provided that all other requirements set forth above have been met. With such returned Equipment, you may simultaneously cancel Service to the Equipment and any otherwise-applicable cancellation fee will be waived if Service was initially activated in connection with the returned Equipment. In no event will you be eligible for a refund if you return your Equipment more than thirty (30) days after your purchase date. You are responsible for the payment of any Service or usage charges incurred by you before you return the Equipment.

30. Assignment. We may assign all or part of our rights or duties under this Agreement without notifying you. Upon an assignment, we will have no further obligations to you. You may not assign this Agreement without our prior written consent. Subject to this restriction, this Agreement will inure to the benefit of and be binding upon the heirs, successors, subcontractors, and assigns of the respective parties.

31. Notices. Written notices to you will be considered given on the date deposited in the U.S. Mail addressed to you at the billing address shown in our billing records or immediately upon delivery using electronic means such as e-mail or text messaging. Written notice to us will be considered given when received by our registered agent or by Customer Relations at the correspondence address listed on your last Cellular One billing statement. You agree that we may contact you through your Equipment to notify you of changes to or information about your account, the Service, or this Agreement.

32. Severability. If any provision of these Terms and Conditions is held to be contrary to law, then such provision will be construed, as nearly as possible, to reflect the intentions of the parties, and the balance of the provisions will remain unaffected and in full force and effect, unless our

obligations hereunder are materially impaired, in which event we reserve the right to terminate this Agreement.

33. Governing Law; Venue and Statute of Limitations. This Agreement, its validity, construction and performance, will be governed by and interpreted in accordance with applicable federal laws and the laws of the state in which Service is primarily provided by us to you, without regard to that state's conflicts of laws rules, except that the arbitration provisions in this Agreement will be governed by the Federal Arbitration Act. ANY CONTROVERSY, CLAIM OR DISPUTE ARISING OUT OF OR RELATING TO THIS AGREEMENT MUST BE BROUGHT WITHIN TWO (2) YEARS AFTER THE DATE THE BASIS FOR THE CLAIM OR DISPUTE FIRST ARISES. The South Dakota Public Utilities Commission ("Commission") may assert jurisdiction over disputes or claims arising under this Agreement, specifically those disputes or claims regarding quality of service standards as defined in Chapters §§ 20:10:33 and 20:10:34, as required by SDCL Chapter 49-31, to the extent that the terms of the rules are applicable to Cellular One.

34. Entire Agreement. This Agreement consisting of (a) the Cellular One Service Agreement, (b) these Cellular One Terms and Conditions, and (c) the terms and conditions of the selected Plan as described in related Cellular One printed materials, represents the final and entire agreement between you and us regarding the Service and your Equipment. Except as otherwise provided in this Agreement, no prior or subsequent handwritten, typed, or oral statement, advertisement, or change to this Agreement will be valid unless we accept it in writing. Our failure at any time to require strict performance by you or any other customer of any of the provisions of this Agreement will not waive or reduce our right to thereafter require strict compliance with any provisions of this Agreement.

35. Signing Authority/Authorized User. You acknowledge that you are of legal age, have received a true copy of this Agreement and have read and clearly understand the terms of this Agreement and, if activating on behalf of a business or other entity, are fully authorized to legally bind such entity. You acknowledge that you are responsible for all charges incurred by any person with access to your Cellular One account, Equipment or Service.

36. Survival. Paragraphs 3, 8, 13 – 19, 21, 23 – 25, 28, 30 – 34, and 37 shall survive any termination of this Agreement for any reason.

37. Prepaid Customers: If you purchase prepaid Service of any kind, these Terms and Conditions apply to you except as follows. When purchasing prepaid Service, you are responsible for prepaying all charges for using the Service. The balance in your prepaid account is reduced by the charges attributable to your use of the Service. You must keep a positive balance in your prepaid account to continue using the Service. The prepaid Service you purchase will expire within a certain time period. The expiration period will be disclosed on the material you receive at the time of your purchase of prepaid Service. If you have any questions regarding the expiration date, the balance remaining on your prepaid Service, or any other questions regarding your prepaid Service, please contact Customer Care. Prior to expiration, you may extend the expiration period by purchasing additional prepaid Service. You will not receive a monthly billing statement or activity record for use of prepaid Service except in limited areas where it is available for an additional fee and you specifically request this feature. Prepaid Service is non-refundable, and no refunds or other compensation will be given. Unused prepaid account balances become our property upon expiration or termination of the Service purchased, and will not be refunded, even

if we modify Service without your consent. Any applicable sales, use, excise, public utility or other taxes, fees or regulatory costs, including, for example, E911-related fees or costs, or charges imposed on you or us as a result of providing the Service or your Equipment to you may be included in your prepaid charges.

CONFIDENTIAL

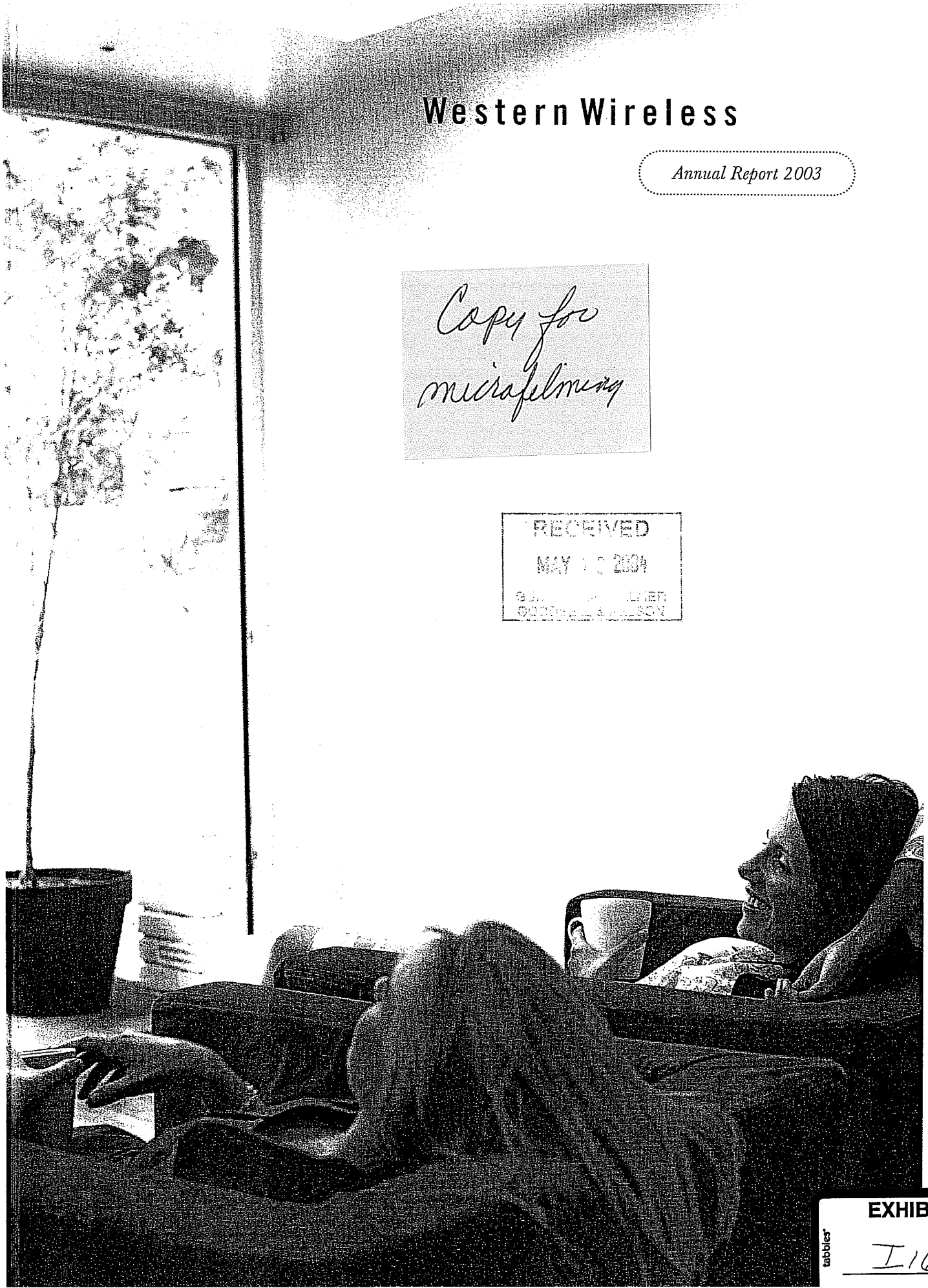
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Western Wireless

Annual Report 2003

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EXHIBIT
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Dear Fellow Shareholder:

Western Wireless had another exciting and productive year in 2003. We provide wireless communication services in rural areas in the United States and in multiple international properties. Our combined operations achieved robust growth, with record revenue and Adjusted EBITDA. We now serve nearly 2.5 million customers in nine countries. Consolidated revenue for the year exceeded $1.5 billion and Adjusted EBITDA was $445 million. We took advantage of resurgent capital markets, and together with proceeds from two asset sales, raised over $1 billion in capital. We used this capital to reduce total debt outstanding, refinance debt at a lower cost, and extend maturities. Our stable and flexible capital structure ensures our continued ability to invest in our domestic and international businesses.

DOMESTIC BUSINESS

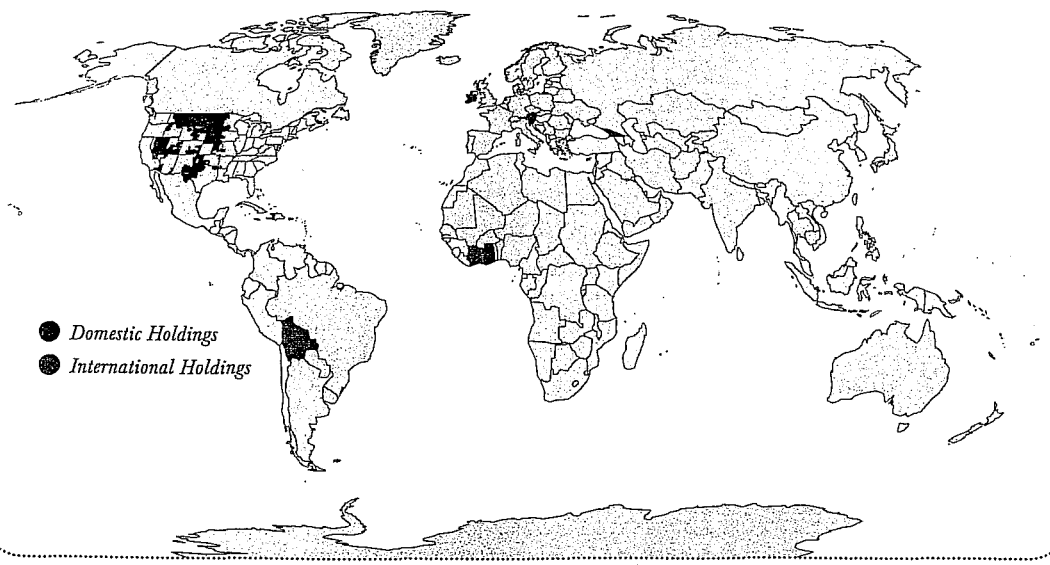
Our mission is to be the premier rural communications provider in the United States. This mission is supported by our objectives to provide excellent service to our customers, to grow the business and to deliver outstanding financial results. We believe we achieved these objectives in 2003.

We offer compelling products that capture the inherent advantages and value of mobility. Our customers recognize this value and are increasingly willing to make long-term commitments. These competitive product offerings and our high brand awareness drove increased sales. In addition, our focus on customer retention meaningfully reduced the number of customers that disconnected their service – which we call our churn rate – to 2.2% in 2003. As a result, we added over 79,000 new customers in 2003, a dramatic improvement over 2002.

The value of our product is also demonstrated by our ability to increase average subscriber revenue. Since introducing our Simplicity price plans in May 2002, we have consistently increased monthly access revenue, our largest source of revenue. Increased average subscriber revenue and improved subscriber growth, along with new data products and multi-media messaging capabilities are the keys to continued revenue growth.

In addition to providing service to our nearly 1.3 million customers, we serve the customers of five of the largest national carriers when they roam into our service territory. Central to our ability to serve such a diverse range of customers is our ability to support multiple technologies. In early 2003 we announced new long-term GSM/GPRS roaming agreements with Cingular Wireless, T-Mobile USA and AT&T Wireless Services. By the end of the year we offered GSM/GPRS service in about 20% of our network. As a result, we now earn revenue from analog and all three of the primary digital technologies – TDMA, CDMA and GSM. With our multiple digital technology strategy, we believe we have effectively positioned ourselves to benefit from continued industry growth while remaining largely indifferent to share shifts within the industry.

Western Wireless will continue to be a vocal advocate for rural telecommunications customers. America benefits from a commitment to outstanding communications services and competition in rural areas. We have invested over $1.3 billion in our network and we operate the largest network in the country devoted to rural markets. For the last six years we have pursued the required authorizations to participate in the federally sponsored Universal Service system, which supports rural communications. We have provided wireless residential services - a non-mobility service - since early in 2000. In 2003 we received $47 million in Universal Service support, which enabled us to increase investment in our network. We will remain extremely active in the on-going debate on



reforming the Universal Service system. Over 95% of Universal Service dollars go to support the old technology wired network that is inferior to wireless in type and quality of service in rural areas. We believe the system of support for rural telecommunications services needs to be overhauled and that the net effect will be to concentrate Universal Service dollars on wireless services and reduce the total cost of serving rural areas.

We took advantage of favorable capital markets to strengthen our balance sheet in 2003. We raised nearly $1 billion through the sale of convertible notes, debentures and equity. We used the proceeds to improve our financial position and increase our strategic flexibility. This flexibility will allow us to pursue additional investments, both in the form of further network investments and potential acquisitions.

Our domestic operations achieved the financial goals we set at the beginning of the year. Adjusted EBITDA grew 14% to $420 million, and free cash flow increased 19%, to $246 million. 2003 represents the seventh consecutive year of positive free cash flow for our domestic business.



INTERNATIONAL BUSINESS

In our consolidated Western Wireless International markets we added over 450,000 customers, increased revenue by 75%, and achieved our first ever year of positive Adjusted EBITDA of $24.5 million. WWI now represents one-half of Western Wireless' consolidated customers, one-third of consolidated revenue, and is generating sustainable Adjusted EBITDA.

During 2003, we strengthened our operations and sold our Croatia business, which further demonstrates the value of our international assets. Our portfolio of businesses has become increasingly European, and it was our European operations that led the way.

In Austria, tele.ring's success exceeded our expectations. tele.ring added over 292,000 customers for the year, nearly doubling our market share in a country which has had limited overall incremental penetration. We ended the year with 634,200 customers. Virtually all of tele.ring's growth has been postpaid subscribers. This has had a positive impact on both average subscriber revenue, which has been consistently increasing, and total revenues, which nearly doubled from 2002 to $369 million. As a result, tele.ring contributed $29 million to our consolidated international Adjusted EBITDA for 2003.

Today tele.ring is the value leader in Austria. The extensive, high quality network and robust IT infrastructure, coupled with great marketing and strong management have been the keys to our success. We believe our strategy will continue to be successful in 2004 and that tele.ring will continue to increase its market share. With the implementation of number portability later this year, we believe that tele.ring is well positioned to benefit from additional customer choice.

In Ireland, Meteor added almost 73,000 customers in 2003 and ended the year with over 180,000 customers. Ireland is a three-competitor market with the two incumbent operators holding over 90% market share. We believe that the key elements of our success in Austria—strong management, excellent network and IT infrastructure, and great marketing—can be replicated in Ireland. We are aggressively pursuing this objective. We have commenced a major expansion of Meteor's network and IT infrastructure, which will support customer growth over the next several years.

In addition to Austria and Ireland, we also control businesses in Slovenia, Bolivia, Haiti and Ghana. While the per-capita income of Austria and Ireland is comparatively high, our other markets are less developed. However, they still represent an important component of our overall business. These markets contributed 19% of our net customer growth for the year and represent a similar percentage of our revenues. And although the local political environments in some of these countries represent a source of risk, we believe that risk is appropriately balanced against the potential benefits to the overall portfolio.

As a portfolio of businesses, we continually evaluate opportunities to invest in new places and to capture value when appropriate in our existing properties. In June 2003 we sold our 19% interest in VIP-Net, a Croatian wireless operator. We invested $20 million in VIP-Net and sold our interest for $70 million in cash. We will continue to look for opportunities to exit our minority businesses. We will also continue to evaluate opportunities to enter new markets where there are extraordinary opportunities, provided that we are able to have operational control.

We are clearly pleased with our results in 2003. Looking to 2004, whether it is the introduction of local number portability in our U.S. or Austrian markets, ongoing regulatory developments, or a changing competitive landscape, we are firmly focused on the tasks and challenges that lie ahead. We wish to thank you for your continued support and interest in Western Wireless. We look forward to updating you on our progress throughout 2004.

Sincerely,

John W. Stanton
CHAIRMAN AND CEO

Mikal J. Thomsen
PRESIDENT

Eric B. Hertz
CHIEF OPERATING OFFICER

Bradley J. Horwitz
PRESIDENT - INTERNATIONAL

THE NEXT BEST WAY TO SAY HELLO.

FINANCIAL OVERVIEW

The following table sets forth certain selected financial and operating data as of and for each of the five years in the period ended December 31, 2003. The selected financial data was derived from our audited consolidated financial statements and notes thereto. The "other data" is unaudited. All of the data should be read in conjunction with Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes thereto.

Consolidated Financial Data (1)

(Dollars in thousands, except per share data)

	Year Ended December 31,				
	2003	2002	2001	2000	1999
Consolidated Statements of Operations Data:					
Revenues	$1,501,324	$1,186,610	$1,037,959	$834,954	$626,777
Operating expenses	(1,347,458)	(1,135,409)	(1,020,017)	(666,076)	(565,848)
Other expense	(121,679)	(151,659)	(180,473)	(105,530)	(110,660)
Minority interests in net loss of consolidated subsidiaries	**4,717**	**8,408**	**18,967**	**2,058**	**1,610**
Income (loss) from continuing operations before provision for income taxes and cumulative change in accounting principle	36,904	(92,050)	(143,564)	65,406	(48,121)
Provision for income taxes	(35,011)	(123,270)			
Total discontinued operations		29,639	(5,933)		(100,652)
Cumulative change in accounting principle	(2,231)		(5,580)		
Net income (loss)	**$(338)**	**$(185,681)**	**$(155,077)**	**$65,406**	**$(148,773)**
Basic income (loss) per share:					
Continuing operations before cumulative change in accounting principle	$0.02	$(2.73)	$(1.82)	$0.84	$(0.63)
Discontinued operations		0.38	(0.08)		(1.31)
Cumulative change in accounting principle	(0.02)		(0.07)		
Basic income (loss) per share	**$0.00**	**$(2.35)**	**$(1.97)**	**$0.84**	**$(1.94)**
Diluted income (loss) per share:					
Continuing operations before cumulative change in accounting principle	$0.02	$(2.73)	$(1.82)	$0.81	$(0.63)
Discontinued operations		0.38	(0.08)		(1.31)
Cumulative change in accounting principle	(0.02)		(0.07)		
Diluted income (loss) per share	**$0.00**	**$(2.35)**	**$(1.97)**	**$0.81**	**$(1.94)**
Consolidated Cash Flows Provided By (Used In):					
Operating activities	$324,095	$145,860	$72,930	$166,971	$95,712
Investing activities	$(180,619)	$(304,326)	$(432,869)	$(644,251)	$(467,141)
Financing activities	$(84,860)	$171,726	$381,744	$457,823	$411,972
Other Data:					
Adjusted EBITDA(2)	$444,740	$308,870	$230,175	$314,036	$242,165
Ending domestic subscribers(3)	1,290,400	1,197,800	1,176,500	1,049,500	834,700
Ending consolidated international subscribers(4)	1,194,200	741,300	491,100	85,500	N.M

(1)Certain amounts in 2002 and 2001 consolidated financial data have been reclassified to properly reflect the discontinued operations of TAL, our Icelandic subsidiary. Certain amounts in our 1999 consolidated financial data have been reclassified to properly reflect the discontinued operations of T-Mobile USA, formerly VoiceStream. (2)EBITDA is a non-GAAP financial measure generally defined as net income (loss) before interest, taxes, depreciation and amortization. We use the non-GAAP financial measure "Adjusted EBITDA" which further excludes the following items: (i) accretion; (ii) asset dispositions; (iii) stock-based compensation, net; (iv) equity in net (income) loss of unconsolidated affiliates, net of tax and other, net; (v) (gain) loss on sale of joint venture; (vi) loss on extinguishment of debt; (vii) minority interests in net loss of consolidated subsidiaries; (viii) discontinued operations; and (ix) cumulative change in accounting principle. Each of these items is presented in our Consolidated Statements of Operations and Comprehensive Income (Loss). Refer to "Adjustments to Reconcile Net Income (Loss) to Adjusted EBITDA" in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations." (3) Domestic subscribers include postpaid and reseller subscribers and exclude prepaid subscribers. (4) International consolidated subscribers include prepaid and postpaid mobile subscribers and exclude fixed lines.

COMPANY HISTORY

1996 Western Wireless raises $600 million in its ititial public offering and two bond offerings.

Western Wireless International obtains interests in licenses for Latvia and Georgia.

VoiceStream Wireless launches systems in Honolulu, Salt Lake City, Albuquerque, Oklahoma City, Portland and Des Moines.

1997 Western Wireless acquires Triad Cellular, adding new markets in Oklahoma, Texas, Utah and Minnesota.

Western Wireless International launches service in its first markets, Latvia and Georgia. WWI also acquires licenses in Ghana and Iceland.

1998 Hutchison Whampoa fuels company growth with $325 million investment.

Western Wireless International adds licenses in Croatia and Haiti, and launches service in Ghana and Iceland.

1999 Western Wireless spins off its 80.1 percent ownership of VoiceStream Wireless.

Western Wireless International acquires a license in Bolivia and launches service in Croatia and Haiti.



2000 Western Wireless surpasses 1 million subscribers.

Western Wireless launches its Wireless Residential Service offering, an important communications tool in rural America.

Western Wireless International sells its interest in a Latvian wireless system securing a 480% return on investment, and acquires licenses in Ireland and Slovenia.

2001 Western Wireless invests in new digital capabilities and introduces digital services to over 40% of the population in its service territories.

Western Wireless International launches service in Ireland and Slovenia, and acquires the mobile and fixed line business of tele.ring in Austria.

2002 Western Wireless secures long-term roaming agreements with large national wireless operators.

Western Wireless International sells its interest in Tal hf, its Icelandic business, netting $29 million. WWI invested less than $10 million in Tal.

2003 Western Wireless agrees to long-term GSM/GPRS roaming agreements with all 3 national GSM operators.

Western Wireless raises over $900 million in new capital by issuing $600 million in Senior Notes, $115 million in convertible notes, and 12 million newly issued shares of Class A common stock.

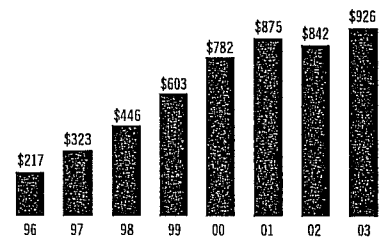
Western Wireless International surpasses 1 million customers.

Western Wireless International sells its 19% interest in VIP-Net, a Croatian wireless operator, for $70 million. Western Wireless International invested less than $20 million in VIP-Net.

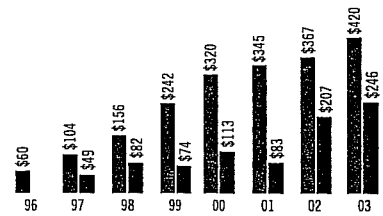
DOMESTIC HIGHLIGHTS

Results of Domestic Operations for the Years Ended December 31,

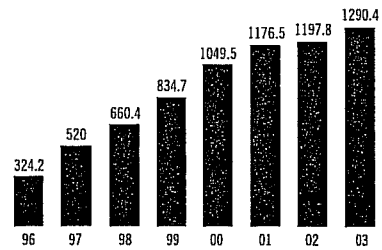
	2003	2002	2001
		(Dollars in thousands)	
Revenues:			
Subscriber revenues	$706,307	$609,406	$619,214
Roamer revenues	217,397	228,878	244,538
Equipment sales	43,905	41,937	38,738
Other revenues	2,628	3,483	10,981
Total revenues	**$970,237**	**$883,704**	**$913,471**
Operating expenses:			
Cost of service	$170,499	$176,584	$193,363
Cost of equipment sales	88,178	79,162	80,008
General and administrative	173,587	144,666	166,712
Sales and marketing	117,729	115,678	128,378
Depreciation, amortization and accretion	200,438	194,003	190,601
Asset dispositions	7,640	21,304	
Stock-based compensation	2,182	1,328	4,183
Total operating expenses	**$760,253**	**$732,725**	**$763,245**
Adjusted EBITDA	**$420,244**	**$367,614**	**$345,010**



Domestic Service Revenues
(in millions)



Domestic Adjusted EBITDA ■ Free Cash Flow ■
(in millions)



Domestic Subscribers
(in thousands)

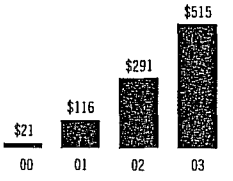
- Our mission is to be the premier rural communications provider in the United States. This mission is supported by our objectives to provide excellent service to our customers, to grow the business and to deliver outstanding financial results. We believe we delivered on these objectives in 2003.
- In 2003 we signed long-term GSM/GPRS roaming agreements with the three national GSM operators. We now earn revenue from analog and all three of the primary digital technologies – TDMA, CDMA and GSM.
- Western Wireless will continue to be a vocal advocate for rural telecommunications customers. We have invested over $1.3 billion in our network and operate the largest network in the country devoted to rural markets.
- We achieved the financial goals we set at the beginning of the year and have a tremendous amount of financial flexibility. This flexibility will allow us to pursue additional investments, both in the form of further network investments and potential strategic acquisitions.

CELLULARONE®
The next best way to say hello.℠

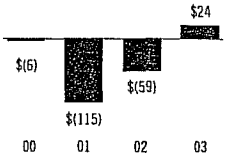
INTERNATIONAL HIGHLIGHTS

Results of International Operations for the Years Ended December 31,

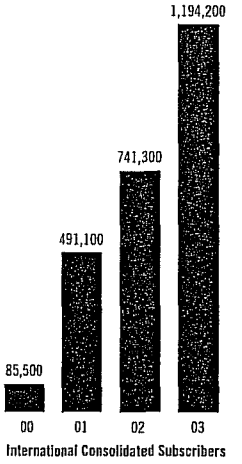
	2003	2002	2001
		(Dollars in thousands)	
Revenues:			
Subscriber revenues	$401,228	$201,280	$74,562
Roamer revenues	45,634	29,057	7,976
Fixed line revenues	56,613	55,751	29,198
Equipment sales	15,704	11,695	8,200
Other revenues	11,908	5,123	4,552
Total revenues	**$531,087**	**$302,906**	**$124,488**
Operating expenses:			
Cost of service	$252,154	$184,107	$94,448
Cost of equipment sales	72,801	39,487	23,344
General and administrative	83,272	72,182	55,798
Sales and marketing	98,364	65,874	65,733
Depreciation, amortization and accretion	71,851	46,484	19,325
Stock-based compensation	8,763	(5,450)	(1,876)
Total operating expenses	**$587,205**	**$402,684**	**$256,772**
Adjusted EBITDA	**$24,496**	**$(58,744)**	**$(114,835)**



International Service Revenues
(in millions)



International Adjusted EBITDA
(in millions)



International Consolidated Subscribers

- 2003 was a milestone year for Western Wireless International. We added over 450,000 customers, increased revenue by 75%, and achieved our first ever year of positive Adjusted EBITDA.
- Our Austrian business, tele.ring, nearly doubled its market share in 2003 and ended the year with 634,200 customers.
- In Ireland, Meteor ended the year with over 180,000 customers. We believe that the key elements of our success in Austria–strong management, excellent network and IT infrastructure, and great marketing–can be replicated in Ireland. We are aggressively pursuing this objective.
- In June 2003 we sold our 19% interest in VIP-Net, a Croatian wireless operator for $70 million. We invested $20 million in VIP-Net.

Austria · Ireland · Slovenia · Bolivia · Ghana · Haiti · Georgia · Côte d'Ivoire

FORM 10-K

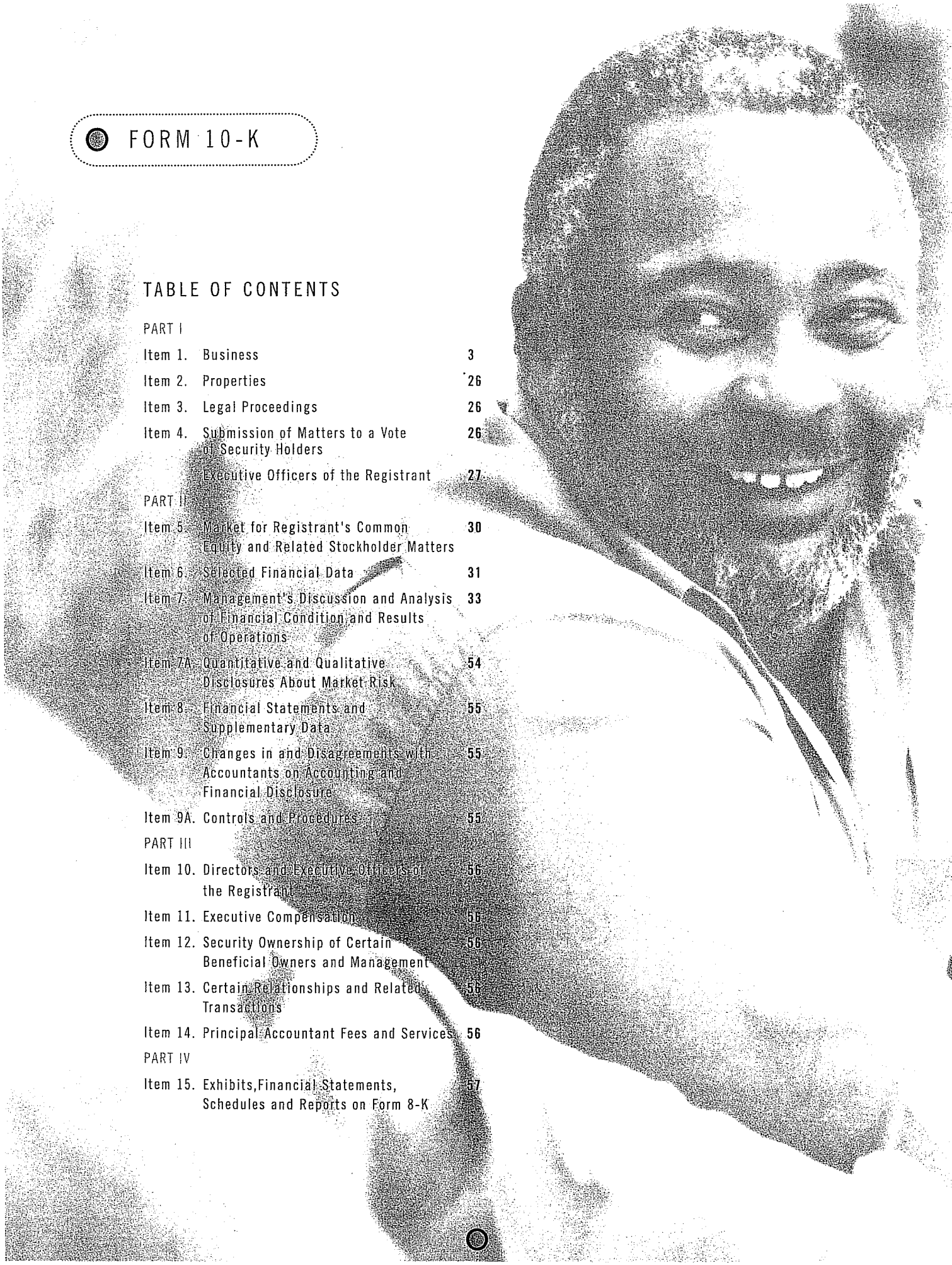


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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-K

☑ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2003

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 000-28160

Western Wireless Corporation

(Exact name of registrant as specified in its charter)

Washington	91-1638901
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*
3650 131st Avenue S.E. Bellevue, Washington	98006
(Address of principal executive offices)	*(Zip Code)*

(425) 586-8700
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Class A Common Stock

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☑ No ☐

The aggregate market value of the voting stock held by nonaffiliates of the registrant, computed by reference to the closing sale price of the registrant's common stock on June 30, 2003 as reported by the NASDAQ Stock Market was $754,024,038.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title	Shares Outstanding as of March 5, 2004
Class A Common Stock, no par value	85,020,352
Class B Common Stock, no par value	6,792,721

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference into the indicated parts of this Form 10-K: Proxy Statement for its 2004 annual shareholders meeting to be filed with the United States Securities and Exchange Commission — Part III.

WESTERN WIRELESS CORPORATION

FORM 10-K
For The Fiscal Year Ended December 31, 2003

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Cautionary statement for purposes of the "Safe Harbor" provisions of the Private Litigation Reform Act of 1995. *This Annual Report on Form 10-K, including Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7, contains statements that are not based on historical fact, including without limitation statements containing the words "believes," "may," "will," "estimate," "continue," "anticipates," "intends," "expects" and words of similar import, which constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors all of which are difficult to predict and many of which are beyond our control and which may cause the actual results, events or developments to be significantly different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions, nationally, internationally and in the regions and countries in which Western Wireless Corporation operates; demographic changes; technology changes; increased competition; changes in business strategy or development plans; the high leverage of the Company and our ability to access capital markets; the ability to attract and retain qualified personnel; existing governmental regulations and changes in, or the failure to comply with, governmental regulations; our ability to acquire and the cost of acquiring additional spectrum licenses; product liability and other claims asserted against the Company; and other factors referenced in this Annual Report on Form 10-K, including, without limitation, "Risk Factors" included elsewhere in this report and in the Company's public offering prospectuses and its periodic reports filed with the Securities and Exchange Commission.*

Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. *The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.*

Unless the context requires otherwise, "Western Wireless," "the Company," "we," "our" and "us" include us and our subsidiaries.

PART I

Item 1. *Business*

General

We are one of the largest providers of rural wireless communications services in the United States. Our wireless operations are primarily in rural areas due to our belief that there are significant strategic advantages to operating in these areas. We believe rural markets provide growth opportunities greater than those that exist in more densely populated urban areas because these markets typically have lower current penetration rates and less competition.

We provide wireless services, under the Cellular**ONE**® and Western Wireless® brand names, to approximately 1.3 million subscribers in the western United States using multiple digital and analog technologies. We operate in 88 Rural Service Areas ("RSAs") and 19 Metropolitan Service Areas ("MSAs") with a combined population of approximately 11 million people. Our network is one of the nation's largest rural wireless communications systems, covering approximately 25% of the continental United States in 19 western states. We support our customers through our retail locations throughout our service area and through our call centers in Manhattan, Kansas, and Issaquah, Washington.

Our cellular network operates over radio frequencies licensed by the Federal Communication Commission ("FCC"). We own 25 MHz of spectrum in the 800 MHz band throughout our markets supplemented by 5 MHz and 10 MHz of 1900 MHz spectrum utilized for the capacity needs of our subscribers, and to meet the needs of our roaming partners.

A significant portion of our domestic revenues have historically been derived from roaming. Our network includes the four major technologies currently available in the U.S. These technologies include analog and three digital standards: Time Division Multiple Access ("TDMA"); Code Division Multiple Access ("CDMA"); and Global System for Mobile Communications ("GSM"). All of the digital technologies employed by us allow for enhanced capacity and data services.

Our subsidiary, Western Wireless International Holding Corporation ("WWI"), is licensed to provide wireless communications services to over 72 million people in eight countries. As of December 31, 2003, WWI's consolidated subsidiaries served, in aggregate, approximately 1.2 million mobile subscribers. See "The Business of WWI," for more information.

Western Wireless was organized in 1994. Our principal corporate office is located at 3650 131st Avenue S.E., Suite 400, Bellevue, Washington 98006. Our phone number is (425) 586-8700. Our corporate website address is *www.wwireless.com*. Our Code of Business Conduct and Ethics is posted on our website.

We make available free of charge through our website our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports, as soon as reasonably practicable after we have electronically filed such material with, or furnished such material to, the SEC.

Domestic Business and Strategy

Our goal is to be the premier provider of high quality wireless communications services in our rural markets. We provide voice and data services to both businesses and consumers including our own subscribers and other companies' subscribers who roam through our service areas. We believe that our 800 MHz band licenses, utilizing multiple digital and analog technologies, give us a strategic advantage in our rural markets. We have also acquired certain 1900 MHz band Personal Communication Services ("PCS") licenses to supplement the coverage and capacity needs of our subscribers and to meet the needs of other companies' subscribers who roam on our network. We believe there are inherent competitive advantages and growth opportunities unique to rural markets. The following are the key elements of our strategy:

- Expand and enhance our domestic wireless network to increase capacity, expand coverage and provide additional features

- Accelerate sustainable and profitable growth through feature-rich value offerings
- Remain the roaming partner of choice for national and other regional carriers, regardless of technology
- Continue to provide high-quality and reliable telecommunications services to people in sparsely populated areas, with support from state and federal Universal Service Funds
- Sustain our disciplined approach to operating costs and continue to deliver strong operating results
- Continue to consolidate wireless licenses that are contiguous with our existing markets, including possible trades, acquisitions or dispositions

Expand and enhance our domestic wireless network to increase capacity, expand coverage and provide additional features

We believe our cellular systems, which are in large geographic clusters in predominately rural areas, provide us a strategic advantage in our markets. Cellular systems in the 800 MHz band are ideal for providing coverage to large geographic areas in sparsely populated communities. Due to the transmission characteristics of the 800 MHz band and the 1900 MHz band, 800 MHz signals broadcast over approximately three times the area of the 1900 MHz band. In addition, each of our 800 MHz band cellular systems has sufficient spectrum which enables us to deploy analog and digital technologies to meet the needs of both our own subscribers and the subscribers of our roaming partners.

We utilize analog, TDMA, CDMA and GSM transmission technologies. None of the digital technologies are compatible with each other. However, most urban markets in the United States have at least one wireless operator offering each technology.

We believe it is critical to continue to expand our network coverage and increase capacity in our existing voice network to support both our subscribers and the subscribers of our roaming partners. We continue to offer analog technology in all of our markets except those utilizing only the 1900 MHz band, such as Amarillo, TX. We have deployed TDMA in nearly all our markets and have deployed CDMA in a significant portion of our markets. Our digital platforms allow us to economically expand the minutes of use ("MOU") available to our customers and introduce a wide range of wireless Internet-related services, multi-media services and other new features. As of December 31, 2003, CDMA was available to approximately 65% of the population covered by our domestic licenses. We plan to have most of our population covered by CDMA at the end of 2004. Further, at December 31, 2003 approximately 20% of our cell sites include GSM. We will continue to offer TDMA digital services primarily for our roaming partners, but we believe that most wireless carriers in the United States will utilize GSM or CDMA based digital technology platforms as they migrate to the next generation of wireless technology. We believe our CDMA and GSM platforms will support our future subscriber and data growth and both platforms are attractive to our roaming partners.

Accelerate sustainable and profitable growth through feature-rich value offerings

High Quality and Affordable Services — We offer our subscribers high quality communications services, as well as several enhanced services, such as call forwarding, call waiting, conference calling, enhanced directory assistance with hands-free dialing, voice message storage and retrieval, caller ID, wireless web, short messaging service, data services and no-answer transfer. The nature of the services offered varies depending upon the market. In addition, all subscribers can access local government emergency services from their cellular handsets (at no charge) by dialing 911, where available. We have designed our pricing options to be simple and understandable, while still meeting the varied needs of our customer base. Our rate plans consist of a fixed monthly access charge (with varying allotments of included minutes) plus variable charges per minute of additional use. In most cases, we separately charge for our enhanced custom calling services. We maintain a variety of competitive calling plans based on our current customer needs and expectations. Across the spectrum of local, regional and national calling plans, we believe we are positioned to present a good value in wireless service.

Data Services — We offer data services under our Hello2 family of products. Hello2Pix enables our customers to send and receive multimedia messages and gives them online storage capability for their messages. Hello2Fun provides our customers with the ability to download applications, initially games and ringtones, directly to their handset. Our wireless Internet portal, Hello2Web, delivers a wide range of wireless Internet-related services including a personal e-mail service, access to external e-mail (for example: Yahoo® and Hotmail®), and Personal Information Management ("PIM") services. PIM services include calendars, to-do lists and synchronization with personal computers, web browsing, games, a customizable home page and information alerts (for example: news, sports and weather alerts) that are sent to the subscriber's phone as short messages. Hello2Txt gives our customers the capability to send or receive up to 160 character messages on their handset. We are constantly evaluating new products and services that may be complementary to our existing wireless offerings.

We offer 1xRTT based high-speed packet data networks in 10 states under the brand name OpenDoor. The OpenDoor product provides services at data speeds significantly faster than those currently available over land lines. Additionally, unlike most existing networks, the data devices on our high speed data network communicate with the Internet, Intranets and other IP based networks through "always on" connections enabling faster, more immediate interactions and communications between users.

Wireless Residential Services ("WRS") — We utilize our existing network infrastructure and cellular licenses to provide wireless local voice and data services to residential customers. These services involve the use of a wireless access unit at a customer's residence. The wireless access unit provides the customer a dial tone and transmits the signal to the nearest cell site. We believe that WRS offers many customers a cost-effective and reliable alternative to local land line carriers. In addition, WRS can be deployed in regions not currently served by local land line carriers. For example, we offer WRS to our universal service customers in Texas and in other states, including our customers on the Pine Ridge Indian Reservation. Many of these residents do not have access to land line services.

Remain the roaming partner of choice for national and other regional carriers, regardless of technology

We have roaming agreements with the five largest wireless carriers in North America, including AT&T Wireless Services, Inc. ("AT&T Wireless"), Cingular Wireless LLC ("Cingular"), Sprint PCS Corporation ("Sprint"), T-Mobile USA, Inc. ("TMO") and Verizon Wireless Corporation ("Verizon"). These agreements allow their customers to roam on our network and allow our subscribers to utilize those carriers' networks. Similarly, these agreements provide attractive rates to us for our customers who roam in areas outside our wireless network.

We believe we are in a unique position to be the roaming partner of choice for national carriers whose customers roam throughout our service areas. We have made significant investments in our network which enable us to offer high quality and reliable service to our roaming partners. We believe the high costs of constructing PCS networks in our rural footprint presents a barrier to entry for the national PCS carriers. In addition, our network supports the three largest leading technology platforms that national cellular and PCS carriers use currently. In addition, we began offering GSM roaming services, a fourth roaming platform, in the third quarter of 2003 in areas of high roamer traffic to support national carriers who offer GSM to their customers, such as AT&T Wireless, TMO and Cingular. These national carriers are developing and building their GSM digital technology platforms and accumulating a significant number of subscribers who might roam into our coverage areas. Our GSM network utilizes our existing 800 MHz band spectrum and our 1900 MHz band spectrum recently acquired by us from TMO. Prior to building out our 1900 MHz band GSM network, TMO customers typically were unable to get service in our markets. Although 1900 MHz band systems tend to be less efficient in rural areas due to the smaller range of coverage per cell site, we are able to provide adequate coverage for the customers of our roaming partners by augmenting our existing infrastructure with state-of-the-art antennas and amplifiers.

In February 2004, our two largest roaming partners AT&T Wireless and Cingular announced a merger. We are unsure of the impact that this will have on us, if any.

Continue to provide high-quality and reliable telecommunications services to people in sparsely populated areas, with support from state and federal Universal Service Funds

We have been a strong proponent of regulatory neutrality between various communications technologies, especially with respect to sparsely populated rural areas. As part of this effort, we have filed applications with appropriate regulatory authorities to be designated an Eligible Telecommunications Carrier ("ETC") in order to allow us to receive federal and state Universal Service Fund ("USF") support. The USF was established to provide support to telecommunications carriers offering basic telephone service in rural, insular and high cost areas. We have been successful in obtaining full or partial ETC status in 14 states and the Pine Ridge Indian Reservation and are providing services eligible for USF support payments in 11 of those 14 states and the Pine Ridge Indian Reservation. It is our plan to seek designation as an ETC qualified to receive USF funds in all appropriate areas covered by our geographic footprint. During 2003, approximately 5% of our domestic revenue was attributable to USF support payments.

Sustain our disciplined approach to operating costs and continue to deliver strong operating results

We believe that our success has been and will continue to be attributable in large part to our disciplined approach to operating costs. We have taken several significant steps to reduce our cost of providing service. We have wholesale long distance contracts with leading long distance carriers that have lowered our cost of providing long distance service to our customers. We also have roaming agreements with national wireless carriers that allow for low per-minute costs when our customers roam on their networks. Further, we have eliminated certain calling plans that were high cost and provided no incremental margin.

Since the Company was established, we have focused on delivering consistent and strong operating results. In 2003, we increased annual domestic Adjusted EBITDA for the ninth consecutive year and continue to generate positive cash provided by operating activities. By maximizing the efficiency of our distribution channels and support functions, we believe we can improve our operating leverage and further increase our cash flow. For the definition of Adjusted EBITDA, and the reconciliation of Adjusted EBITDA, which is a non-GAAP financial measure, to net income (loss), the most directly comparable GAAP financial measure, see "Adjustments to Reconcile Net Income (Loss) to Adjusted EBITDA" in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Continue to consolidate wireless licenses that are contiguous with our existing markets, including possible trades, acquisitions or dispositions

It is part of our ongoing strategy to evaluate business opportunities including potential trades, acquisitions and dispositions to better consolidate our footprint. In 2003, we sold our non-contiguous Arizona 6 market and acquired the contiguous cellular and PCS licenses and operations of Minnesota Southern Wireless. The licenses acquired along with the operations of Minnesota Southern Wireless include the Minnesota 10 RSA ("MN 10") and the Minneapolis/St. Paul Metro A-2 MSA cellular licenses, as well as the Mankato-Fairmont and Rochester-Austin-Albert Lea Basic Trading Area ("BTA") PCS licenses.

Markets and Systems

We operate cellular systems in 88 RSAs and 19 MSAs. Inherent attributes of RSAs and small MSAs make such markets attractive. Such attributes typically include:

- Relative under-penetration as compared to more urban areas
- Population bases of customers with substantial needs for communications services
- The ability to receive USF support in certain rural, insular and high cost areas
- The ability to cover large geographic areas with fewer cell sites as compared to urban areas
- Less intense competitive environments
- Less vulnerability to PCS and other competition

- Large distances between population centers resulting in a higher proportion of roaming revenues than in urban areas

In addition to our cellular licenses, we have also acquired certain PCS licenses. We believe that there are inherent advantages to acquiring and owning such PCS licenses which include:

- The ability to supplement our coverage and reduce incollect costs with our roaming partners
- The ability to expand our roaming offerings to 1900 MHz band PCS carriers
- Leveraging our existing infrastructure, which enables us to offer roaming services at competitive rates that create a disincentive for our competitors to build their own PCS systems in our markets

In many cases, our PCS licenses overlap populations already covered by our cellular licenses. However, in some cases, our PCS licenses also have incremental population outside of our cellular license coverage areas. As a result, the total licensed population of 11,149,000, noted at the end of the table below, includes 100% of our cellular licenses, plus the incremental population covered by our PCS licenses.

The following table sets forth the populations covered by our cellular and PCS licenses. The population data is estimated for 2004 based upon 2003 Claritas, Inc., ("Claritas") estimates, and is adjusted by us by applying Claritas' positive and negative growth factors.

Cellular:

State	MHz	Licensed Population	Incremental Population
Arizona(1)	25 MHz	202,000	202,000
Arkansas	25 MHz	67,000	67,000
California	25 MHz	193,000	193,000
Colorado	25 MHz	417,000	417,000
Idaho(2)	25 MHz	82,000	82,000
Iowa	25 MHz	180,000	180,000
Kansas	25 MHz	671,000	671,000
Minnesota(3)	25 MHz	861,000	861,000
Missouri	25 MHz	84,000	84,000
Montana	25 MHz	914,000	914,000
Nebraska	25 MHz	1,029,000	1,029,000
Nevada	25 MHz	149,000	149,000
New Mexico(4)	25 MHz	251,000	251,000
North Dakota	25 MHz	711,000	711,000
Oklahoma	25 MHz	464,000	464,000
South Dakota	25 MHz	770,000	770,000
Texas	25 MHz	2,820,000	2,820,000
Utah	25 MHz	322,000	322,000
Wyoming(5)	25 MHz	356,000	356,000
Total Cellular Population		10,543,000	10,543,000

PCS:

State	MHz	Licensed Population	Incremental Population
Arizona	5 MHz	48,000	—
Arkansas	5 MHz	67,000	—
Colorado	5 MHz	270,000	—
Idaho	5 MHz	36,000	—
Iowa	5 MHz	159,000	—
Iowa	10 MHz	11,000	11,000
Kansas	5 MHz	284,000	—
Kansas	10 MHz	36,000	36,000
Minnesota	5 MHz	216,000	—
Minnesota	10 MHz	513,000	236,000
Missouri	5 MHz	34,000	—
Montana	5 MHz	914,000	—
Nebraska	5 MHz	754,000	—
Nevada	5 MHz	7,000	—
New Mexico	5 MHz	327,000	—
New Mexico	10 MHz	80,000	76,000
North Dakota	5 MHz	429,000	—
Oklahoma	5 MHz	218,000	—
Oklahoma	10 MHz	30,000	—
South Dakota	5 MHz	523,000	—
Texas	5 MHz	1,015,000	—
Texas	10 MHz	413,000	228,000
Utah	5 MHz	181,000	—
Wyoming	5 MHz	375,000	19,000
Total PCS Population		6,940,000	606,000
Total Licensed Population			11,149,000

(1) The population for Arizona includes 5,000 persons in the Arizona 1 RSA where we are the licensed A-2 carrier, servicing a portion of the RSA.

(2) The population for Idaho includes 8,000 persons in the Idaho 3 RSA representing those areas where we have construction permits to build cell sites under our Idaho 2 license.

(3) The population for Minnesota includes 160,000 persons in the Minneapolis-St. Paul MSA where we are the licensed A-2 carrier, servicing a portion of the MSA.

(4) The population for New Mexico includes 100 persons in the New Mexico 3 RSA and 4,000 persons in the New Mexico 2 RSA where we are the licensed A-2 carrier, servicing portions of the New Mexico 3 and New Mexico 2 RSAs.

(5) The population for Wyoming includes 1,000 persons in the Wyoming 3 RSA where we are the licensed A-2 carrier, servicing a portion of the RSA.

Marketing, Sales and Customer Service

Our sales and marketing strategy is designed to generate continued net subscriber growth and increased subscriber revenues, while maintaining and enhancing our CellularONE® and Western Wireless®brands. We target a customer base we believe is likely to generate higher monthly service revenues, while attempting to achieve a low cost of adding new subscribers.

Marketing — We market our products and services under the names CellularONE®, the first national brand name in the cellular industry, and Western Wireless®, both of which we own. We also license the CellularONE® name to other wireless communications providers. The regional and national advertising

campaigns developed by the Cellular One Group have enhanced our advertising exposure at a lower cost than what could be achieved independently. The mission of the Cellular**ONE**® advertising program is to focus on promoting the Cellular**ONE**® brand for the direct benefit of ourselves and other Cellular**ONE**® licensees.

We utilize a national advertising agency which allows all of our creative and media buying efforts to be consolidated and managed centrally. Centralizing our creative and media buying efforts has allowed us to bring more consistency, focus and relevance to the Cellular**ONE**® brand marketing efforts. In 2003, we rolled out a new program in all our markets that capitalized on the Cellular**ONE**® brand identity and included advertising, retail operations, customer communications, a web site, pricing, promotions, products and services.

Sales and Distribution — We sell our products and services through a combination of direct and indirect channels. We operate both stores and kiosks under the Cellular**ONE**® and Western Wireless® brand names and utilize a direct sales force trained to educate new customers on the features of our products. Sales commissions generally are linked both to subscriber revenue and subscriber retention, as well as activation levels. We also are a retailer of handsets and maintain inventories of handsets.

We believe that our local retail locations provide the physical presence in local markets necessary to position Cellular**ONE**® and Western Wireless® as quality local service providers and give us greater control over both our costs and the sales process. In recent years we have focused on expanding our indirect network of national and local merchants and specialty retailers in order to reduce our fixed sales and marketing costs. During 2003, approximately 44% of our gross customer additions were through our indirect channel. We will continue to use a combination of direct and indirect sales channels, with the mix depending on the requirements of each particular market.

Customer Service — Providing high quality customer service is a significant element of our operating philosophy. We are committed to attracting and retaining subscribers by providing consistently superior customer service. We currently operate call centers in Manhattan, Kansas and Issaquah, Washington. Our call centers maintain highly sophisticated monitoring and control systems and well-trained customer service and technical staffs to handle both routine and complex questions as they arise, 24 hours a day, 365 days a year.

We utilize credit check procedures at the time of sale and continuously monitor customer churn (the rate of subscriber attrition) and other events (such as service agreement expiration dates), which can impact customer churn. It is our belief that we can effectively manage customer churn through an outreach program staffed by our sales force and customer service personnel and through our efforts to predict more accurately the timing of potential customer churn. The outreach program is intended to not only enhance subscriber loyalty, but also to increase add-on sales and customer referrals. This program allows the sales staff to check customer satisfaction, as well as to offer additional calling features, such as voice mail, call waiting and call forwarding.

Competition

Competition for subscribers among wireless communications providers is based principally upon the services and features offered, the technical quality of the wireless system, customer service, system coverage, capacity and price. Under current FCC rules, there may be up to six PCS licensees in each geographic area in addition to the two existing cellular licensees. Also, Specialized Mobile Radio ("SMR") dispatch system operators have constructed digital mobile communications systems, referred to as Enhanced Specialized Mobile Radio ("ESMR"), in many cities throughout the United States, including some of the markets in which we operate. Due to the high cost of construction, we do not believe PCS systems will be built in most of our RSAs in the near future.

Although we believe there are competitive advantages to operating in rural markets, we do operate in a competitive environment. Each of our cellular markets face one cellular competitor, such as Verizon, Alltel Corporation ("Alltel") or Cingular. Additionally, we have PCS and ESMR competitors in most of our MSAs. Continuing industry consolidation has resulted in an increased presence of regional and national wireless operators within our service areas. More recently, some national wireless operators have begun to build small

networks in certain of the more densely populated or well-traveled portions of our service areas. The use of national advertising and promotional programs by national wireless operators run in our markets is a source of additional competitive and pricing pressures even though these operators may not provide service in these markets. We also compete with wireless Internet, paging, dispatch services, resellers and land line telephone service providers in some of our service areas. Increasingly, cellular service is becoming a viable alternative to land line voice services for certain customer segments, putting cellular licensees in direct competition with traditional land line telephone service providers. One or two-way paging services that feature voice messaging and data display, as well as tone only service, may be adequate for potential subscribers who do not need to speak to the caller. Potential users of cellular systems may find their communications needs satisfied by other current and developing technologies.

In the future, we expect to face increased competition from entities providing similar services using other communications technologies. In addition, the auctioning and subsequent deployment of technology utilizing additional spectrum and the disaggregation of spectrum could also generate new competition for us. While some of these technologies and services are currently operational, others are being developed or may be developed in the future. Continuing technological advances in the communications field make it difficult to predict the nature and extent of additional future competition.

Suppliers and Equipment Vendors

We do not manufacture any of the handsets, cell site or switching equipment used in our operations. The high degree of compatibility among different manufacturers' models of handsets, cell site and switching equipment allows us to design, supply and operate our systems without being dependent upon any single source of such equipment. The handsets and cell site equipment used in our operations are available for purchase from multiple sources. We currently offer handsets manufactured by Audiovox, Inc., Kyocera Wireless Corp., Motorola, Inc. and Nokia Telecommunications, Inc. and purchase cell site and switching equipment primarily from Lucent Technologies and Nortel Networks, Inc.

Intellectual Property

CellularONE® is a service mark registered with the United States Patent and Trademark Office and owned by us.

We hold a federal trademark registration of the mark Western Wireless® and have registered or applied for various other trade and service marks with the United States Patent and Trademark Office, including the stylized "hello", our tagline, "Proud to be the next best way to say hello," the "Hello2Fun," "Hello2Pix," "Hello2Web," "Hello2Txt" service marks and the "OpenDoor" service mark for wireless data.

Regulatory Environment

The FCC regulates the licensing, construction, operation, acquisition, sale and resale of cellular systems in the United States, pursuant to the Communications Act of 1934, as amended (the "Communications Act"), and the rules, regulations and policies promulgated by the FCC thereunder. FCC regulations distinguish, in part, between "cellular" licenses which are for the 800 MHz band, and PCS licenses, which are for the 1900 MHz band. The Communications Act preempts state and local regulation of the entry of, or the rates charged by, any provider of commercial mobile radio service ("CMRS"), such as a cellular service provider. State governments, however, can regulate certain other terms and conditions of cellular service offerings and some states have imposed or are considering the imposition of consumer protection regulations on the wireless industry.

Licensing of Wireless Communications Systems

A cellular communications system operates under a license granted by the FCC for a particular market or geographic area on one of two 25 MHz band blocks allocated for cellular radio service. Cellular authorizations are issued for a 10-year license term beginning on the date of the initial notification to the FCC of the completion of construction by a cellular carrier.

At the end of the 10-year initial term for cellular licenses, licensees must file applications for renewal of licenses. The FCC has adopted specific standards governing cellular license renewals. Under these standards, a cellular license will generally be renewed for additional 10-year terms if a cellular licensee has provided substantial service during its past license term and has substantially complied with applicable FCC rules and policies and the Communications Act.

The Communications Act and FCC rules require the FCC's prior approval of any assignments of cellular licenses, including construction permits, or transfers of control of cellular licensees. Non-controlling interests in an entity that holds a cellular license generally may be bought or sold without prior FCC approval. If the transaction is over a certain size, any acquisition or sale of cellular interests may also require the prior approval of the Federal Trade Commission and the Department of Justice as well as approval from any state or local regulatory authorities having competent jurisdiction.

As of January 1, 2003, there was no longer a limit on the amount of CMRS spectrum (i.e. cellular, PCS, and SMR) that a carrier can hold in a market. However, there remains a cellular cross-interest rule that prohibits a carrier from owning an attributable interest in both cellular licenses in a single RSA market. Although the FCC retained the cellular cross-interest rule in RSAs, it will consider waivers of the rule for RSAs that exhibit market conditions under which cellular cross-interest may be permissible without significant likelihood of substantial competitive harm. Notwithstanding the removal of the spectrum cap and partial removal of the cross-interest restriction, the FCC has indicated that it will engage in a case by case review of any anticompetitive effects of CMRS spectrum acquisitions, although it is not clear what criteria the FCC will use in such review.

Regulatory Developments

E911 Service — The FCC has adopted rules governing the provision of emergency 911 services by cellular, PCS and other mobile service providers, including enhanced 911 ("E911") services that provide the caller's telephone number, location, and other useful information. Cellular and PCS providers must be able to process and transmit 911 calls (without call validation), including those from callers with speech or hearing disabilities.

Under Phase I of the FCC's E911 rules, if a Public Service Answering Point ("PSAP") requests and is capable of processing the caller's telephone number and location information, then cellular, PCS, and other mobile service providers must relay a caller's automatic number identification and the location of the cell site or base station receiving a 911 call. Wireless carriers must transmit all 911 calls without regard to validation procedures intended to identify and intercept calls from non-subscribers. The FCC's rules require that analog cellular phones include a separate capability for processing 911 calls that permit these calls to be handled, where necessary, by either cellular carrier in the area. This rule applies only to new analog cellular handsets and not to existing handsets or to PCS or SMR services. The Company has implemented Phase I E911 service in several counties and is in the process of deploying Phase I E911 service in accordance with the applicable FCC rules in areas where it has received a request for service.

Under Phase II of the FCC's E911 rules, CMRS carriers are allowed to choose a handset-based or network-based approach for identifying the location of an E911 caller. In areas where we have received valid requests for Phase II service, we are implementing a handset-based approach which requires that the PSAP be able to identify the location of a 911 caller within 50 meters for 67% of all calls and within 150 meters for 95% of all calls. By order of the FCC, we were required to (i) begin selling and activating handsets with automatic location identification capability by March 1, 2003; (ii) by May 31, 2003, 25% of new handset activations must be Phase II compliant; (iii) by November 30, 2003, 50% of new handset activations must be Phase II compliant; and (iv) by May 31, 2004, 100% of new digital handset activations must be Phase II compliant. In addition, by December 31, 2005, 95% of all subscriber handsets must be Phase II compliant. Under the FCC rules, carriers must begin providing Phase II service within six months of the latter of receiving a valid request for service from a PSAP or March 1, 2003. The Company has implemented Phase II E911 service in the few counties that have requested this E911 service and is in the process of deploying Phase II service in accordance with the applicable FCC rules in other counties.

Universal Service — In its implementation of the Communications Act, the FCC established new federal universal service rules under which wireless service providers are eligible, for the first time, to receive universal service support, and are also required to contribute to both federal and state USFs. The FCC established universal service contribution factor is assessed against a carrier's interstate and international telecommunications revenues. This contribution factor is subject to quarterly review and possible revision. In an effort to maintain sufficient funding, the FCC adopted interim rules for determining the amount of interstate and international telecommunication revenues subject to the federal universal service contribution factor for wireless carriers. Under these new rules, wireless carriers can either use a proxy percentage provided by the FCC to determine the amount of the carrier's total subscriber revenue subject to the universal service contribution factor or calculate the amount of actual subscriber revenue which is interstate or international.

Under the FCC rules, a wireless service provider may receive universal service support for providing telephone service in rural high-cost areas, provided that the wireless service provider has been designated as an ETC by a state commission or the FCC. Some states have conditioned ETC status on the service provider meeting certain consumer protection and service quality requirements. Many states have also established state USF programs that require all telecommunications carriers, including CMRS carriers, to contribute to the fund. Under some of these state USFs, CMRS carriers are also eligible to receive universal service support. Both federal and state USFs are subject to change based upon pending regulatory proceedings, court challenges and marketplace conditions.

Local Number Portability — The FCC has adopted rules on telephone number portability and number pooling in an effort to achieve more efficient number utilization. These rules apply to both land line and wireless carriers. The FCC established November 24, 2003 as the extended deadline for CMRS carriers to implement service provider number portability in the top 100 MSAs. For markets outside of the top 100 MSAs, the number portability requirement is triggered only upon receipt of a request by another carrier to implement number portability. In such cases, carriers have six months to comply with these requests, but are not required to comply prior to May of 2004. The number portability requirements are subject to change based upon regulatory proceedings and court challenges.

Number Pooling — Wireless carriers are also subject to requirements governing number pooling, which provides for more efficient assignment and use of available numbers. The FCC has imposed what is referred to as "thousand block pooling," meaning carriers may only request and will only be assigned numbers in blocks of one thousand numbers rather than the previous blocks of ten thousand numbers. The number pooling requirements apply only to carriers operating within the top 100 MSAs, as described above.

Employees and Labor Relations

We consider our labor relations to be good and none of our employees are covered by a collective bargaining agreement. As of December 31, 2003, we employed domestically a total of 2,357 people in the following areas:

Category	Number of Employees
Sales and marketing	908
Engineering	258
General and administrative, including customer service	1,191

The Business of WWI

Overview

WWI, through its consolidated subsidiaries and other operating companies, is a provider of mobile communications services in Slovenia, Austria, Ireland, Bolivia, Ghana, Haiti and Georgia. At December 31, 2003, the Company owned approximately 98% of WWI. The balance is owned by the President of WWI who is also an Executive Vice President of the Company.

The primary business of WWI is the delivery of mobile telecommunications services in markets outside of the United States. In certain markets, WWI's operating companies also provide other telecommunications services, including fixed-line services, wireless local loop and international long distance. WWI's largest non-mobile business is its fixed-line operations in Austria.

In 2003, 83% of WWI's consolidated service revenues were generated by its European subsidiaries in Ireland and Austria. Substantially all of these service revenues were from mobile telecommunications and were denominated in euros.

In June of 2003, WWI sold its minority interest in its Croatian joint venture, VIP-Net GSM d.o.o. ("VIP-Net"). In the third quarter of 2003, operations were suspended in our minority owned operating company in Côte d'Ivoire and we believe it is unlikely that we will be able to resume operations there.

International Business and Strategy

WWI's strategy is to build a portfolio of wireless operations in which WWI has significant management responsibility, to support the growth and profitability of those operations and to opportunistically exit them as individual businesses mature and appropriate valuations can be realized. We believe the key elements in executing this strategy are:

- Low acquisition costs
- Potential for rapid growth
- An ability to partially fund operations by securing debt financing

WWI provides management expertise to all of its operating companies, particularly in the early stages of development, and it exercises significant control over management decisions in all of its consolidated markets.

Most of WWI's investment has been in European countries with highly developed telecommunications infrastructure and substantial wireless competition. WWI has sought investment opportunities in these types of markets where the entry costs are sufficiently low and the growth potential is sufficient to present an attractive investment opportunity. These markets generally have wireless penetration rates above 80% and include Austria and Ireland.

WWI also invests in and operates in markets characterized by a substantial unmet demand for communications services offering the potential for rapid subscriber growth. These markets include Bolivia, Haiti, Ghana and Georgia. These markets are often characterized by inadequate local land line telephone service which is unavailable to the majority of the population. WWI believes that wireless technology is a more economic medium to deliver telecommunications services in these markets. By introducing competition and providing customers with a high-quality alternative, WWI has succeeded in expanding the size and service offerings of the telecommunications sector in these markets. These markets tend to have less competition in the wireless sector and generally have wireless penetration rates below 20%.

Markets and Operations

Each of WWI's operating companies operate cellular communications systems over radio frequencies licensed by the telecommunications regulatory body of its respective country.

Each of WWI's operating companies that provide wireless mobile services utilize GSM technology operating at the 900 MHz band, 1800 MHz band or 1900 MHz band, with the exception of WWI's operating company in Haiti, which utilizes TDMA technology at the 800 MHz band. GSM is the most widely used wireless technology in the world, serving over 1 billion customers. GSM offers an open system architecture, is supported by a variety of vendors and allows operators to achieve cost economies in infrastructure and mobile terminal equipment. GSM also provides the benefit of a single phone number and transparent services on a global roaming basis. Further, GSM has high capacity, high voice quality and utilizes industry-leading encryption and authentication technology that provides customers with a high level of subscription and conversation privacy. GSM supports high-speed packet-based data transmission via General Packet Radio

Service ("GPRS"), which allows GSM operators to provide customers with enhanced Internet and mobile data services.

The following table sets forth the countries in which WWI is licensed to provide communications services, the populations of each country and the beneficial ownership of WWI in the operating entity providing such services. Population data is as of July 2003 as reported by the Central Intelligence Agency World Fact book. Beneficial ownership data is as of December 31, 2003.

Markets	Population	Beneficial Ownership Percentage
Slovenia(1)	1,936,000	100.0%
Austria(1)	8,188,000	99.5%
Ireland(1)	3,924,000	81.0%
Bolivia(1)	8,586,000	71.5%
Ghana(1)	20,468,000	56.7%
Haiti(1)	7,528,000	51.0%
Côte d'Ivoire	16,962,000	40.0%
Georgia	4,934,000	14.5%
Total	72,526,000	

(1) Consolidated operating company

Slovenia — WWI's operating company in Slovenia, Western Wireless International d.o.o. ("WWI d.o.o."), provides GSM mobile communications services in the 1800 MHz band. WWI d.o.o. launched commercial services in December 2001 under the brand name Vega.

Austria — WWI's operating company in Austria, tele.ring Telekom Services GmbH ("tele.ring"), provides GSM/GPRS mobile communications, fixed-line and Internet services. tele.ring launched commercial GSM/GPRS mobile services in the 1800 MHz band in May 2000. In addition, an affiliate of tele.ring owns a third generation license. tele.ring began the build-out of a third generation network in 2003 and currently covers over 25% of the Austrian population. Additionally, Austria operates a 5,300-km fiber-optic network that provides fixed-line communications services to customers as well as backhaul transmission for its mobile network. We acquired tele.ring at the end of June 2001. In January of 2004, WWI acquired an additional 0.25% interest in tele.ring bringing its ownership percentage to 99.75%.

Ireland — WWI's operating company in Ireland, Meteor Mobile Communications Limited ("Meteor"), provides GSM/GPRS mobile communications services in the 900 MHz band and 1800 MHz band. Meteor's dual-band network launched commercial services in February 2001. In February 2004, WWI acquired an additional 17.87% ownership in Meteor from two of its partners, Quantum Partners and SFM Domestic Investments, for approximately $30 million. WWI now owns approximately 99% of Meteor.

Bolivia — WWI's operating company in Bolivia, NuevaTel S.A. ("NuevaTel"), provides GSM mobile communications services in the 1900 MHz band. NuevaTel launched commercial services in November 2000 under the brand name Viva. In 2002, Viva also began operating a long distance business.

Ghana — WWI's operating company in Ghana, Western Telesystems (Ghana), Ltd. ("Westel"), is licensed to provide fixed and wireless telecommunications services, including basic phone service, cellular, paging, international long distance, pay phones, data communications, private networks and satellite communications. Westel has operated a wireless local loop network and international gateway since February 1998.

Haiti — WWI's operating company in Haiti, Communication Cellulaire d'Haiti S.A. ("COMCEL"), provides TDMA mobile communications services in the 800 MHz band. Additionally, COMCEL carries international long distance traffic to and from its customers in Haiti. COMCEL launched commercial mobile services in September 1999. In February 2004, rebels in opposition to President Jean-Bertrand Aristide gained

control of several of Haiti's key cities ultimately resulting in Aristide's resignation. In March 2004, a multinational peacekeeping force, including U.S. Marines, arrived in Haiti to secure key areas and restore order in the country until a new presidential election can be held and a civilian force established. COMCEL's network has remained operational during this period of civil unrest with the exception of temporary interruption in communication services to some parts of the country. COMCEL's retail locations remain intermittently closed during this period of unrest.

Côte d'Ivoire — WWI's operating company in Côte d'Ivoire, Cora de Comstar S.A. ("Cora"), historically provided GSM mobile communications services in the 900 MHz band. In October 2003, Cora suspended operations after its assets were expropriated by armed persons supported by local police. We are uncertain as to when, or if, operations will be resumed there. We have fully written off our investment in Cora. Together with our partner, Modern Africa Growth & Investment Company, L.L.C., we have filed an expropriation claim against the government of Côte d'Ivoire for approximately $55 million. We are uncertain of the timing or likelihood of any recovery.

Georgia — WWI's operating company in the Republic of Georgia, MagtiCom GSM, Ltd. ("MagtiCom"), provides GSM mobile communications services in the 900 MHz band. MagtiCom launched commercial services in September 1997.

Products and Services

Basic Services — WWI's operating companies provide a variety of wireless products and services designed to match a range of needs for business and personal use. Calling features that WWI's operating companies provide include short message services ("SMS"), voicemail, message alert, caller ID, call waiting, call hold and conference calling. WWI's operating companies offer services to WWI's customers through both "postpaid" and "prepaid" payment plans. Postpaid contracts consist of a fixed monthly charge (with varying allotments of included minutes) plus variable charges for additional use. Prepaid plans require advance payment for minutes in specific currency denominations. Once the available minutes are consumed, the customer must "replenish" or prepay for additional minutes in order to continue using the service. At the end of 2003, 56% of WWI's customers were on prepaid plans and 44% were on postpaid plans.

Roaming — Customers of WWI's European operations are able to roam throughout Europe and worldwide, either on other GSM based networks utilizing the same spectrum band or through the use of multi-band handsets that can be used on GSM systems utilizing a different spectrum band. Additionally, WWI's European operations generate revenues by allowing customers of other GSM operators to roam on their networks.

Data Services — WWI's operating companies offer a variety of data services that enable users to access information, send and receive e-mail and other digital content, play games, and download ringtones to their handsets. In Austria and Ireland, WWI operates GSM/GPRS-enabled networks that provide high capacity, "always-on" Internet connectivity, and Multimedia Messaging Services that deliver personalized multimedia content including images, audio and text. In Slovenia and Bolivia, WWI offers an array of data services that are delivered over a SMS-based platform. These data services enable users to access information (for example: news, sports, weather, stocks and film times) and receive customized information alerts.

Fixed-Line Services — WWI's Austrian operating company offers fixed communication services consisting of call by call or preselect for residential customers and directly connected and leased line services to business customers.

Marketing, Sales and Customer Service

WWI's sales and marketing strategy is to seek to generate rapid net subscriber growth and increased subscriber revenues in each of its markets.

Marketing — Each of WWI's operating companies markets its products and services under its own brand name and develops its own marketing strategy to address the local market conditions. The focus of each

operating company's marketing efforts is dependent upon a number of factors, including overall market penetration, number of competitors and network coverage.

Sales — WWI's operating companies sell their products and services through a distribution network including company-owned stores, exclusive and non-exclusive dealers, national and local retailers, and direct sales forces targeting corporate accounts. Each operating company uses a combination of direct and indirect sales channels, the mix of which is dependent on the local conditions of the market. The retail channel (including retail stores, mini-stores and kiosks) uses personnel that are trained to educate new customers on products and services and to provide basic customer service. WWI believes this channel provides the physical presence in local markets necessary to position each operating company as a quality local service provider, while providing greater control over both costs and the sales process. The indirect channel consists of extensive dealer networks of national and local merchants, specialty retailers and alternative direct-marketing firms. WWI's operating companies also act as retailers of handsets and maintain inventories of handsets.

Customer Service — WWI considers customer service a key element of its operating philosophy and is committed to attracting and retaining subscribers by seeking to provide consistently superior customer care. Each of WWI's operating companies operates a full-service call center, where customer inquiries are addressed by well-trained customer service personnel and technical staff using sophisticated monitoring and control systems.

Competition

In each of the markets where WWI's operating companies operate, they compete with other communications services providers including land line telephone companies and other wireless communications companies. In each European market, WWI competes with two or three other GSM operators. Most of these competitors are well-established companies or subsidiaries of well-established companies. For example, in Austria our competitors include Telekom Austria AG and T-Mobile Austria GmbH. In many cases, such companies have substantially greater financial and marketing resources, larger subscriber bases, better name recognition and in some cases, larger coverage areas than those of WWI's operating companies.

In the future, we expect to face new competition from entities licensed to provide similar services using other communications technologies, including so-called "third generation" technology. In each of WWI's European markets, existing wireless operators and, in some cases, a new entrant, have deployed third generation infrastructure and services. We do not believe third generation services have created a significant competitive threat to our operations to date and we are unsure of when they will become a competitive threat.

Suppliers and Equipment Vendors

WWI's operating companies do not manufacture any of the handsets, cell site or switching equipment used in their operations. The high degree of compatibility among different manufacturers' models of handsets, cell site and switching equipment allows WWI's operating companies to design, supply and operate their systems without being dependent upon any single source of such equipment. The handsets and cell site equipment used in our operations are available for purchase from multiple sources. The largest handset manufacturers of WWI's European operations are Nokia Corporation and Siemens AG. WWI purchases cell site and switching equipment primarily from Alcatel, Siemens AG and Nortel Networks, Inc.

Governmental Regulation

The licensing, construction, operation and ownership of communications systems, and the granting and renewal of applicable licenses and radio frequency allocations, are regulated by governmental entities in each of the countries in which WWI's operating companies conduct business. The licenses which allow WWI's operating companies to provide wireless licenses were initially granted for terms of 15 or 20 years and in some cases there are not explicit provisions in the licenses which allow for renewal.

Under the terms of the Ghana license, Westel was required to meet certain customer levels and build-out requirements by February 2002. Westel was unable to meet the required customer levels and build-out

requirements due to the inability of the regulator to provide spectrum and enforce interconnection with the incumbent telephone company and all development has been suspended. The National Communication Authority of Ghana ("NCA") has assessed a penalty claim of approximately $71 million for not meeting these build-out requirements. Westel has contested this fine on the basis that the government and the NCA failed to deliver the key commitments of spectrum and interconnection and does not believe the enforcement of these penalties is probable, but there can be no assurance to that effect.

Employees and Labor Relations

WWI considers its labor relations to be good. As of December 31, 2003, WWI's consolidated operating companies employed a total of 1,408 people in the following areas:

Category	Number of Employees
Sales and marketing	318
Engineering	329
General and administrative, including customer service	761

RISK FACTORS

A significant portion of our revenues are derived from roaming and our failure to maintain favorable roaming arrangements could materially adversely affect our future operating results

Roaming revenues accounted for approximately 18%, 22% and 24% of our total revenues for the years ended December 31, 2003, 2002 and 2001, respectively. We have roaming agreements with most of the wireless carriers in North America, including AT&T Wireless, Cingular, TMO, Verizon and Sprint. Our largest roaming partner is AT&T Wireless who accounted for approximately 12% of our domestic revenues in 2003. Our TDMA roaming agreement with AT&T Wireless expires in June 2006 and, although they may choose to continue to use our network, they will no longer be contractually required to prefer our network as of July 2004. When our roaming agreements expire or are terminated, we may be unable to renegotiate these roaming agreements or to obtain roaming agreements with other wireless providers upon acceptable terms. Further, some competitors may be able to obtain roaming rates and terms that are more favorable than those obtained by us. AT&T Wireless and Cingular have announced their intention to transition their customer bases to a GSM platform. In May 2003, we announced the signing of additional long-term roaming agreements with TMO, which expires December 2013, and Cingular, which expires March 2008, to provide GSM services to their customers using our network. Further, in July 2003, we announced the signing of an additional GSM long-term roaming agreement with AT&T Wireless, which expires December 2006. In February 2004, our two largest roaming partners AT&T Wireless and Cingular announced a merger. We are unsure of the impact this will have on us, if any. We began offering GSM roaming services in the third quarter of 2003. If we are not able to maintain and expand our roaming footprint or complete our GSM buildout or maintain favorable roaming arrangements with other wireless carriers, our coverage area or pricing we offer relative to our competitors may not be as attractive. These factors would have a material adverse effect on our future business, operations and financial condition. Although GSM roaming revenue was insignificant in 2003, the inability to provide GSM service to the customers of national carriers who have deployed the GSM platform as they add new GSM customers would have a material adverse affect on our future business, operations and financial condition.

While our roaming agreements generally require other carriers' customers to use our network when roaming, our roaming agreements generally do not prevent our roaming partners from acquiring licenses to provide competing services in our markets. Further, our roaming partners could negotiate a roaming agreement in all or portions of our markets with another wireless carrier. If any of our roaming partners were to acquire the required licenses and build networks in our markets or enter into roaming agreements with other wireless carriers that provide competing services in our markets and permit our roaming partners to roam on that other carrier's network, we could lose a substantial portion of our roaming revenues in those markets,

which could have a material adverse effect on our business, operations and financial condition. Our roamer revenue is also highly dependent upon pricing decisions made by our roaming partners. If our roaming partners include our territory in their customers' home calling area, such as with national pricing plans, we will see more usage and revenue than if they charged roaming to their customers by the minute.

Our USF revenues are subject to changes in FCC regulations and may not continue if regulations change

The Company is an ETC in 14 states plus the Pine Ridge Indian reservation and is eligible to receive universal service support in 11 of these states plus the Pine Ridge Indian reservation. In 2004, the Company will seek to broaden its ETC status and eligibility to receive universal service support. There is no guarantee that the Company will be able to obtain ETC status in additional areas and increase its eligibility for universal service support. Furthermore, the FCC is currently considering whether to change the rules governing the eligibility of cellular carriers to receive USF payments. Although the FCC is not expected to make any final decisions on changes in the rules until 2005 or later, there is a risk that the FCC and state commissions may impose additional regulatory obligations on ETCs that limit the scope of USF eligibility or that the Company may find unacceptable. At this time, it is not clear what impact changes in the rules, if any, will have on the Company's continued eligibility to receive universal service support. Loss of USF revenues could adversely effect our future financial performance.

We have a significant amount of debt, which may limit our ability to raise additional capital to meet our future funding and debt service requirements

As of December 31, 2003, our total consolidated long-term indebtedness was approximately $2.2 billion, including a current portion of $47.3 million. This includes long-term and current indebtedness of our international subsidiaries of $280.7 million and $47.2 million, respectively. The credit facilities of our international subsidiaries are used to finance their own operations and consist primarily of $200.8 million outstanding under our Austrian entity's term loan, excluding accrued interest, $69.4 million outstanding under our Slovenian entity's credit facility, and $34.7 million outstanding under our Bolivian entity's bridge loan.

The present level of our debt could limit our ability to obtain future debt or equity financing on terms favorable to us or at all. The availability of additional financing is dependent upon the condition of the capital markets. The extent of additional financing that we may require will depend on, among other things, the success of our operations. Our existing debt also has substantial interest and principal payment obligations, which we will continue to need to meet through our operations or future financings. In the event we are unable to raise additional capital to meet our future funding and debt service requirements, our business, strategy, operations and financial condition could be materially adversely affected.

Certain restrictive covenants in our debt obligations could limit actions that we may take with respect to our business, and our failure to comply with such covenants could cause our debt to become immediately due and payable

Our domestic credit facility and the indentures relating to our senior notes and our convertible subordinated notes contain, and any additional financing agreements may contain, certain restrictive covenants. The restrictions in our domestic credit facility and our senior notes affect, and in some cases significantly limit or prohibit, among other things, our ability to incur indebtedness, sell assets, make investments and acquisitions, pay dividends and engage in mergers and consolidations. The restrictions in our convertible subordinated notes limit, among other things, our ability to engage in mergers and consolidations. Additionally, our domestic credit facility requires us to comply with certain financial covenants. While we are currently in compliance with such covenants, we cannot assure you that we will remain in compliance or will be able to obtain any modifications or waivers that might be required in the future. An event of default under our domestic credit facility, our convertible subordinated notes or our senior notes would allow the lenders or note holders to accelerate the maturity of such indebtedness. In such event, it is likely that all of our indebtedness would become immediately due and payable.

The debt facilities of our international operating companies also contain certain restrictive covenants and financial covenants. Under the Slovenian credit facility, Western Wireless International Corporation has agreed to guarantee the loan and agreed to financial and other covenants, including, among other things, an obligation to fund Vega's cash shortfalls and restrictions which limit the ability of Western Wireless International Corporation and its majority owned subsidiaries to incur indebtedness, grant security interests, dispose of majority owned subsidiaries and enter into guarantees. While we are currently in compliance with such covenants, we cannot assure you that we will remain in compliance or will be able to obtain modifications or waivers that might be required in the future.

NuevaTel, S.A. ("NuevaTel"), a subsidiary of WWI, has a bridge loan facility ("Bolivian Bridge Loan"). WWI has guaranteed its prorata share (71.5%), based upon its ownership interest in NuevaTel, of the Bolivian Bridge Loan. In November 2003, NuevaTel entered into a credit facility agreement ("Bolivian Credit Facility") with the Overseas Private Investment Corporation ("OPIC") to refinance the Bolivian Bridge Loan and provide funding for the implementation and expansion of NuevaTel's network in Bolivia. Although we anticipate a funding of the Bolivian Credit Facility's entire commitment of $50 million in one tranche by March 31, 2004, there can be no assurance that such funding will occur by such date, if at all. The Bolivian Credit Facility contains certain restrictive covenants, including a debt service coverage ratio which does not become effective until the first quarter in which a principal payment is made. Other covenants include, among other things, limitations on NuevaTel's ability to incur additional indebtedness, make certain asset dispositions, make restricted payments and enter into certain mergers, sales or combinations. Under the terms of the Bolivian Credit Facility, WWIC has pledged its shares in NuevaTel to OPIC as security for the Bolivian Credit Facility. As of December 31, 2003, the outstanding amount under the Bolivian Bridge Loan was $34.7 million and the facility was fully drawn. The maturity date of the Bolivian Bridge Loan has been extended until March 31, 2004. Until the Bolivian Credit Facility closes, we intend to seek additional extensions of the Bolivian Bridge Loan maturity date, but there can be no assurances that any necessary extension will be granted.

Our business will require substantial additional capital for continued growth, and our growth may be slowed if we do not have sufficient capital

The continued growth and operation of our business will require additional funding for working capital, debt service, the enhancement and upgrade of our networks, the build-out of infrastructure to expand our coverage and possible acquisitions of spectrum licenses. In addition, we will need to use a substantial portion of our future cash flows from operations to make payments of principal and interest on our debt, thereby reducing funds that could be available for other purposes, such as working capital, the enhancement and upgrade of our network, the build-out of infrastructure to expand our coverage and possible acquisitions of spectrum licenses. Additionally, competitive factors, future declines in the United States or international economy, unforeseen construction delays, cost overruns, regulatory changes, engineering and technological changes and other factors may result in funding requirements in excess of current estimates or an inability to generate sufficient cash flow to meet our debt service obligations. We believe that domestic and international operating cash flow and available international loan facilities will be adequate to fund our capital expenditures and working capital requirements for the foreseeable future. Our domestic and international operating cash flow is dependent upon, among other things:

- the amount of revenue we are able to generate from our customers;
- the amount of operating expenses required to provide our services;
- the cost of acquiring and retaining customers; and
- our ability to grow our customer base.

If we do not achieve planned operating cash flow targets, we may be required to curtail capital spending, reduce expenses, or otherwise modify our planned operations and/or seek additional debt or equity at the domestic or international level and/or restructure or refinance our existing financing arrangements. There can be no assurance that such funds or refinancing will be available to us on acceptable terms, if at all.

The need for capital could also cause us to delay or abandon some of our planned growth and development or to seek to sell assets to raise additional funds, which could have a material adverse effect on our business, strategy, operations and financial condition.

Given that a substantial portion of our assets consist of intangible assets, principally licenses granted by the FCC, the value of which will depend upon a variety of factors (including the success of our business and the wireless communications industry in general), there can be no assurance that our assets could be sold quickly enough, or for sufficient amounts, to enable us to meet our obligations.

We historically have sustained losses from continuing operations and we may not be profitable in the future

We had income from continuing operations before cumulative change in accounting principle of $1.9 million for the year ended December 31, 2003 and had a loss from continuing operations before cumulative change in accounting principle of approximately $215.3 million and $143.6 million for the years ended December 31, 2002 and 2001, respectively. At December 31, 2003, we had an accumulated deficit of $1.1 billion and a net capital deficiency of $246.6 million. We may incur additional losses, which could be significant, during the next several years, and there can be no assurance that we will be able to service our debt requirements and other financial needs.

We face substantial competition in all aspects of our domestic business

We operate in highly competitive markets and there is substantial and increasing competition in all aspects of the wireless communication business. Competition for subscribers among wireless communications providers is based principally upon the services and features offered, the technical quality of the wireless system, customer service, system coverage, capacity and price. Each of our cellular markets faces at least one cellular competitor, such as Verizon, Alltel or Cingular. Additionally, there are PCS and ESMR competitors in most of our metropolitan service areas. Continuing industry consolidation has resulted in an increased presence of regional and national wireless operators within our service areas. Many of these national market competitors provide services comparable to ours and because they operate in a wider geographic area are able to offer no or low cost roaming and toll calls over a wider area. In addition, some national wireless operators have recently begun to build small networks in certain of the more densely populated or well-traveled portions of our service areas. The use of national advertising and promotional programs by national wireless operators run in our markets are also a source of additional competitive and pricing pressures even though these operators may not provide service in these markets. We also compete with wireless Internet, paging, dispatch services, resellers and land line telephone service providers in some of our service areas. Increasingly, cellular service is becoming a viable alternative to land line voice services for certain customer segments, putting cellular licensees in direct competition with traditional land line telephone service providers. One or two-way paging services that feature voice messaging and data display, as well as tone only service, may be adequate for potential subscribers who do not need to speak to the caller. Potential users of cellular systems may find their communications needs satisfied by other current and developing technologies.

If the wireless communications industry continues to consolidate and we do not participate in that consolidation, even stronger competitors may be created. Effective January 1, 2003, the FCC eliminated the spectrum cap and the cellular cross-interest restriction in the larger, urban cellular markets which also may facilitate the creation of larger and more formidable competitors. (See also risk factor entitled "A significant portion of our revenues are derived from roaming and our failure to maintain favorable roaming arrangements could materially adversely affect our future operating results").

Several of our competitors also operate in multiple segments of the industry. In the future, we expect to face increased competition from entities providing similar services using other communications technologies. The auctioning and subsequent deployment of technology in additional spectrum and the disaggregation of spectrum could also generate new competition for us. While some of these technologies and services are currently operational, others are being developed or may be developed in the future. Given the rapid advances in the wireless communications industry, there can be no assurance that new technologies will not evolve that

will compete with our products and services. In addition, a number of our competitors have substantially greater financial, technical, marketing, sales, manufacturing and distribution resources. With so many companies targeting many of the same customers, we may not be able to successfully attract and retain customers and grow our customer base and revenues, and as a result, our profit margins may decrease.

We face intense competition in our European operating companies

In our European operating companies, competition based on price, subscription options offered, network coverage and service quality remains intense. As European markets have become increasingly saturated, the focus of competition has been shifting from customer acquisition to customer retention. Since customer acquisition and retention expenses are substantial, we will incur significant costs to attract new and retain existing customers and significant customer defections would have a material adverse effect on our results of operations.

Failure to develop future business opportunities, such as wireless data services and to improve network coverage, quality and capacity within the markets that we currently serve may limit our ability to compete effectively and grow our business

An important element of our strategy is to bring new telecommunications services, such as wireless data services, to rural America. In general, the development of new services in our industry requires us to anticipate and respond to varied and rapidly changing customer demand. In order to compete successfully against the other participants in the United States wireless industry, we will need to commercialize and introduce new services on a timely basis. The ability to deploy and deliver these services relies, in many instances, on new and unproven technology that will demand substantial capital outlays and spectrum capacity. Our available capital and spectrum may not be sufficient to support these services. We cannot guarantee that devices for such new services or applications for such devices will be commercially available or accepted in the marketplace, and we cannot assure that we will be able to offer these new services profitably. In addition, there could be legal or regulatory restraints on wireless data services as the applicable laws and rules evolve. If these services are not successful or if costs associated with implementation and completion of the introduction of these services materially exceed those currently estimated, our ability to retain and attract customers and our operations and financial condition could be materially adversely affected.

We have essentially completed the network build-out of our domestic markets for which we hold licenses, and are now primarily focused on improving network coverage, quality and capacity within and around the markets we currently serve and completing the expansion of digital CDMA technology throughout our markets. We cannot guarantee that we will be able to do so in a time frame that will permit us to remain competitive at the cost we expect or at all. Failure or delay in improving network coverage, quality and capacity on a timely basis or at all, or increased costs to accomplish such improvement, could have a material adverse effect on our business, strategy, operations and financial condition.

Our FCC licenses are subject to renewal and potential revocation in the event that we violate applicable laws. The loss of any of such licenses could materially and adversely affect our ability to service our customers

Our licenses are subject to renewal upon the expiration of the ten-year period for which they are granted. Although the FCC has routinely renewed wireless licenses in the past, we cannot provide assurance that no challenges will be brought against our licenses in the future. Violations of the Communications Act or the FCC's rules could result in license revocations, forfeitures, fines or non-renewal of licenses. We do not have any cellular licenses that are subject to the renewal process in 2004 and only two cellular licenses subject to renewal in 2005. While we believe that each of our cellular licenses will be renewed, there can be no assurance that all of the licenses will be renewed. If any of our licenses are forfeited, revoked or not renewed, we would not be able to provide service in that area unless we contract to resell the wireless services of another provider or enter into roaming agreements.

Government regulations determine how we operate, which could increase our costs and limit our growth, revenue and strategy plans

The FCC regulates the licensing, construction, operation, acquisition and sale of our domestic business, and we are subject to laws and regulations of other federal, state and local government bodies. Future changes in regulation or legislation could impose significant additional costs on us, either in the form of direct out of pocket costs or additional compliance obligations, or subject us to sanctions, which may have a material adverse effect on our business. Additionally, Congress' and the FCC's continued allocation of additional spectrum for CMRS, which includes cellular and PCS and specialized mobile radio, could significantly increase competition.

The rapid growth and penetration of wireless services has prompted the interest of the FCC, state legislatures and state Public Utility Commissions ("PUC") to oversee certain practices by the wireless industry. These practices are generally in the form of efforts to regulate customer billing, termination of service arrangements, advertising, filing of "informational" tariffs, certification of operation, and other areas. While the Communications Act generally preempts state and local governments from regulating the entry of, or the rates charged by, wireless carriers, a state has authority to regulate "other terms and conditions" of service offerings by CMRS providers. The FCC has determined that the Communications Act does not preempt state damage claims as a matter of law, but whether a specific damage award is prohibited would depend upon the facts of a particular case. This ruling may affect the number of class action suits brought against commercial mobile radio service providers and the amount of damages awarded by courts.

Individual states may also petition the FCC for permission to regulate the rates of commercial mobile radio service providers. The FCC has denied petitions from several states seeking to impose such regulations. Several states have also proposed or enacted consumer protection regulations on CMRS providers. For example, do-not-call legislation is either proposed or has been enacted in all 50 states. In addition, the California PUC has proposed extensive consumer protection and privacy regulations for all telecommunications carriers and is considering adopting a consumer Bill of Rights designed to protect residential and small business customers. We believe that, if adopted, the rules will significantly alter our business practices in California with respect to nearly every aspect of the carrier-customer relationship, including solicitations, marketing, activations, billing and customer care. The California PUC is also contemplating rules to address other service quality issues, including service repair, service outages and toll operator answering time that could apply to commercial mobile radio service providers. Such regulations, if approved, could expose carriers to increased legal responsibility for states' varying standards of service quality and may materially impact our operating costs.

At the local level, wireless facilities typically are subject to zoning and land use regulation, and may be subject to fees for use of public rights of way. Although local and state governments cannot categorically prohibit the construction of wireless facilities in any community, or take actions that have the effect of prohibiting construction, securing state and local government approvals for new tower sites may become a more difficult and lengthy process.

Cellular licensees are subject to certain Federal Aviation Administration ("FAA") regulations regarding the location, marking/lighting and construction of towers. Each tower requiring FAA notification also requires tower registration with the FCC. In addition, our facilities may be subject to regulation by the Environmental Protection Agency and the environmental regulations of the FCC under the National Environmental Policy Act and of certain states and localities.

Implementation of wireless local number portability could negatively impact our business

The FCC established November 24, 2003 as the extended deadline for CMRS carriers to implement service provider number portability in the top 100 MSAs. For markets outside of the top 100 MSAs, the number portability requirement is triggered only upon receipt of a request by another carrier to implement number portability. In such cases, carriers have six months to comply with these requests, but are not required to comply prior to May 24, 2004. Our McAllen, Texas MSA market and seven counties within our RSA markets fall within the top 100 MSAs as defined by the FCC. The remainder of our markets are subject to the

number portability rules in May of 2004. Number portability allows subscribers to keep their wireless phone number when switching to a different wireless service provider. We anticipate number portability will increase competition for existing customers, which may put downward pressure on subscriber growth and increase churn, which is likely to increase our costs. A high rate of churn would adversely affect our results of operations because of loss of revenue and because the cost of adding a new subscriber, which generally includes a commission expense and/or significant handset discounts, is a significant factor in income and profitability for participants in the wireless industry. We may be required to subsidize product upgrades and/or reduce pricing to match competitors' initiatives and retain customers, which could adversely impact our revenue and profitability. If consumer dissatisfaction results, it could adversely impact industry growth.

We have received a small number of requests to implement number portability in the U.S. and believe we will be able to comply with the mandatory deadlines. However, we are currently unable to determine what, if any, impact number portability will have on our future business operations and financial condition.

Number portability is also scheduled to be introduced in our Austrian market in the third quarter of 2004, however, the actual timing is largely out of our control. We anticipate number portability will further increase competition for existing Austrian customers, which may put downward pressure on subscriber growth and increase churn, which is likely to increase our international costs. A high rate of churn in our Austrian business would adversely affect our results of operations because of loss of revenue and because of the cost of adding a new subscriber. As with our domestic operations, we may be required to subsidize product upgrades and/or reduce pricing to match competitors' initiatives and retain customers, which could adversely impact our revenue and profitability.

Concerns about health and safety risks may discourage use of wireless services, result in liability issues and materially adversely affect our business

Media reports have suggested that radio frequency emissions from wireless handsets may be linked to various health concerns, including cancer, and may interfere with various electronic medical devices, including hearing aids and pacemakers. Concerns over radio frequency emissions may have the effect of discouraging the use of wireless handsets, and thus decrease demand for wireless products and services. In recent years, the FCC and foreign regulatory agencies have updated the guidelines and methods they use for evaluating radio frequency emissions from radio equipment, including wireless handsets. In addition, interest groups have requested that the FCC investigate claims that wireless technologies pose health concerns and cause interference with airbags, hearing aids and medical devices.

The Food and Drug Administration has issued guidelines for the use of wireless phones by pacemaker wearers. The FCC's safety limits for human exposure to radio frequency emissions went into effect September 1, 2000. After September 1, 2000 if any facility, operation or device is found to be non-compliant with radio frequency emissions guidelines, and if any required environmental assessment has not been filed, penalties ranging from fines to license forfeiture may be imposed.

Lawsuits have been filed against us, other wireless carriers and other participants in the wireless industry, asserting product liability, breach of warranty, adverse health effects and other claims relating to radio frequency transmissions to and from handsets and wireless data devices. Some of these lawsuits allege other related claims, including negligence, strict liability, conspiracy and the misrepresentation of or failure to disclose these alleged health risks. The complaints seek substantial monetary damages as well as injunctive relief. The defense of these lawsuits may divert our management's attention, we may incur significant expenses in defending these lawsuits and we may be required to pay significant awards or settlements.

Additional studies of health effects of wireless services are ongoing and new studies are anticipated. If such further research establishes any link between the use of handsets and health problems, such as brain cancer, then usage of, and demand for our services may be significantly reduced, and we could be required to pay significant expenses in defending lawsuits and significant awards or settlements, any or all of which could have a material adverse effect on our business, operations and financial condition.

We may also be subject to potential litigation relating to the use of handsets and wireless data devices while driving. Some studies have indicated that using these devices while driving may impair drivers' attention. Legislation has been proposed in the United States Congress and many state and local legislative bodies to restrict or prohibit the use of wireless phones while driving motor vehicles. To date, New York State and some localities in the United States have passed laws restricting the use of handsets while driving, and similar laws have been enacted in other countries. Additionally, some jurisdictions have passed laws restricting the use of handsets by persons such as school bus drivers and novice drivers. These laws or, if passed, other laws prohibiting or restricting the use of wireless handsets while driving, could reduce sales, usage and revenues, any or all of which could have a material adverse effect on our business operations and financial condition.

Finally, we cannot be certain that we or the wireless industry in general may not be subject to litigation should a situation arise in which damage or harm occurs as a result of interference between a CMRS carrier such as us and a public safety licensee, such as a "911" emergency operator, or any failure of any such "911" emergency call while using our network.

Any restructuring, spin-off or divestiture transaction could have a material effect on our business, financial condition, liquidity or results of operations

As part of our overall business strategy, we regularly evaluate opportunities and alternatives, including acquisitions, dispositions, investments, and sources of capital, consummation of any of which could have a material effect on our business, financial condition, liquidity or results of operations. In this regard, we are investigating a spin-off or divestiture of our international operations. Although we are giving serious consideration to a spin-off of our international operations, as early as the fourth quarter of 2004, no decision has been made as to whether to proceed with such a transaction. Any such decision would be subject to numerous conditions, including, among others, approval by our board of directors of the terms and conditions of such a transaction, favorable market and financing conditions, the tax effects of such a transaction and any required governmental and third-party approvals.

If we lose any member of our management team, our business could suffer

We depend on the continued services of our management team. If we fail to retain the services of any member of our senior management, our operating results may be adversely affected.

WWI operates in certain countries with significant political, social and economic uncertainties which could have a material adverse effect on its operations in these countries

WWI accounted for approximately 35%, 26% and 12% of our total revenues for the fiscal years ended 2003, 2002 and 2001, respectively. We operate in countries in a republic of the former Soviet Union, Africa, the Caribbean and South America. These countries face significant political, social and/or economic uncertainties, such as recent governmental leadership changes in Georgia and Bolivia, which could have a material adverse effect on our operations in these areas. These uncertainties include:

- possible internal military conflicts and/or civil unrest fueled by economic and social crises in those countries;
- political instability and bureaucratic infighting between government agencies with unclear and overlapping jurisdictions;
- pervasive regulatory control of the state over the telecommunications industry; and
- the failure by government entities to meet their outstanding foreign debt repayment obligations.

We cannot assure you that the pursuit of economic reforms by the governments of any of these countries will continue or prove to be ultimately effective, especially in the event of a change in leadership, social or political disruption or other circumstances affecting economic, political or social conditions.

In February 2004, rebels in opposition to President Jean-Bertrand Aristide gained control of several of Haiti's key cities ultimately resulting in Aristide's resignation. In March 2004, a multinational peacekeeping force, including U.S. Marines, arrived in Haiti to secure key areas and restore order in the country until a new presidential election can be held and a civilian force established. COMCEL's network has remained operational during this period of civil unrest with the exception of temporary interruption in communication services to some parts of the country. COMCEL's retail locations remain intermittently closed during this period of unrest.

WWI encounters enhanced economic, legal and physical risks by operating abroad

WWI runs a number of risks by investing in foreign countries including:

- loss of revenue, property and equipment from expropriation, nationalization, war, insurrection, terrorism and other political risks;
- involuntary changes to the licenses issued by foreign governments;
- changes in foreign and domestic laws and policies that govern operations of overseas-based companies;
- amendments to, or different interpretations or implementations of, foreign tax laws and regulations that could adversely affect the profitability after tax of our joint ventures and subsidiaries;
- criminal organizations in certain of the countries in which we operate that could threaten and intimidate our businesses; and
- high levels of corruption and non-compliance with the law exist in some of the countries in which we operate businesses.

Our customer growth in Slovenia is negatively impacted by the pricing practices of the state-owned telephone company who is also our competitor

In Slovenia, our largest competitor, the state-owned telephone company which has a market share of approximately 75%, charges its customers an exceptionally high tariff to call the customers of our Slovenian operating company, Vega. As a result, potential customers may find subscribing to Vega's service unattractive since it will be prohibitively expensive for most Slovenians to call them. We believe that these pricing practices are anti-competitive and that they violate regulations of Slovenia and the European Union. If the Slovenian telephone company does not suspend these practices, we may be unable to realize a return on our investment and may be required to impair our investment in our Slovenian operating company. At December 31, 2003, the long-term assets in our Slovenian entity were approximately $100 million.

Certain of the government licenses on which WWI depends could be canceled or revoked, impairing the development of WWI's operations in these countries, and making WWI liable for substantial penalties

The licensing, construction, operation and ownership of communications systems, and the granting and renewal of applicable licenses and radio frequency allocations, are regulated by governmental entities in each of the countries in which WWI's operating companies conduct business. Our failure or inability to renew these licenses, or if they are renewed on terms and conditions that are less favorable to us than the terms and conditions that are currently in place, may have a material adverse effect on our operations. WWI's licenses which allow WWI's operating companies to provide wireless licenses were initially granted for terms of 15 or 20 years and in some cases there are not explicit provisions in the licenses which allow for renewal.

Under the terms of the Ghana license, WWI's operating company was required to meet certain customer levels and build-out requirements by February 2002. This company was unable to meet the required customer levels and build-out requirements due to the inability of the regulator to provide spectrum and enforce interconnection with the incumbent telephone company and all development has been suspended. The NCA has assessed a penalty claim of approximately $71 million for not meeting these build-out requirements. WWI has contested this fine on the basis that the government and the NCA failed to deliver the key commitments

of spectrum and interconnection and does not believe the enforcement of these penalties is probable, but there can be no assurance to that effect.

WWI's operating results will be impacted by foreign currency fluctuations

WWI is exposed to risk from fluctuations in international economic conditions and foreign currency rate fluctuations which could have a material impact on its results of operations and financial condition. Certain of our international subsidiaries have functional currencies other than the United States dollar and their assets and liabilities are translated into United States dollars at exchange rates at the end of a quarterly or annual period. Income and expense items are translated at the average exchange rates prevailing during such period. For net loss periods, a devaluation in the United States dollar would result in an increase in our net loss for such periods.

Item 2. *Properties*

In addition to the direct and attributable interests in cellular licenses, PCS licenses and other similar assets discussed previously, we lease our principal executive offices located in Bellevue, Washington. Our domestic subsidiaries also lease and own locations for inventory storage, microwave, cell site and switching equipment and local sales and administrative offices. We currently lease our domestic customer call center in Issaquah, Washington and own our domestic call center in Manhattan, Kansas. We consider our domestic owned and leased facilities to be suitable and adequate for our business operations.

Our international operations typically lease their headquarters, customer call centers, warehouses and cell sites and switching equipment sites. We consider our international leased facilities to be suitable and adequate for our business operations.

Item 3. *Legal Proceedings*

There are no material, pending legal proceedings to which the Company or any of its subsidiaries is a party or to which any of their property is subject which, if adversely decided, would have a material adverse effect on the Company or any of its subsidiaries or affiliates.

In May 2003, the Federal Communications Commission (the "FCC") released a Notice of Apparent Liability for Forfeiture proposing that we be held liable for a $200,000 fine for allegedly failing to comply with the FCC's environmental rules by not obtaining proper authorization prior to constructing and operating an antenna tower in North Dakota. We are contesting this proposed finding and are currently assessing any other options available to us. We believe the final outcome with the FCC will not have a material impact on our financial position, results of operations or cash flows.

Item 4. *Submission of Matters to a Vote of Security Holders*

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages and positions of our executive officers and key personnel are listed below along with their business experience during the past five years. The business address of all officers of the Company is 3650 131st Avenue SE, Bellevue, Washington 98006. All of these individuals are citizens of the United States. Executive officers of the Company are appointed by the Board of Directors. As Vice President and Controller, Mr. Soley, although not an executive officer, is a key employee and our chief accounting officer. No family relationships exist among any of the executive officers or key personnel of the Company, except for Mr. Stanton and Ms. Gillespie, who are married to each other.

Name	Age	Position
John W. Stanton	48	Chairman, Director and Chief Executive Officer
Donald Guthrie	48	Vice Chairman
Theresa E. Gillespie	51	Vice Chairman and Director
Mikal J. Thomsen	47	President and Director
Eric Hertz	49	Chief Operating Officer
M. Wayne Wisehart	58	Executive Vice President and Chief Financial Officer
Bradley J. Horwitz	48	Executive Vice President and President, Western Wireless International
Gerald J. "Jerry" Baker	57	Senior Vice President
Jeffrey A. Christianson	47	Senior Vice President, General Counsel and Secretary
Thorpe M. "Chip" Kelly, Jr.	41	Senior Vice President
Scott A. Soley	41	Vice President and Controller (Chief Accounting Officer)

John W. Stanton has been Chairman of the Board, a Director and Chief Executive Officer of the Company and its predecessors since 1992. Mr. Stanton has been Chairman and a Director of T-Mobile USA, formerly VoiceStream Wireless Corporation ("VoiceStream"), a former subsidiary of the Company, since 1994, and was Chief Executive Officer of VoiceStream and T-Mobile USA from February 1998 to March 2003. Mr. Stanton served as a director of McCaw Cellular Communications Corporation ("McCaw Cellular") from 1986 to 1994, and as a director of LIN Broadcasting from 1990 to 1994, during which time it was a publicly traded company. From 1983 to 1991, Mr. Stanton served in various capacities with McCaw Cellular, serving as Vice Chairman of the Board of McCaw Cellular from 1988 to September 1991 and as Chief Operating Officer of McCaw Cellular from 1985 to 1988. Mr. Stanton is a member of the board of directors of Advanced Digital Information Corporation, and Columbia Sportswear, Inc., and a trustee of Whitman College, a private college.

Donald Guthrie has been Vice Chairman of the Company since November 1995. Mr. Guthrie also served as Chief Financial Officer of the Company from February 1997 to May 1999. Mr. Guthrie served as Vice Chairman of T-Mobile USA, a former subsidiary of the Company, from 1995 through 2002. From 1986 to 1995, he served as Senior Vice President and Treasurer of McCaw Cellular and, from 1990 to 1995, he served as Senior Vice President — Finance of LIN Broadcasting.

Theresa E. Gillespie has been Vice Chairman of the Company since February 2003 and has been Director of the Company since October 2000. Prior to being elected Vice Chairman, Ms. Gillespie served as Executive Vice President of the Company from May 1999 until February 2003, Senior Vice President of the Company from May 1997 until May 1999, and Chief Financial Officer of the Company and one of its predecessors from 1991 to 1997. Ms. Gillespie was Chief Financial Officer of certain entities controlled by Mr. Stanton and Ms. Gillespie since 1988. From 1986 to 1987, Ms. Gillespie was Senior Vice President and Controller of McCaw Cellular. From 1976 to 1986 she was employed by a national public accounting firm.

Mikal J. Thomsen has been President of the Company since May 1999 and was Chief Operating Officer of the Company and one of its predecessors from 1991 to May 2002. In his capacity as Chief Operating Officer, Mr. Thomsen was responsible for all domestic cellular operations. He has served as Director since October 2000. He was also a director of its predecessor from 1991 until the Company was formed in 1994. From 1983 to 1991, Mr. Thomsen held various positions at McCaw Cellular, serving as General Manager of its International Division from 1990 to 1991 and as General Manager of its West Florida Region from 1987 to 1990. Mr. Thomsen is also a director of the Cellular Telecommunications & Internet Association and the Basketball Club of Seattle, L.L.C. He also serves as Vice Chairman of the Washington State University Foundation Board of Trustees.

Eric Hertz has been Chief Operating Officer for the Company since May 2002. Before joining the Company, Mr. Hertz served as Regional President for the Wireless Digital Broadband division of AT&T Wireless from May 2001 through April 2002. From 1991 through December 2000, Mr. Hertz held various domestic and international positions with BellSouth Corporation, serving as General Manager — Wisconsin and Northern Illinois for BellSouth Cellular from 1991 through 1995; Regional Vice President — Wisconsin and Northern Illinois from 1995 through 1997; President and General Manager — Ecuador for BellSouth International from July 1997 through August 2000; and Regional COO — Central America and Panama from August 2000 through December 2000. From 1989 to 1991, Mr. Hertz was a Regional Manager for McCaw Cellular Communications. Mr. Hertz has worked in the telecommunications industry for 25 years in local and long distance, as well as fixed and mobile wireless.

M. Wayne Wisehart has been Executive Vice President and Chief Financial Officer for the Company since January 2003. Before joining the Company, Mr. Wisehart served as Chief Financial Officer for iNNERHOST, Inc., a Web hosting services company, from October 2000 through February 2002, and President and CEO for Teledirect International, Inc., a marketing automation software company, from February 1999 through October 2000. From April 1998 through August 1998, Mr. Wisehart served as President and CEO of Price Communications Wireless, Inc. From June 1982 through April 1998, Mr. Wisehart served as Chief Financial Officer for Palmer Communications, Inc. and its subsidiary, Palmer Wireless, Inc., and subsequently for Price Communications Wireless, Inc. after it acquired Palmer Wireless, Inc. in 1997.

Bradley J. Horwitz has been Executive Vice President of the Company since March 2000, and President of Western Wireless International Holding Corporation ("WWI"), a subsidiary of the Company, since 1995. Mr. Horwitz was Vice President — International of the Company from 1995 to March 2000, and held various positions at McCaw Cellular, serving as Vice President — International Operations from 1992 to 1995, Director — Business Development from 1990 to 1992 and Director of Paging Operations from 1986 to 1990.

Gerald J. "Jerry" Baker has been Senior Vice President of Engineering and Technical Operations for the Company since January 2001, after spending almost four years as Vice President of Engineering and Technology for WWI. Prior to joining WWI in 1997, Mr. Baker was Chief Technical Officer for GTE Mobilnet's California operations for three years. Between 1988 and 1994, he spent six years in various senior technical management positions with U.S. West Cellular. Mr. Baker held senior technical management positions at McCaw Cellular between 1984 and 1988.

Jeffrey A. Christianson has been Senior Vice President and General Counsel of the Company since February 2000 and Corporate Secretary since July 2000. From 1996 to January 2000, Mr. Christianson served as Senior Vice President, Business Development, General Counsel and Corporate Secretary of Wizards of the Coast, Inc., a game and software company. From 1993 to 1996, Mr. Christianson served as General Counsel and Corporate Secretary of Heart Technology, Inc., a medical device company. Mr. Christianson is a member of the board of directors of the Northwest Children's Fund, a Seattle-based non-profit community foundation, and the Bellevue Community College Foundation.

Thorpe M. "Chip" Kelly, Jr. has been Senior Vice President for the Company since September 2000. Prior to being elected Senior Vice President, Mr. Kelly served as Vice President of Sales from April 1999 and Executive Director of Sales from 1998. Mr. Kelly has worked with the Company and its predecessors since 1989 in a variety of field and corporate sales management positions.

Scott A. Soley has been Vice President and Controller of the Company since July 2001, and has been a key employee as the chief accounting officer since August 1999. From 1995 to 1999, Mr. Soley held various accounting positions with the Company. Prior to 1995, Mr. Soley held various accounting positions with Egghead Software, Inc. and gained two years of experience at a local public accounting firm in the Seattle area.

PART II

Item 5. *Market for Registrant's Common Equity and Related Stockholder Matters*

We commenced our initial public offering on May 22, 1996, at a price to the public of $23.50 per share. Since that date, our Class A Common Stock has been traded on the NASDAQ Stock Market under the symbol WWCA. There currently is no established public trading market for our Class B Common Stock; however, such shares generally convert automatically into shares of Class A Common Stock on a share-for-share basis immediately upon any transfer of the Class B Common Stock. The following table sets forth the quarterly high and low bid quotations for the Class A Common Stock on the NASDAQ Stock Market. These quotations reflect the inter-dealer prices, without retail mark-up, markdown or commission and may not necessarily represent actual transactions.

	High	Low
2002		
First quarter	$28.84	$ 6.92
Second quarter	$10.84	$ 2.42
Third quarter	$ 4.50	$ 1.23
Fourth quarter	$ 7.42	$ 2.14
2003		
First quarter	$ 7.91	$ 5.00
Second quarter	$12.50	$ 4.55
Third quarter	$21.08	$11.13
Fourth quarter	$21.20	$16.69

We have never declared or paid dividends on our Common Stock and we do not anticipate paying dividends in the foreseeable future. In addition, certain provisions of our domestic credit facility and the indenture for our senior notes (as described in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations — Consolidated Liquidity and Capital Resources") contain restrictions on our ability to declare and pay dividends on our Common Stock.

As of March 5, 2004 there were approximately 186 and 44 shareholders of record of our Class A and Class B Common Stock, respectively.

There were no sales of unregistered securities made by the Company in 2003, except as reported in our quarterly filings on Form 10-Q and Form 10-Q/A.

Item 6. *Selected Financial Data*

The following table sets forth certain selected financial and operating data for us as of and for each of the five years in the period ended December 31, 2003. The selected financial data was derived from our audited consolidated financial statements and notes thereto. The "other data" is unaudited. All of the data should be read in conjunction with Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes thereto.

Consolidated Financial Data(1)

	Year Ended December 31,				
	2003	2002	2001	2000	1999
	(Dollars in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Revenues	$ 1,501,324	$ 1,186,610	$ 1,037,959	$ 834,954	$ 626,777
Operating expenses	(1,347,458)	(1,135,409)	(1,020,017)	(666,076)	(565,848)
Other expense	(121,679)	(151,659)	(180,473)	(105,530)	(110,660)
Minority interests in net loss of consolidated subsidiaries	4,717	8,408	18,967	2,058	1,610
Income (loss) from continuing operations before provision for income taxes and cumulative change in accounting principle	36,904	(92,050)	(143,564)	65,406	(48,121)
Provision for income taxes	(35,011)	(123,270)			
Total discontinued operations		29,639	(5,933)		(100,652)
Cumulative change in accounting principle	(2,231)		(5,580)		
Net income (loss)	$ (338)	$ (185,681)	$ (155,077)	$ 65,406	$ (148,773)
Basic income (loss) per share:					
Continuing operations before cumulative change in accounting principle	$ 0.02	$ (2.73)	$ (1.82)	$ 0.84	$ (0.63)
Discontinued operations		0.38	(0.08)		(1.31)
Cumulative change in accounting principle	(0.02)		(0.07)		
Basic income (loss) per share	$ 0.00	$ (2.35)	$ (1.97)	$ 0.84	$ (1.94)
Diluted income (loss) per share:					
Continuing operations before cumulative change in accounting principle	$ 0.02	$ (2.73)	$ (1.82)	$ 0.81	$ (0.63)
Discontinued operations		0.38	(0.08)		(1.31)
Cumulative change in accounting principle	(0.02)		(0.07)		
Diluted income (loss) per share	$ 0.00	$ (2.35)	$ (1.97)	$ 0.81	$ (1.94)
Consolidated Balance Sheets Data:					
Total assets	$ 2,521,684	$ 2,398,976	$ 2,370,420	$1,996,469	$1,352,590
Total long-term debt, net of current portion	$ 2,172,893	$ 2,317,070	$ 2,215,557	$1,926,393	$1,450,000
Consolidated Cash Flows Provided By (Used In):					
Operating activities	$ 324,095	$ 145,860	$ 72,930	$ 166,971	$ 95,712
Investing activities	$ (180,619)	$ (304,326)	$ (432,869)	$ (644,251)	$ (467,141)
Financing activities	$ (84,860)	$ 171,726	$ 381,744	$ 457,823	$ 411,972
Other Data:					
Adjusted EBITDA(2)	$ 444,740	$ 308,870	$ 230,175	$ 314,036	$ 242,165
Ending domestic subscribers(3)	1,290,400	1,197,800	1,176,500	1,049,500	834,700
Ending consolidated international subscribers(4)	1,194,200	741,300	491,100	85,500	N.M.

(1) Certain amounts in 2002 and 2001 consolidated financial data have been reclassified to properly reflect the discontinued operations of TAL, our Icelandic subsidiary. Certain amounts in our 1999 consolidated financial data have been reclassified to properly reflect the discontinued operations of T-Mobile USA, formerly VoiceStream.

(2) EBITDA is a non-GAAP financial measure generally defined as net income (loss) before interest, taxes, depreciation and amortization. We use the non-GAAP financial measure "Adjusted EBITDA" which further excludes the following items: (i) accretion; (ii) asset dispositions; (iii) stock-based compensation, net; (iv) equity in net (income) loss of unconsolidated affiliates, net of tax and other, net; (v) (gain) loss on sale of joint venture; (vi) loss on extinguishment of debt; (vii) minority interests in net loss of consolidated subsidiaries; (viii) discontinued operations; and (ix) cumulative change in accounting principle. Each of these items is presented in our Consolidated Statements of Operations and Comprehensive Income (Loss). Refer to "Adjustments to Reconcile Net Income (Loss) to Adjusted EBITDA" in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(3) Domestic subscribers include postpaid and reseller subscribers and exclude prepaid subscribers.

(4) International consolidated subscribers include prepaid and postpaid mobile subscribers and exclude fixed lines.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Unless the context requires otherwise, "Western Wireless," "the Company," "we," "our" and "us" include us and our subsidiaries.

Overview

We provide cellular communications services in 19 western states under the CellularONE® ("CellularONE") and Western Wireless®brand names principally through the ownership and operation of cellular wireless systems. Our domestic operations are primarily in rural areas due to our belief that there are certain strategic advantages to operating in these areas. We provide wireless services in 19 Metropolitan Service Areas ("MSA") and 88 Rural Service Areas ("RSA"). Additionally, we own 10 MHz personal communication services ("PCS") licenses for five Basic Trading Areas ("BTA"). Further, in 2003 we acquired 5 MHz PCS licenses covering portions of 30 BTAs and 11 Major Trading Areas ("MTA"). Subject to completion of certain contractual obligations, we expect to receive an incremental 5 MHz of PCS licenses covering some of these same BTAs and MTAs.

A significant portion of our domestic revenues have historically been derived from roaming. Our network includes the four major technologies currently available in the U.S. These technologies include analog and three digital standards: Time Division Multiple Access ("TDMA"); Code Division Multiple Access ("CDMA"); and Global System for Mobile Communications ("GSM"). All of the digital technologies employed by us allow for enhanced capacity and data services.

We have roaming agreements with the five largest wireless carriers in North America, including AT&T Wireless Services, Inc. ("AT&T Wireless"), Cingular Wireless LLC ("Cingular"), Sprint PCS Corporation ("Sprint"), T-Mobile USA, Inc. ("TMO") and Verizon Wireless Corporation ("Verizon"). These agreements allow their customers to roam on our network and allow our subscribers to utilize those carriers' networks. Similarly, these agreements provide attractive rates to us for our customers who roam in areas outside our wireless network.

We own approximately 98% of Western Wireless International Holding Corporation ("WWI"). WWI, through its consolidated subsidiaries and equity investments, is a provider of wireless communications services in seven countries. WWI owns controlling interests in six of these countries: Slovenia, Austria, Ireland, Bolivia, Haiti and Ghana. We also have an equity interest in Georgia. Further, in 2003, WWI sold its minority interest in its Croatian joint venture, VIP-Net GSM d.o.o. ("VIP-Net"). In 2003, we suspended operations in Côte d'Ivoire and we are uncertain as to when, or if, operations will be resumed there.

We believe it is important to manage our business using certain key factors both domestically and internationally. In addition to Adjusted EBITDA, discussed later (see "Adjustments to Reconcile Net Income (Loss) to Adjusted EBITDA"), the following key factors, among other things, are key indicators monitored by management in assessing the performance of our domestic and international business:

- Gross postpaid and prepaid subscriber additions
- Net subscriber additions
- Churn
- Annualized incremental penetration
- Average minutes of use per subscriber
- Average subscriber revenue per average subscriber
- Roamer revenues
- Cost of service per minute of use
- General and administrative monthly cost per average subscriber

- Cost per gross subscriber addition
- Capital expenditures

Gross postpaid and prepaid subscriber additions represent the amount of new subscribers we are able to add during the year. Growing our subscriber base by adding new subscribers is a fundamental element of our long-term growth strategy. We must maintain a competitive offering of products and services to sustain our subscriber growth.

Net subscriber additions represent the amount of subscribers we were able to add to our service during the year after deducting the number of disconnected or terminated subscribers. By monitoring our growth against our forecast, we believe we are better able to anticipate our future operating performance.

Churn represents the number of subscribers that disconnect or are terminated from our service or where there is a lack of usage.by prepaid customers for a prescribed period of time. We monitor and seek to control churn so that we can grow our business without incurring significant sales and marketing costs needed to replace disconnected subscribers. We must continue to ensure that we offer excellent network quality and customer service so that our churn rates remain low.

Our annualized incremental penetration measures the growth of our subscriber base relative to population. Annualized incremental penetration also provides a means of comparing our growth rate against that of our peers. While acceleration in our growth rates typically results in higher current selling and marketing costs (see discussion below), it should result in higher long-term revenues and profitability.

Average minutes of use ("MOU") per subscriber represents how much our customers utilize our service offerings. We monitor growth in MOUs to ensure that the access and overage charges we are collecting are consistent with that growth. In addition, growth in subscriber usage may indicate a need to invest in additional network capacity.

Average revenue per subscriber ("ARPU") represents the average monthly subscriber revenue generated by a typical subscriber (determined as subscriber revenues divided by average number of subscribers). We monitor trends in ARPU to ensure that our rate plans and promotional offerings are attractive to customers and cost-effective. The majority of our revenues are derived from subscriber revenues. Subscriber revenues include: monthly access charges; charges for airtime used in excess of plan minutes; Universal Service Fund ("USF") support payment revenues; USF collection revenues received from customers; long distance revenues derived from calls placed by our customers; international prepaid revenues; international interconnect revenues; and other charges such as activations, voice mail, call waiting and call forwarding.

Roamer revenues result from providing service to customers of other wireless carriers when those subscribers "roam" into our markets and use our systems to carry their calls. The per minute rate paid by a roamer is established by an agreement between us and the roamer's wireless provider. The amount of roaming revenue we generate is often dependent upon usage patterns, rate plan mix and technology mix of our roaming partners. Usage patterns by our roaming partners can be difficult to predict so trends in roaming revenues are closely monitored by us.

Cost of service per MOU represents the cost of providing service divided by subscriber MOUs. Over time, this metric should typically decrease as we realize economies of scale that are derived from a growing subscriber base and usage. Cost of service consists mainly of the cost of: (i) providing access to local exchange and long distance carrier facilities; (ii) maintaining the wireless network; and (iii) off-network roaming costs.

General and administrative costs include administrative costs associated with maintaining subscribers, including customer service and other centralized support functions. General and administrative expenses also include billing costs, subscriber bad debt, insurance and property taxes. General and administrative monthly costs per average subscriber represent monthly general and administrative costs divided by average subscribers. We monitor for unaccounted growth in this metric. Typically we should be able to realize economies of scale with a growing subscriber base, however, certain regulatory mandates such as wireless number portability and enhanced 911 ("E911") are overhead expenditures for which limited or no cost recovery exists.

Sales and marketing costs include costs associated with acquiring a subscriber, including: direct and indirect sales commissions, salaries, advertising and promotional expenses and all costs of retail locations. Equipment sales consist of wireless handset and accessory sales to customers. We typically sell handsets below cost and regard these losses as a cost of building our subscriber base. Cost of equipment sales consists of the costs related to handset and accessory sales to customers. Cost of equipment sales also includes the cost of handsets associated with customer retention that occurs with the signing of an extended service agreement and the cost of handsets related to migrating customers to digital service on a free or discounted basis. When costs per gross subscriber addition ("CPGA") (determined by dividing the sum of sales and marketing costs and cost of equipment sales, reduced by equipment sales, by the number of subscriber additions) are discussed, the revenue and costs from handset sales are included with sales and marketing costs because such measure is commonly used in the wireless industry. We monitor our CPGA to ensure that we are adding customers profitably and to ensure the fixed and variable components of our sales and marketing strategy are performing as planned.

Capital expenditures represent how much money we have spent on additions to our wireless network and back office infrastructure. We monitor our capital expenditures to ensure that we are able to generate sufficient growth in cash to cover our debt service requirements and make opportunistic investments. We believe cash generating capabilities are important as recurring capital expenditures are required in the wireless industry to sustain its subscriber base and revenue growth.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with United States Generally Accepted Accounting Principles ("GAAP"). The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. On an on-going basis, we evaluate our estimates. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

We must make estimates of the collectability of our subscriber accounts receivable. Management analyzes historical write-offs, changes in our internal credit policies and customer concentrations when evaluating the adequacy of our allowance for doubtful accounts. Differences may result in the amount and timing of expenses for any period if management made different judgments or utilized different estimates or if actual experience differs from estimates. Based on our allowance for doubtful accounts at December 31, 2003, a hypothetical increase or decrease of 10% in the estimate would increase or decrease our consolidated general and administrative expense by approximately $1.8 million or $2.3 million, respectively.

Our domestic licenses meet the definition of indefinite life intangible assets under Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). Under SFAS No. 142, impairment must be assessed at least annually, or when indications of impairment exist, on our domestic licenses. We assess impairment by comparing the carrying value of the assets to the fair value. The fair value of our domestic licenses is estimated using the discounted present value of expected future cash flows. The determination of fair value is a complex consideration that involves significant assumptions and estimates. Assumptions and estimates made by us are based on our best judgments and included among other things: (i) an assessment of market and economic conditions including discount rates; (ii) future operating strategy and performance; (iii) competition and market share; and (iv) the nature and cost of technology utilized. Based on our estimate of the fair value performed in 2003, a 10% increase or decrease in the discount rate used would not have indicated our licenses were impaired or resulted in a change to our consolidated balance sheet or statement of operations and comprehensive income (loss).

Upon adoption of SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143") on January 1, 2003, we estimated the fair value of our asset retirement obligations ("AROs") associated with those costs of removing component equipment that is subject to retirement from cell sites that reside upon leased property. Assumptions and estimates made by us are based on our best judgments and included among other things an estimate of the AROs which will be enforced by the lessor. Absent sufficient history with individual lessors, we are required to assume 100% of our lessors will require us to remove certain equipment and/or return the land on which our cell sites are constructed back to its original condition. If only 90% of lessors were to enforce our remediation obligation our consolidated depreciation, amortization and accretion expense would have decreased by $0.1 million.

Property and equipment are stated at cost net of accumulated depreciation. To determine the appropriate depreciation period, we must estimate the useful lives of the long-lived assets. Depending on the type of asset or the type of technology, lives for: (i) buildings and improvements range from 3 to 40 years; (ii) wireless communications systems range from 3 to 20 years; and (iii) furniture and equipment range from 2 to 7 years. Based on our weighted average useful life at December 31, 2003, a hypothetical 10% increase or decrease in the weighted average useful life would decrease or increase our depreciation, amortization and accretion expense by $24.0 million and $29.3 million, respectively.

We assess the impairment of our long-lived assets whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Factors we consider which could trigger an impairment review include significant underperformance relative to anticipated minimum future operating results and a significant change in the manner of use of the assets or the strategy for our overall business. When we determine that the carrying value of certain long-lived assets may not be recoverable based upon the existence of one or more of the indicators of impairment, we then measure any impairment based on a projected discounted cash flow method using a discount rate determined by us to be commensurate with the risk inherent in our current business model. In 2003, we conducted an impairment analysis for our investment in Slovenia and determined that an impairment did not exist. We conducted the impairment test because our largest competitor in Slovenia, the state-owned telephone company which has a market share of approximately 75%, charges its customers an exceptionally high tariff to call the customers of our Slovenian operating company, Vega. As a result, potential customers may find subscribing to Vega's service unattractive since it will be prohibitively expensive for most Slovenians to call them. We believe that these pricing practices are anti-competitive and that they violate regulations of Slovenia and the European Union. As part of our impairment analysis, our estimates assume these regulations will change when Slovenia joins the European Union. However, if the Slovenian telephone company is not required to suspend these practices, we may be unable to realize a return on our investment and may be required to impair our investment in our Slovenian operating company. At December 31, 2003, the long-term assets in our Slovenian entity were approximately $100 million.

Results of Domestic Operations for the Years Ended December 31, 2003, 2002 and 2001

We had 1,290,400 domestic subscribers at December 31, 2003, a 7.7% increase during 2003. We had 1,197,800 domestic subscribers at December 31, 2002, a 1.8% increase during 2002. We had 1,176,500 domestic subscribers at December 31, 2001, a 12.1% increase during 2001. At December 31, 2003, approximately 5% of our subscribers were with a single reseller. The increase in subscribers from 2002 to 2003 was due to adding more gross subscribers in 2003, along with lower churn. The slower growth in 2002 as compared to 2001 was due to negative net additions in the first quarter of 2002.

The following table sets forth certain financial data as it relates to our 2003, 2002 and 2001 domestic operations:

	Year Ended December 31,		
	2003	2002	2001
	(Dollars in thousands)		
Revenues:			
Subscriber revenues	$706,307	$609,406	$619,214
Roamer revenues	217,397	228,878	244,538
Equipment sales	43,905	41,937	38,738
Other revenues	2,628	3,483	10,981
Total revenues	$970,237	$883,704	$913,471
Operating expenses:			
Cost of service	$170,499	$176,584	$193,363
Cost of equipment sales	88,178	79,162	80,008
General and administrative	173,587	144,666	166,712
Sales and marketing	117,729	115,678	128,378
Depreciation, amortization and accretion	200,438	194,003	190,601
Asset dispositions	7,640	21,304	
Stock-based compensation	2,182	1,328	4,183
Total operating expenses	$760,253	$732,725	$763,245
Adjusted EBITDA	$420,244	$367,614	$345,010

For the definition of Adjusted EBITDA, and the reconciliation of Adjusted EBITDA, which is a non-GAAP financial measure, to net income (loss), the most directly comparable GAAP financial measure, see "Adjustments to Reconcile Net Income (Loss) to Adjusted EBITDA." Adjusted EBITDA is the measure of profitability utilized by our Chief Operating Decision Maker and is presented herein in accordance with SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information."

Beginning in the third quarter of 2003, we began including in our subscriber revenues amounts collected from our customers for federal and state universal service fund assessments. The subsequent remittances to the universal service fund are recorded in general and administrative expenses. The amounts included in subscriber revenues and general and administrative expenses for the year ended December 31, 2003 were approximately $12.9 million each. The inclusion of these universal service fund amounts in our operating results is in response to a recent trend in the wireless industry supporting this practice. Because the amount was not material to our previously reported revenues, expenses or net loss, we have not changed prior periods.

Domestic Revenues

The increase in subscriber revenues for the year ended December 31, 2003 compared to the same period in 2002 was partly due to an increase in ARPU and due partly to growth in subscribers. ARPU was $47.31 in 2003, a 10.6% increase from $42.78 in 2002. The increase in ARPU in 2003 is due to many factors including: (i) the receipt of federal universal service fund (USF) payments as an Eligible Telecommunications Carrier ("ETC") for certain of our traditional mobile services customers, which contributed $2.23 to the increase for the year ended December 31, 2003; (ii) the inclusion in subscriber revenue of amounts collected from customers for federal and state USF assessments, which contributed $0.86 to the increase in ARPU for the year ended December 31, 2003; and (iii) a regulatory charge of $0.97 per month to our subscribers beginning in May 2003 to recover the cost of certain unfunded government mandates such as wireless number portability and enhanced E911. The decrease in subscriber revenues for the year ended December 31, 2002 compared to the same period in 2001 was primarily due to a decrease in ARPU partially offset by a growth in average subscribers. ARPU declined 7.7% from $46.36 in 2001 to $42.78 in 2002. The decline in ARPU for the year ended December 31, 2002 compared to the year ended December 31, 2001 was a result of several factors

including: (i) the increase in popularity of rate plans that have larger allotments of included minutes; (ii) larger home calling areas; (iii) more rate plans that include long distance at no additional charge; and (iv) an increase in the number of rate plans that share minutes with an existing plan at a lower access rate. We expect factors such as growth in USF support payments, the inclusion of a full year of subscriber collections for state and federal USF assessments along with an increase in our regulatory charge, implemented in January of 2004, to provide for an overall higher ARPU in 2004 as compared to 2003. We expect to continue to receive universal service fund payments for certain mobile subscribers who reside in areas for which we are eligible to receive such payments through 2004. The FCC is currently reviewing the rules under which cellular carriers are eligible to receive USF support payments. In 2004, we will seek to broaden our ETC status and eligibility to receive universal service support. There is no guarantee that we will be able to obtain ETC status in additional areas and increase our eligibility for universal service support. There is also a risk that the FCC and state commissions may impose additional regulatory obligations on existing ETCs that we may find unacceptable. We can provide no long-term assurances that federal USF support payments will continue at the current level, if at all.

The decrease in roamer revenues for the year ended December 31, 2003 compared to the same period in 2002 was due to an $81.3 million decrease related to lower per minute roaming rates, partially offset by an increase of $69.8 million related to increased roamer MOUs. The lower revenue per minute was primarily the result of scheduled rate decreases charged between carriers. The increase in roaming traffic is mainly due to increased volume resulting from new contracts signed in 2002 with Verizon and Cingular. In late 2003, we launched GSM roaming services in certain markets. The impact of GSM roaming services on roamer revenues in 2003 was insignificant. The decrease in roamer revenues for the year ended December 31, 2002 compared to the same period in 2001 was primarily due to a decrease in the rates charged between carriers partially offset by an increase in roaming traffic on our network. In July of 2004, AT&T Wireless, currently our largest roaming partner, is no longer contractually required to have its customers prefer our TDMA network when roaming in our footprint. As a result, AT&T Wireless may move some of its existing TDMA traffic to other carriers. Further, we have small contractual rate decreases in 2004 under our long-term contracts with Cingular and Verizon. We believe the possibility of a reduction in AT&T Wireless TDMA traffic along with the previously mentioned rate decreases will be largely offset by increased minutes with GSM roaming partners and increased traffic with existing CDMA roaming partners. Given these items, we expect roaming revenue for 2004 will be flat or down slightly as compared to 2003.

In February 2004, our two largest roaming partners AT&T Wireless and Cingular announced a merger. We are unsure of the impact that this will have on us, if any.

Equipment sales have increased over each of the past two years. The increase for the year ended December 31, 2003 compared to the same period in 2002 was due to an increase in the number of handsets sold partially offset by a decrease in the average revenue per handset sold. The decrease in the average revenue per handset sold is mainly the result of lower promotional pricing for subscribers who enter into a two-year service contract with us. The increase for the year ended December 31, 2002 compared to the same period in 2001 was due primarily to an increase in the average revenue per handset sold partially offset by a decrease in the number of handsets sold. The increase in the average revenue per handset in 2002 was due to an increase in the number of dual-mode and tri-mode handsets sold. We expect to continue to offer promotional handset pricing to subscribers who enter into two-year service contracts with us.

Domestic Operating Expenses

The decrease in cost of service for the year ended December 31, 2003 compared to the same period in 2002 was primarily attributable to a decrease in interconnection costs. In addition, we experienced decreased off-network roaming costs for our customers as a result of lower contractual rates. These savings were partially offset by increased costs associated with supporting growth in the number of subscriber and roamer MOUs. The decrease in cost of service for the year ended December 31, 2002 compared to the same period in 2001 was primarily attributable to decreased off-network roaming costs for our customers as a result of lower contractual rates contained in our roaming agreements. This decrease was partially offset by increased costs associated with supporting growth in the number of subscriber and roamer MOUs. Cost of service per MOU

was $0.022, $0.030 and $0.043 for 2003, 2002 and 2001, respectively. The sequential decreases in cost of service per MOU were due mainly to the items discussed above. We expect cost of service dollars to increase in 2004 as compared to 2003 due to adding fixed costs to support our new GSM roaming agreements and our growing subscriber base. We expect cost of service per MOU to continue to gradually decline in 2004 as compared to 2003.

Cost of equipment sales increased for the year ended December 31, 2003 compared to the same period in 2002. The increase was primarily the result of an increase in the volume of handsets sold partially offset by a decrease in the average per unit cost of handsets sold. We have seen a decrease in the average per unit cost year-over-year as the types of handsets we are offering have remained relatively stable and we have seen some price declines from vendors. Cost of equipment sales decreased slightly for the year ended December 31, 2002 compared to the same period in 2001. The decrease was the result of a decrease in the volume of handsets sold offset by an increase in the average per unit cost of handsets sold due to a greater proportion of digital handsets in the overall handsets sold mix. In 2004, we expect that technological requirements to support new features in our "Hello2Pix," "Hello2Txt" and "Hello2Web" offerings, along with demand for feature rich handsets, will increase our per unit cost of handsets. Although subscribers generally are responsible for purchasing or otherwise obtaining their own handsets, we have historically sold handsets below cost to respond to competition and general industry practice and expect to continue to do so in the future.

General and administrative costs increased for the year ended December 31, 2003 compared to the same period in 2002. The year-over-year increase was a result of: (i) the inclusion of universal service fund remittances beginning in the third quarter of 2003; (ii) an increase in bad debt expense; and (iii) an increase in costs to support a larger subscriber base. General and administrative costs decreased for the year ended December 31, 2002 compared to the same period in 2001 primarily due to our efforts during 2002 to reduce our operating costs. Our general and administrative monthly cost per average subscriber was $11.63, $10.15 and $12.48 in 2003, 2002 and 2001, respectively. In 2003, the universal service fund remittances increased our general and administrative monthly cost per average subscriber by $0.86. The decrease on a per average subscriber basis in 2002 compared to 2001 was primarily due to our efforts to reduce costs in 2002, as previously discussed. We anticipate monthly cost per average subscriber to increase in 2004 compared to 2003 driven by a full year of USF remittances being included in 2004 compared to only six months being included in 2003.

Sales and marketing costs increased slightly for the year ended December 31, 2003 compared to the same period in 2002 primarily due to increases in variable costs such as direct commissions and dealer related costs. The decrease in sales and marketing costs for the year ended December 31, 2002 compared to the same period in 2001, was primarily the result of a decrease in the fixed cost components (for example: rents, utilities and advertising) of sales and marketing partially offset by an increase in variable cost components as we executed our strategy to shift to a more variable cost structure. In 2003, CPGA was $397 compared to $424 in 2002 and $369 in 2001. The decrease in CPGA in 2003 compared to the same period in 2002 is due to reductions in the loss on equipment sales and reductions in the fixed cost components of sales and marketing. These decreases are partially offset by increases in retention and variable costs. We include digital handset subsidies incurred in retaining existing subscribers in subscriber acquisition costs. These retention costs had a $61, $49 and $38 impact on CPGA for the years ended December 31, 2003, 2002 and 2001, respectively. The increase in CPGA in 2002 compared to the same period in 2001 resulted mainly from fixed sales and marketing costs, including costs of retaining existing subscribers, being spread over fewer gross subscriber additions. CPGA is expected to decrease in 2004 compared to 2003 as we expect to increase our gross additions year-over-year while holding our sales and marketing costs, including losses on equipment sales, relatively flat.

Depreciation, amortization and accretion expense increased for the year ended December 31, 2003 compared to the same period in 2002. This increase was due primarily to the acceleration of depreciation as we consolidated and decommissioned certain switching assets. The increase in depreciation, amortization and accretion expense for 2002 as compared to 2001 was mainly attributable to the growth of wireless communication system assets partially offset by a decrease in amortization expense associated with the discontinuance of license amortization with the adoption on January 1, 2002 of SFAS No. 142.

The asset dispositions loss for the year ended December 31, 2003 resulted from recording a $7.6 million impairment charge related to the sale of our Arizona 6 RSA. The sales price of this RSA reflected that future cash flows would be less than the carrying value of the license. Accordingly, we recorded an impairment related to this RSA in our consolidated statements of operations and comprehensive income (loss). This transaction closed during the third quarter of 2003.

The asset dispositions loss for the year ended December 31, 2002 resulted from recording a $15 million impairment charge related to the exploration and sale of the Arizona 6 RSA discussed above. We also recognized a charge of approximately $7.6 million for the year ended December 31, 2002 related to the disposition of certain of our paging assets. These charges were offset by a gain of approximately $1.3 million resulting from the sale of certain Specialized Mobile Radio and Competitive Local Exchange Carrier assets.

Domestic Adjusted EBITDA

Domestic Adjusted EBITDA (refer to definition at "Adjustments to Reconcile Net Income (Loss) to Adjusted EBITDA") increased for 2003 compared to 2002 primarily as a result of an increase in revenues in conjunction with a decrease in cost of service. These items were partially offset by increases in cost of equipment sales and general and administrative expenses. Domestic Adjusted EBITDA increased for 2002 compared to 2001 primarily as the result of decreases in operating expenses partially offset by decreases in subscriber and roamer revenues. Operating margin (domestic Adjusted EBITDA as a percentage of service revenues) increased to 45.4% in 2003 compared to 43.7% in 2002 and 39.4% in 2001. We expect domestic Adjusted EBITDA to increase at a moderate pace in 2004.

Results of International Operations for the Years Ended December 31, 2003, 2002 and 2001

The following discussions include the results of WWI and our international operating segments for the years ended December 31, 2003, 2002 and 2001. WWI has operating segments consisting of each country in which it operates; however, Austria is our only reportable segment under the guidance of SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131"). Operating results related to Austria are separately disclosed where meaningful. Operating revenues and expenses and subscriber information exclude the operations of WWI's Icelandic business, TAL. The sale of TAL was completed in November 2002. Since TAL represented a component of our business with distinguishable cash flows and operations, it is presented in the accompanying consolidated financial statements as discontinued operations. Our 2002 and 2001 statements of operations and balance sheets were reclassified accordingly.

U.S. headquarter functions of WWI and majority owned European, South American and Caribbean consolidated subsidiaries are recorded as of the date of the financial statements. Our consolidated Ghanaian entity and our Georgian entity, which is accounted for using the equity method, are presented on a one-quarter lag.

Our international consolidated operations offer postpaid and prepaid mobile services in Slovenia, Austria, Ireland, Bolivia and Haiti and fixed line service mainly in Austria. We ended 2003 with 1,194,200 consolidated international subscribers, compared to 741,300 consolidated international subscribers at December 31, 2002, an increase of 61%. Of these consolidated international subscribers, Austria ended 2003 with 634,200 subscribers, compared to 342,000 at December 31, 2002, an increase of 85%. Consolidated international subscribers increased 250,200 or 51% during 2002 from 491,100 subscribers at December 31, 2001. Austria represented 69,500 of this increase. As of December 31, 2003, 2002 and 2001, approximately 44%, 33% and 33%, respectively, of our consolidated international subscribers were postpaid customers. As of December 31, 2003, 2002 and 2001, approximately 78%, 63% and 56%, respectively, of our Austrian

subscribers were postpaid customers. As of December 31, 2003, we had 159,300 fixed lines, of which Austria represented 98%.

	Year Ended December 31,		
	2003	2002	2001
	(Dollars in thousands)		
Revenues:			
Subscriber revenues	$401,228	$201,280	$ 74,562
Roamer revenues	45,634	29,057	7,976
Fixed line revenues	56,613	55,751	29,198
Equipment sales	15,704	11,695	8,200
Other revenues	11,908	5,123	4,552
Total revenues	$531,087	$302,906	$ 124,488
Operating expenses:			
Cost of service	$252,154	$184,107	$ 94,448
Cost of equipment sales	72,801	39,487	23,344
General and administrative	83,272	72,182	55,798
Sales and marketing	98,364	65,874	65,733
Depreciation, amortization and accretion	71,851	46,484	19,325
Stock-based compensation	8,763	(5,450)	(1,876)
Total operating expenses	$587,205	$402,684	$ 256,772
Adjusted EBITDA	$ 24,496	$(58,744)	$(114,835)

For the definition of Adjusted EBITDA, and the reconciliation of Adjusted EBITDA, which is a non-GAAP financial measure, to net income (loss), the most directly comparable GAAP financial measure, see "Adjustments to Reconcile Net Income (Loss) to Adjusted EBITDA." Adjusted EBITDA is the measure of profitability utilized by our Chief Operating Decision Maker and is presented herein in accordance with SFAS No. 131.

Because our subsidiary WWI has operations in Austria, Ireland and Slovenia in which the functional currency is the euro, or is linked to the euro, fluctuations in exchange rates may have a significant impact on its financial results of operations. The results of operations for the year ended December 31, 2003 reflect the effects of a 17% and 21% average appreciation of the euro as compared to the U.S. dollar for the same periods in 2002 and 2001, respectively. The appreciation of the euro had a comparable positive impact on revenues and a negative impact on operating expenses. The results of operations for the year ended December 31, 2002 reflects the effect of a 5% average appreciation of the euro as compared to the U.S. dollar for the same period in 2001, which had a comparable positive impact on revenues and a negative impact on operating expenses. Our European subsidiaries, in aggregate, represented approximately 85%, 81% and 74% of total international consolidated revenues for the years ended December 31, 2003, 2002, and 2001, respectively. Fluctuations in exchange rates have less effect on local operating results, however, because WWI conducts business primarily in the currencies of the countries in which it operates. We cannot predict future fluctuations in currency exchange rates, and accordingly cannot predict the potential impact of any such fluctuations on WWI's results of operations.

International Revenues

Total subscriber revenues increased for the year ended December 31, 2003 compared to the same period in 2002 primarily due to an increase in the number of subscribers across most of our markets, increased ARPU and the strengthening of the euro as compared to the U.S. dollar. International ARPU was $34.55 for the year ended December 31, 2003 compared to $27.22 for the same period in 2002. The increase in international ARPU was primarily a result of a $15.81 increase in ARPU in Austria, resulting from an increase in postpaid subscribers who generally generate higher service revenue than prepaid subscribers. Further, the strengthening

of the euro accounted for $4.13 of the increase in international ARPU and $6.14 of the increase in Austrian ARPU for 2003 as compared to 2002. The increase in the Austrian ARPU offset a $1.39 decline in ARPU in our other markets during 2003 as compared to the same period in 2002. The increase in total subscriber revenues in 2002 from 2001 was primarily due to an increase in the number of subscribers across all of our markets and the inclusion of twelve months of subscriber revenues in 2002 generated by Austria, which was acquired at the end of June 2001. International ARPU of $27.22 increased $3.42 in the year ended December 31, 2002 from $23.80 for the same period in 2001. The increase in international ARPU in 2002 was primarily a result of increased ARPU in Ireland and Slovenia, which launched operations in February and December 2001, respectively. Further, the strengthening of the euro accounted for $1.35 of the increase in international ARPU for 2002 as compared to 2001. We anticipate continued growth in subscriber revenues, exclusive of changes in currency exchange rates, as we add international subscribers and focus on moderate growth in ARPU in 2004.

The increase in total roamer revenues in 2003 compared to the same period in 2002 was primarily due to expanded coverage throughout Ireland and in key tourist areas in Austria and the strengthening of the euro as compared to the U.S. dollar. Austria represented 78% of the increase in total international roaming revenues for the year ended December 31, 2003. The increase in total roamer revenues in 2002 from 2001 was mainly a result of expanded coverage in key tourist areas in Europe along with the inclusion of twelve months of roamer revenue in 2002 generated by Austria. Austria represented 84% of the increase in total international roamer revenues in 2002. We expect total roamer revenues, exclusive of changes in currency exchange rates, to remain relatively constant in 2004 as compared to 2003.

Total fixed line revenues increased slightly for the year ended December 31, 2003 compared to the same period in 2002 primarily as a result of the strengthening of the euro as compared to the U.S. dollar, which offset an actual decline in fixed line revenue in the local currency caused by a decline in the number of fixed lines in Austria. The increase in total fixed line revenues in 2002 from 2001 was primarily due to the inclusion of a full year of fixed line revenue generated by Austria. We expect fixed line revenues, exclusive of changes in currency exchange rates, to remain relatively constant in 2004 as compared to 2003.

Total equipment sales increased for the year ended December 31, 2003 compared to the same period in 2002 primarily due to selling more handsets as a result of adding more subscribers in Austria and Ireland and the strengthening of the euro as compared to the U.S. dollar. This increase is partially offset by a lower average sales price per handset. The increase in total equipment sales for the year ended December 31, 2002 as compared to the same period in 2001 was due mainly to an increase in gross international subscriber additions as a result of the launch of service in Slovenia in December 2001, a full year of operations in Austria in 2002, and the reduction of subsidies offered in the Irish market. We anticipate modest continued growth in international equipment sales, exclusive of changes in currency exchange rates, in 2004 primarily as a result of increases in mobile subscriber additions.

Total other revenues increased for the year ended December 31, 2003 compared to the same period in 2002 mainly as a result of the launch of long distance service in Bolivia in August 2002 and increased international long-distance usage in Ghana. We expect other revenues to remain relatively constant in 2004, exclusive of changes in currency exchange rates, as compared to 2003.

International Operating Expenses

Operating expenses represent the expenses incurred by our consolidated international markets and headquarters' administration in the United States.

Total cost of service increased for the year ended December 31, 2003 as compared to the same period in 2002. This was due primarily to a 57% increase in the number of average subscribers across all of our markets and the strengthening of the euro as compared to the U.S. dollar. On a per average international subscriber basis, average monthly cost of service was $21.71 and $24.90 for the years ended December 31, 2003 and 2002, respectively. Average monthly cost of service per average Austrian subscriber decreased to $29.26 in 2003 from $33.58 in 2002. The decreases in total international and Austria cost of service are mainly due to increased cost efficiencies as a result of a growing subscriber base. The strengthening of the euro increased

average monthly cost of service by $4.38 and $6.68 on a per average international subscriber and per average Austrian subscriber basis, respectively, for the year ended December 31, 2003 as compared to the same period in 2002. Total cost of service increased for the year ended December 31, 2002 over the same period in 2001. This was due primarily to the acquisition of our Austrian segment at the end of June 2001 and the launch of our international operations in Slovenia in December 2001. On a per average international subscriber basis, monthly cost of service decreased to $24.90 for the year ended December 31, 2002 from $30.14 for the year ended December 31, 2001. We expect cost of service dollars to increase in 2004 as compared to 2003 due to a growing subscriber base but continue to decline on a per average international subscriber basis, exclusive of changes in currency exchange rates, due to increased cost efficiencies.

The increase in total cost of equipment sales for the year ended December 31, 2003 over the same period in 2002 was largely due to the increase in volume of handsets sold in Austria as a result of higher subscriber additions and the strengthening of the euro as compared to the U.S. dollar, partially offset by a decrease in the average per unit cost of handsets. The increase in total cost of equipment sales in 2002 from 2001 was mainly due to the acquisition of our Austrian business at the end of June 2001, which represented 65% of the total increase, and the launch of operations in Slovenia in December 2001. Although subscribers generally are responsible for purchasing or otherwise obtaining their own handsets, WWI has historically sold handsets below cost to respond to competition and general industry practice and expects to continue to do so in the future.

Total general and administrative costs increased for the year ended December 31, 2003 compared to the same period in 2002. This was due primarily to an increase in the number of subscribers across most of our markets and the strengthening of the euro as compared to the U.S. dollar. On a per average international subscriber basis, general and administrative monthly cost was $7.17 and $9.76 for the years ended December 31, 2003 and 2002, respectively. General and administrative monthly cost per average Austrian subscriber was $7.27 in 2003 and $9.18 in 2002. The decreases in total international and Austria general and administrative costs were mainly due to increased cost efficiencies due to a growing subscriber base, partially offset by the strengthening of the euro to the U.S. dollar. The strengthening of the euro increased general and administrative monthly cost by $1.34 and $1.83 on a per average international subscriber and per average Austrian subscriber basis, respectively, for the year ended December 31, 2003 as compared to the same period in 2002. The increase in general and administrative expenses in 2002 from 2001 was primarily due to the acquisition of our Austrian business at the end of June 2001 and the launch of our international operations in Slovenia in December 2001. General and administrative monthly cost per average international subscriber and per average Austrian subscriber decreased $8.05 and $4.44, respectively, in 2002 as compared to 2001 primarily due to increased cost efficiencies as a result of the growing subscriber base. We expect general and administrative dollars to increase in 2004 as compared to 2003 as a result of a growing subscriber base, but decline slightly on a per average international subscriber basis, exclusive of changes in currency exchange rates, due to increased cost efficiencies.

Total sales and marketing expense increased for the year ended December 31, 2003 compared to the same period in 2002 primarily due to increased sales and promotion expenses attributable to higher subscriber additions, mainly in Austria, and the strengthening of the euro as compared to the U.S. dollar. Total sales and marketing expense remained relatively consistent on a year-over-year basis from 2001 to 2002. International CPGA was $186 and $179 for the years ended December 31, 2003 and 2002, respectively. The year-over-year increase is primarily a result of the strengthening of the euro as compared to the U.S. dollar, which offset an actual decline in international CPGA due to reduced sales costs per subscriber addition in all of our markets. The strengthening of the euro increased CPGA by $31 for the year ended December 31, 2003 as compared to the same period in 2002. Austrian CPGA decreased to $284 in 2003 from $313 in 2002 due to reduced sales costs, partially offset by a $62 increase due to a strengthening of the euro as compared to the U.S. dollar. International CPGA declined to $179 in 2002 from $232 in 2001 primarily due to reduced sales costs and lower equipment subsidies in most of our markets, partially offset by the strengthening of the euro as compared to the U.S. dollar. The strengthening of the euro increased CPGA by $13 for the year ended December 31, 2002, as compared to the same period in 2001. Austrian CPGA increased $28 in 2002 from 2001 primarily due to the strengthening of the euro as compared to the U.S. dollar of $16 per gross addition

and higher equipment subsidies. We expect sales and marketing dollars, including equipment subsidies, to increase for 2004 as compared to the same period in 2003, exclusive of changes in currency exchange rates, due to a higher number of gross additions. We expect CPGA to increase in 2004 as compared to the same period in 2003, exclusive of changes in currency exchange rates, mainly due to higher customer acquisition costs, primarily in Austria and Ireland.

Total depreciation, amortization and accretion expense increased for the year ended December 31, 2003 compared to the same period in 2002 due primarily to network expansion in our European markets and the strengthening of the euro as compared to the U.S. dollar. The increase in total depreciation, amortization and accretion expense in 2002 from 2001 was mainly due to network expansion in our European markets and the launch of Slovenia in December 2001. As WWI continues to add wireless infrastructure to service its growing international subscriber base, we anticipate depreciation, amortization and accretion expense will increase in future periods.

The change in total stock-based compensation each year is primarily a result of a revaluation of WWI's stock appreciation rights ("SARs") based on current market conditions.

International Adjusted EBITDA

Adjusted EBITDA (refer to definition at "Adjustments to Reconcile Net Income (Loss) to Adjusted EBITDA") for our international consolidated subsidiaries improved for the year ended December 31, 2003 compared to the same period in 2002. The $83.2 million increase in international Adjusted EBITDA was mainly due to a $52.8 million increase, from ($23.5) million in 2002 to $29.3 million in 2003, in Adjusted EBITDA in Austria, as a result of cost efficiencies and revenue growth in 2002. Increases in Adjusted EBITDA across all other countries included in our other international segment accounted for the remaining increase of $30.5 million. Adjusted EBITDA for our international consolidated subsidiaries improved from 2001 to 2002 due to the inclusion of Austria's results of operations from acquisition in June 2001 and the launch of operations in Ireland in the first quarter of 2001. We expect international Adjusted EBITDA to improve in 2004 as a result of continued subscriber growth and cost efficiencies in existing markets, primarily Austria.

Adjustments to Reconcile Net Income (Loss) to Adjusted EBITDA

EBITDA is a non-GAAP financial measure generally defined as net income (loss) before interest, taxes, depreciation and amortization. We use the non-GAAP financial measure "Adjusted EBITDA" which further excludes the following items: (i) accretion; (ii) asset dispositions; (iii) stock-based compensation, net; (iv) equity in net (income) loss of unconsolidated affiliates, net of tax and other, net; (v) (gain) loss on sale of joint venture; (vi) loss on extinguishment of debt; (vii) minority interests in net loss of consolidated subsidiaries; (viii) discontinued operations; and (ix) cumulative change in accounting principle. Each of these items is presented in our Consolidated Statements of Operations and Comprehensive Income (Loss).

Other companies in the wireless industry may define Adjusted EBITDA in a different manner or present other varying financial measures, and, accordingly, the Company's presentation may not be comparable to other similarly titled measures of other companies. The Company's calculation of Adjusted EBITDA is also not directly comparable to EBIT (earnings before interest and taxes) or EBITDA.

The Company views Adjusted EBITDA as an operating performance measure and as such, believes that the GAAP financial measure most directly comparable to Adjusted EBITDA is net income (loss). The Company has presented Adjusted EBITDA because this financial measure, in combination with other financial measures, is an integral part of the Company's internal reporting system utilized by management to assess and evaluate the performance of its business. Adjusted EBITDA is also considered a significant performance measure. It is used by management as a measurement of the Company's success in obtaining, retaining and servicing customers by reflecting the Company's ability to generate subscriber revenue while providing a high level of customer service in a cost effective manner. The components of Adjusted EBITDA include the key revenue and expense items for which the Company's operating managers are responsible and upon which the Company evaluates their performance.

Adjusted EBITDA is consistent with certain financial measures used in the Company's domestic credit facility and the indenture for our senior notes. Such financial measures are key components of several negative covenants including, among others, the limitation on incurrence of indebtedness, the limitations on investments and acquisitions and the limitation on distributions and dividends.

Adjusted EBITDA should not be construed as an alternative to net income (loss), as determined in accordance with GAAP, as an alternative to cash flows from operating activities, as determined in accordance with GAAP, or as a measure of liquidity. The Company believes Adjusted EBITDA is useful to investors as a means to evaluate the Company's operating performance prior to financing costs, deferred tax charges, non-cash depreciation and amortization expense, and certain other non-cash charges. Although Adjusted EBITDA may be defined differently by other companies in the wireless industry, the Company believes that Adjusted EBITDA provides some commonality of measurement in analyzing operating performance of companies in the wireless industry.

A reconciliation of net income (loss) to Adjusted EBITDA is included in the following table (Dollars in thousands):

	Year Ended December 31,							
	2003				2002			
	Domestic	Austrian Operations	All Other International	Consolidated	Domestic	Austrian Operations	All Other International	Consolidated
Net income (loss)	$ 76,417	$ 1,659	$(78,414)	$ (338)	$(80,194)	$(37,169)	$(68,318)	$(185,681)
Depreciation, amortization and accretion	200,438	11,362	60,489	272,289	194,003	5,057	41,427	240,487
Asset dispositions	7,640			7,640	21,304			21,304
Stock-based compensation, net	2,182	753	8,010	10,945	1,328		(5,450)	(4,122)
Interest and financing expense, net	99,351	10,232	48,986	158,569	110,080	6,710	39,901	156,691
Equity in net (income) loss of unconsolidated affiliates, net of tax and other, net	(15,747)	4,493	(6,337)	(17,591)	(315)	1,921	(6,638)	(5,032)
(Gain) loss on sale of joint venture	1,574		(42,093)	(40,519)				
Loss on extinguishment of debt	16,910		4,310	21,220				
Minority interests in net loss of consolidated subsidiaries			(4,717)	(4,717)			(8,408)	(8,408)
Provision for income taxes	30,290	(4)	4,725	35,011	120,687	1	2,582	123,270
Discontinued operations					721		(30,360)	(29,639)
Cumulative change in accounting principle	1,189	770	272	2,231				
Adjusted EBITDA	$420,244	$29,265	$ (4,769)	$444,740	$367,614	$(23,480)	$(35,264)	$ 308,870

	Year Ended December 31, 2001			
	Domestic	Austrian Operations	All Other International	Consolidated
Net income (loss)	$ (3,526)	$(43,313)	$(108,238)	$(155,077)
Depreciation, amortization and accretion	190,601	417	18,908	209,926
Asset dispositions				
Stock-based compensation, net	4,183		(1,876)	2,307
Interest and financing expense, net	138,384	673	22,796	161,853
Equity in net (income) loss of unconsolidated affiliates, net of tax and other, net	8,768	341	9,511	18,620
(Gain) loss on sale of joint venture				
Loss on extinguishment of debt				
Minority interests in net loss of consolidated subsidiaries			(18,967)	(18,967)
Provision for income taxes				
Discontinued operations			5,933	5,933
Cumulative change in accounting principle	6,600		(1,020)	5,580
Adjusted EBITDA	$345,010	$(41,882)	$ (72,953)	$ 230,175

Consolidated Other Income (Expense)

Interest and financing expense increased slightly to $158.6 million in 2003 from $156.7 million in 2002. The increase in interest expense is due mainly to higher interest expense in Slovenia and Austria due partly to higher average borrowings and due partly to a strengthening of the euro as compared to the U.S. dollar. The increase was partially offset by a decrease in domestic interest expense due primarily to a decrease in our domestic weighted average debt balance. Interest and financing expense decreased to $156.7 million in 2002 from $161.9 million in 2001. The decrease was due to a reduction in our weighted average interest rate partially offset by an increase in our average long-term debt. Long-term debt was incurred primarily to fund our capital expenditures, acquisition of wireless properties and international projects. The weighted average domestic interest rate paid to third parties was 6.6%, 6.6% and 8.0% in 2003, 2002 and 2001, respectively. The international weighted average interest rate paid to third parties by consolidated WWI entities was 6.5%, 5.8% and 7.6% in 2003, 2002 and 2001, respectively.

In 2003, we recognized a $40.5 million gain related to the sale of WWI's investment in VIP-Net in Croatia. Our proceeds were $69.6 million.

In 2003, we recorded a consolidated loss on extinguishment of debt of $21.2 million. The loss consisted of premium payments, the write-off of deferred financing charges and the cancellation of related interest rate hedges in connection with the redemption by us of the 10½% Senior Subordinated Notes due 2006 and 2007 (the "2006 and 2007 Notes"), and the write-off of deferred financing charges related to the Slovenian credit facility amendment.

Consolidated Provision for Income Taxes

The decrease in the provision for income taxes in 2003 compared to 2002 relates to the adoption of SFAS No. 142 in 2002. In 2002, we incurred a deferred income tax provision of approximately $120.7 million mainly to increase the valuation allowance related to our NOL carryforwards. This charge included $96.9 million as the initial effect as of January 1, 2002. We have significant deferred tax liabilities related to our domestic licenses. Historically, we did not need a valuation allowance for the portion of our NOL carryforward equal to the amount of license amortization expected to occur during the NOL carryforward period. Since we ceased amortizing domestic licenses on January 1, 2002 for book purposes and we can no longer estimate the amount, if any, of deferred tax liabilities related to our domestic licenses, which will reverse during the NOL carryforward period, we increased the valuation allowance accordingly. Subsequent to January 1, 2002 we are required to continue to amortize our domestic licenses for federal income tax purposes, but as previously discussed, domestic license costs are no longer amortized for book purposes. The ongoing

difference between book and tax amortization resulted in an additional deferred income tax provision of approximately $23.8 million for the year ended December 31, 2002. The continuing deferred income tax provision results from growth in our deferred tax liability that cannot be estimated to reverse during our NOL carryforward period. This adjustment reflects tax accounting requirements and is not based on any changes to our business model, future prospects, the value of our licenses or our assessment of the likelihood of utilizing the tax NOL carryforwards on a cash tax basis in the future. For the year ended December 31, 2003, the domestic deferred income tax provision was $30.3 million. This deferred income tax provision was comprised of $24.3 million related to the ongoing difference between book and tax amortization on our domestic licenses for the year ended December 31, 2003 and $8.5 million associated with book tax differences related to our acquisition of 1900 MHz PCS licenses acquired from TMO. These tax expenses were partially offset by a $2.5 million reduction in our deferred income tax provision related to reversing the cumulative deferred income tax provision associated with the sale of our Arizona 6 RSA reflected in asset dispositions. Deferred income taxes represent a non-cash charge and are not currently paid or payable and accordingly there is no impact on cash flows from operating, investing or financing activities. We will continue to evaluate the need for this valuation allowance for accounting purposes to determine if we should reverse all or part of the allowance in the future.

Our consolidated provision for income taxes also reflects $4.7 million and $2.6 million for the years ended December 31, 2003 and 2002, respectively, related to our operations in Haiti.

Consolidated Net Income (Loss) from Continuing Operations before Cumulative Change in Accounting Principle

On a consolidated basis, income (loss) from continuing operations before cumulative change in accounting principle increased by $217.2 million for the year ended December 31, 2003 compared to the year ended December 31, 2002. The increase resulted mainly from increases discussed in "Domestic Adjusted EBITDA" and "International Adjusted EBITDA" and increases in "Consolidated Other Income (Expense)" and a decrease in "Consolidated Provision for Income Taxes." The increase in the net loss from continuing operations before cumulative change in accounting principle for the year ended December 31, 2002 compared to the year ended December 31, 2001 was primarily the result of the domestic provision for income taxes, as discussed above, along with an increase in depreciation, amortization and accretion. The increase in depreciation, amortization and accretion was primarily in our international operations. These items were offset by improvements in both international and domestic Adjusted EBITDA, as discussed above.

Total Discontinued Operations

Total discontinued operations for 2002 represented the gain on sale of $23.9 million and net income of $5.7 million from TAL, our Icelandic subsidiary. TAL was sold by us in November 2002. Our proceeds were $28.9 million. Total discontinued operations for 2001 represents the portion of net loss attributable to TAL.

Net Income (Loss)

The decrease in net loss for 2003 as compared to 2002 was primarily the result of the improvement in income (loss) from continuing operations before cumulative change in accounting principle, as discussed above. The improvement in income (loss) from continuing operations before cumulative change in accounting principle for 2003 was partially offset by the cumulative change in accounting principle resulting from the adoption of SFAS No. 143. The increase in net loss for 2002 as compared to 2001 was primarily the result of the decrease in net income (loss) from continuing operations before cumulative change in accounting principle, as discussed above. The increase in net loss in 2002 was partially offset by income from discontinued operations and the gain on the sale of TAL in November 2002.

Consolidated Net Operating Loss Carryforwards

We had no domestic tax liability for the current period due to NOL carryforwards from prior years. At December 31, 2003, federal NOL carryforwards amounting to approximately $668 million were available. We

also have NOLs related to consolidated subsidiaries in foreign jurisdictions of approximately $1.5 billion, which are reported at foreign statutory rates. Approximately $1.1 billion of these foreign NOL carryforwards in Austria were assigned no value in purchase accounting resulting from the acquisition of tele.ring in 2001. These NOL carryforwards are not available in the United States. The federal NOL carryforwards will expire between our tax years 2003 and 2023. We may be limited in our ability to use these carryforwards in any one year due to ownership changes that preceded the business combination that formed us in July 1994 and due to changes in shareholdings that occurred during 1999. We believe that, based on a number of factors, there is uncertainty regarding the realization of our NOL carryforwards.

Consolidated Liquidity and Capital Resources

In July 2003, we amended our credit facility with a consortium of lenders (as amended, the "Credit Facility"). As part of the amendment we reduced the commitment under one of our revolving credit lines by $150 million and made prepayments aggregating $400 million under the other revolving credit line and the term loans. After such reduction and prepayments our Credit Facility consists of (i) a $350 million term loan ("Term Loan A"); (ii) a $500 million term loan ("Term Loan B"); and (iii) two $350 million revolving loans ("Revolver A" and "Revolver B"). The commitment reduction and each such prepayment were applied to the earliest maturities first. The Credit Facility also requires us to make mandatory prepayments from excess cash flow and from certain proceeds of certain indebtedness. In 2004, we are required to prepay approximately $60 million of indebtedness under the Credit Facility from excess cash flow. Currently, we plan to reborrow under Revolver A of the Credit Facility. The Credit Facility further limits the amount we are permitted to invest in our international subsidiaries from January 1, 2003 to $100 million plus certain other amounts received such as the proceeds from the sale of Croatia and the Class A common stock offering in 2003. We were in compliance with financial covenants at December 31, 2003 and had approximately $300 million available to borrow under Revolver A.

In July 2003, we issued $600 million of 9.250% Senior Notes due 2013 (the "2013 Notes") at par. Interest is payable semi-annually. We may redeem the 2013 Notes at our option at any time on or after July 15, 2008, in whole or from time to time in part, at specified redemption prices, plus accrued and unpaid interest. In addition, on or before July 15, 2008, we may redeem any of the 2013 Notes at our option at any time, in whole, or from time to time in part, at a redemption price equal to the greater of: (i) 100% of the principal amount of the 2013 Notes being redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the 2013 Notes being redeemed discounted to the date of redemption at a specified rate. In addition, on or before July 15, 2006, we may apply, at our option, certain proceeds from issuances of our capital stock and from transactions with affiliates and related persons to redeem up to 35% of the aggregate principal amount of the 2013 Notes at a redemption price equal to 109.250% of the principal amount of the 2013 Notes being redeemed, plus accrued and unpaid interest to but excluding the date fixed for redemption. The 2013 Notes contain certain covenants that, among other things, limit our ability to incur additional indebtedness, make certain asset dispositions, make restricted payments, issue capital stock of certain wholly-owned subsidiaries and enter into certain mergers, sales or combinations. The 2013 Notes are unsecured and will rank equally in right of payment to all existing and future senior unsecured obligations of ours. Additionally, the 2013 Notes will rank senior in right of payment to all existing and future subordinated debt, but are effectively subordinated in right of payment to all indebtedness and other liabilities of our subsidiaries.

In June 2003, we issued $115 million of 4.625% Convertible Subordinated Notes due 2023 (the "2023 Notes") at par. Interest is payable semi-annually. The 2023 Notes are convertible into Class A common stock at a per share price of $15.456, subject to adjustment, at any time or, at our option, into an equivalent amount of cash in lieu of shares of common stock. In addition, holders may require that we repurchase all or a portion of the 2023 Notes on June 15, 2013 and June 15, 2018 at par plus accrued interest payable in cash or Class A common stock, at our option. Between June 18, 2006 and June 18, 2010, we may redeem in whole or in part the 2023 Notes in cash at par plus accrued interest plus a make whole amount equal to the present value of the remaining scheduled interest payments through and including June 15, 2010, subject to the closing sales price of our common stock exceeding the conversion price by 150% for 20 trading days in any consecutive 30 day

trading period immediately prior to notification of redemption. Between June 18, 2010 and June 18, 2013, we may redeem in cash at par plus accrued interest all or a portion of the 2023 Notes subject to the closing sales price of our common stock exceeding the conversion price by 125% for 20 trading days in any consecutive 30 day trading period immediately prior to notification of redemption. After June 18, 2013, the 2023 Notes are redeemable at par plus accrued interest. The 2023 Notes are subordinate in right of payment to the Credit Facility, the 2013 Notes and all indebtedness and other liabilities of our subsidiaries.

In August 2003, we redeemed the entire principal amount of the 10½% Senior Subordinated Notes Due 2006 (the "2006 Notes") and the 10½% Senior Subordinated Notes Due 2007 (the "2007 Notes") together with accrued interest. The redemption price for the 2006 Notes was 101.75% and the redemption price for the 2007 Notes was 103.5%. We recorded a $16.9 million aggregate loss on the extinguishment of the 2006 and 2007 Notes and the cancellation of the related interest rate swaps.

In September 2003, we filed a Form S-3 as a shelf registration statement (the "Shelf Registration Statement") with the SEC. Under the Shelf Registration Statement, we may sell, from time to time, in one or more offerings, shares of our Class A common stock, shares of our preferred stock or debt securities in an aggregate amount of up to $300 million. On November 3, 2003, we completed a public offering of 12 million shares of our Class A common stock for net proceeds of $227.3 million utilizing the Shelf Registration Statement. We intend to use the net proceeds for general corporate purposes, to fund working capital requirements, for making capital expenditures and for potential acquisitions. Pending the final application of the net proceeds to the uses described above, we have invested the net proceeds in investment-grade, interest-bearing securities and have temporarily reduced the outstanding debt under Revolver A of the Credit Facility by $175 million.

In December 2003, we purchased all of the outstanding shares of common stock of Minnesota Southern Wireless Company ("MSWC") from HickoryTech Corporation, for consideration in the amount of $23.6 million. MSWC owns the licenses and related assets for the Minnesota 10 RSA and the Minneapolis/ St. Paul Metro A-2 MSA, as well as the Mankato-Fairmont and Rochester-Austin-Albert Lea BTAs. The purchase price was paid in the form of 1,038,927 shares of HickoryTech common stock we owned and $12.9 million in cash. In addition we paid $3.3 million for construction in progress at closing. In 2003, we recognized a $5.2 million loss on the 1,038,927 shares of common stock that were delivered to HickoryTech at closing. The loss represents the difference between amounts paid for the common stock and the assessed market value at the closing date.

In April 2002, Western Wireless International d.o.o. ("Vega") entered into a credit facility agreement with a consortium of banks to provide funding for the implementation and expansion of Vega's network in Slovenia. In September 2003, the Slovenian credit facility was amended (as amended, the "Slovenian Credit Facility"). Under the terms of the Slovenian Credit Facility: (i) all undrawn commitments were cancelled and substantially all of Vega's operating and financial covenants were eliminated; (ii) balances of $20.9 million from collateral accounts supporting the original loan and a $0.9 million refund of facility fees related to the undrawn commitments were utilized to pay down the principal balance; (iii) the applicable margin on EURIBOR advances has been increased to initial rates of 1.50% on certain EURIBOR advances and 3.50% on the remaining EURIBOR advances; and (iv) the repayment schedule for outstanding borrowings, which are comprised of semi-annual installments beginning on May 30, 2004 and ending on November 30, 2009, remained unchanged. Western Wireless International Corporation ("WWIC"), a subsidiary of WWI, has agreed to certain covenants, including an unconditional guarantee of the loan, an obligation to fund Vega's cash shortfalls and restrictions which limit the ability of WWIC and its majority owned subsidiaries to incur indebtedness, grant security interests, dispose of majority owned subsidiaries and enter into guarantees. There are also certain financial covenants, relating to WWIC and its majority owned subsidiaries, including Minimum Consolidated Annualized EBITDA and Consolidated Tangible Net Worth. WWIC was in compliance with its covenants at December 31, 2003. The amendment was deemed to be a significant modification under EITF Issue No. 96-19 "Debtor's Accounting for a Modification or Exchange of Debt Instruments" and accordingly Vega wrote off all deferred financing costs associated with the original credit facility resulting in a loss on extinguishment of debt of $4.3 million for the year ended December 31, 2003. As of December 31, 2003, Vega had $69.4 million outstanding under the Slovenian Credit Facility. For the year

ended December 31, 2004, using current exchange rates, we are required to make approximately $11.4 million in principal and interest payments and funding of related collateral accounts under the Slovenian Credit Facility.

In June 2001, under the terms of the transaction to acquire tele.ring from a subsidiary of Vodafone Group Plc ("Vodafone"), an affiliate of Vodafone agreed to make available to tele.ring an unsecured term loan (the "tele.ring Term Loan") for purposes of funding anticipated working capital and system expansion needs. The aggregate amount available under the initial tele.ring Term Loan at inception was approximately 75 million euro increasing quarterly to up to 250 million euro on April 1, 2002. In January 2003, the tele.ring Term Loan was amended, decreasing the aggregate availability to 185 million euro and extending the availability period through June 2004. Under the amended terms of the tele.ring Term Loan, repayment terms were extended, such that all outstanding principal and accrued interest shall be repaid based on predetermined percentages on each of July 1, 2004, 2005, 2006 and December 31, 2006. Interest is payable at EURIBOR plus an applicable margin of 3.5%. Terms of the tele.ring Term Loan incorporate certain restrictions that include, among other things, the transfer of assets, including cash of $35.2 million at December 31, 2003, from tele.ring to WWI. As of December 31, 2003 there was $200.8 million outstanding under the tele.ring Term Loan and $23.1 million of accrued interest. Principal and interest payments required under the tele.ring term loan in 2004, using current exchange rates, are approximately $11.5 million.

In October 2000, NuevaTel, S.A. ("NuevaTel"), a subsidiary of WWI, entered into a bridge loan facility ("Bolivian Bridge Loan") to provide funding for the build-out and implementation of NuevaTel's network in Bolivia. WWI has guaranteed its prorata share (71.5%), based upon its ownership interest in NuevaTel, of the Bolivian Bridge Loan. In November 2003, NuevaTel entered into a credit facility agreement ("Bolivian Credit Facility") with the Overseas Private Investment Corporation ("OPIC") to refinance the Bolivian Bridge Loan and provide funding for the implementation and expansion of NuevaTel's network in Bolivia. The terms of the Bolivian refinancing have been substantially negotiated and we are currently working to satisfy conditions precedent to funding the Bolivian Credit Facility. We anticipate a funding of the Bolivian Credit Facility's entire commitment of $50 million in one tranche by March 31, 2004. Repayments will begin in the second quarter of 2006, and end in the first quarter of 2014. Interest will accrue at a base rate commensurate with United States Government sponsored enterprise securities, plus 3.75%. The Bolivian Credit Facility contains certain restrictive covenants, including a debt service coverage ratio which does not become effective until the first quarter in which a principal payment is made. Other covenants include, among other things, limitations on NuevaTel's ability to incur additional indebtedness, make certain asset dispositions, make restricted payments and enter into certain mergers, sales or combinations. Under the terms of the Bolivian Credit Facility, WWIC has pledged its shares in NuevaTel to OPIC as security for the Bolivian Credit Facility and has agreed to enter into a sponsor support agreement with OPIC pursuant to which WWIC will have a maximum obligation to OPIC of $11.6 million. WWIC will secure this obligation by providing, at the time of the funding of the Bolivian Credit Facility, a letter of credit in favor of OPIC. NuevaTel's reimbursement obligations under the letter of credit will be secured by cash collateral provided by WWIC. As of December 31, 2003, the outstanding amount under the Bolivian Bridge Loan was $34.7 million and the facility was fully drawn. The maturity date of the Bolivian Bridge Loan has been extended until March 31, 2004. Until the Bolivian Credit Facility closes, we intend to seek additional extensions of the Bolivian Bridge Loan maturity date, but there can be no assurances that any necessary extension will be granted.

None of our international loan facilities have recourse to Western Wireless Corporation. As previously discussed, WWI and certain of its subsidiaries have severally guaranteed the Bolivian Bridge Loan and the Slovenian Credit Facility.

In 2004, if we attain our domestic subscriber growth projections, we anticipate spending approximately $200 million in capital expenditures primarily to complete our domestic CDMA overlay and expand our GSM coverage.

In 2004, WWI's business plans also include capital expenditures of approximately $125 million, which are primarily related to the expansion of our networks in Austria and Ireland. In addition, WWI has debt service requirements of approximately $45 million and working capital needs of $24 million in Ireland and

Slovenia. In February 2004, WWI acquired an additional 17.87% ownership in its Irish subsidiary, Meteor Mobile Communications Limited ("Meteor") from two of its partners, Quantum Industrial Partners and SFM Domestic Investments, for approximately $30 million. In 2004, WWI plans to explore additional new debt financing. WWI plans to fund its needs through cash flow from operations in Austria, Bolivia, Haiti and Ghana, local foreign borrowings in Bolivia, proceeds from its potential refinancing activities, in combination with, to the extent necessary, up to $110 million in contributions and advances from Western Wireless.

We believe that domestic operating cash flow and available international loan facilities will be adequate to fund our projected 2004 domestic and international capital requirements. In 2004, we intend to reborrow approximately $60 million under Revolver A of the Credit Facility in order to make the required excess cash flow prepayment required by the Credit Facility. Our domestic business plans do not indicate a need to increase our net borrowing under the Credit Facility, even though borrowing capacity is expected to exist. If we do not achieve planned domestic operating cash flow targets, quarterly covenants and borrowing limitations contained in the Credit Facility and the 2013 Notes may trigger a limitation on the available borrowing capacity under the Credit Facility. Our operating cash flow is dependent upon, among other things: (i) the amount of revenue we are able to generate from our customers; (ii) the amount of operating expenses required to provide our services; (iii) the cost of acquiring and retaining customers; and (iv) our ability to grow our customer base. In order to comply with debt covenants or in the event that the borrowing capacity under the Credit Facility is limited, we may be required to curtail capital spending, reduce expenses, or otherwise modify our planned operations and/or seek additional debt or equity at the domestic or international level and/or restructure or refinance our existing financing arrangements. Our ability to raise additional capital, if necessary, is subject to a variety of factors, including: (i) the commercial success of our operations; (ii) the volatility and demand of the capital markets, conditions in the economy generally and the telecommunications industry specifically; and (iii) other factors we cannot presently predict with certainty. There can be no assurance that such funds will be available to us or if such funding will be available on acceptable terms.

As part of our overall business strategy, we regularly evaluate opportunities and alternatives, including acquisitions, dispositions, investments, and sources of capital, consummation of any of which could have a material effect on our business, financial condition, liquidity or results of operations. In this regard, we are investigating a spin-off or divestiture of our international operations. Although we are giving serious consideration to a spin-off of our international operations, as early as the fourth quarter of 2004, no decision has been made as to whether to proceed with such a transaction. Any such decision would be subject to numerous conditions, including, among others, approval by our board of directors of the terms and conditions of such a transaction, favorable market and financing conditions, the tax effects of such a transaction and any required governmental and third-party approvals.

On May 3, 1999, we distributed to our shareholders our entire interest in VoiceStream, now TMO (the "Spin-off"). Prior to the Spin-off, we received a ruling from the Internal Revenue Service that the Spin-off would not result in the recognition of income or gain by us or our shareholders. Notwithstanding the ruling, however, we (but not our shareholders) would recognize gain as a result of the Spin-off if the Spin-off were part of a "prohibited plan," that is, a plan or series of related transactions pursuant to which one or more persons acquired, directly or indirectly, 50 percent or more of our or VoiceStream's stock during the four-year period beginning two years before the Spin-off. Because an acquisition totaling 50 percent or more of VoiceStream's stock occurred during this period, a rebuttable presumption exists that the Spin-off was part of a prohibited plan. Although the issue is not free from doubt, we believe that the Spin-off was not part of a prohibited plan and that the presumption can be rebutted.

In conjunction with the Spin-off, VoiceStream agreed to indemnify us on an after-tax basis for any taxes imposed on us if an acquisition of VoiceStream's stock causes the Spin-off to be part of a prohibited plan. As a result, if the presumption that the Spin-off was part of a prohibited plan is not successfully rebutted, we believe that VoiceStream would be responsible for our resulting tax liability arising from the Spin-off. Even if it is ultimately determined that the Spin-off was part of a prohibited plan, we believe that TMO is capable of funding its indemnity obligation to us.

The following table summarizes our contractual cash obligations, utilizing current exchange rates, as of December 31, 2003:

	Payments Due During the Years Ended December 31,				
	Total	2004	2005 - 2006	2007 - 2008	Thereafter
	(Dollars in thousands)				
Domestic long-term debt	$1,892,256	$ 99	$400,157	$772,000	$720,000
International long-term debt	327,955	47,219	236,032	41,400	3,304
Operating lease obligations	272,495	60,478	62,884	36,426	112,707
Purchase obligations(1)	64,325	64,325			
Other long-term obligations(2)	22,561	395	6,301	1,584	14,281
Total contractual cash obligations	$2,579,592	$172,516	$705,374	$851,410	$850,292

(1) Represents open purchase order commitments at December 31, 2003, mainly related to infrastructure.

(2) Mainly includes our asset retirement obligations and international site sharing costs. Excludes non-cash deferred revenue.

Net cash provided by operating activities was $324.1 million for the year ended December 31, 2003. Adjustments to the $0.3 million net loss to reconcile to net cash provided by operating activities included: (i) $40.5 million gain resulting from the sale of our Croatian joint venture; (ii) $276.4 million of depreciation, amortization and accretion; and (iii) $30.3 million in deferred income taxes primarily related to the ongoing difference between book and tax amortization of domestic licenses. Net cash provided by operating activities was $145.9 and $72.9 million for the years ended December 31, 2002 and 2001, respectively.

Net cash used in investing activities was $180.6 million for the year ended December 31, 2003. Investing activities for the year consisted primarily of $250.1 million in purchases of property and equipment, of which $75.9 million was related to WWI. This was partially offset by proceeds from the sale of our Croatian joint venture of $69.6 million. Net cash used in investing activities was $304.3 million and $432.9 million for the years ended December 31, 2002 and 2001, respectively.

Net cash used in financing activities was $84.9 million for the year ended December 31, 2003. Financing activities for the year consisted primarily of: (i) $739.5 million in additions to long-term debt primarily resulting from the issuance of $600 million and $115 million for the 2013 Notes and the 2023 Notes, respectively; (ii) $1.0 billion in repayments of long-term debt including prepayments of $400 million on the Credit Facility, $383 million for the extinguishment of our 2006 and 2007 Notes and a $175 million paydown on Revolver A; and (iii) $229.0 million related to the issuance of Class A Common Stock, net including $227.3 million related to our equity offering. Net cash provided by financing activities was $171.7 million and $381.7 million for the years ended December 31, 2002 and 2001, respectively.

Recently Issued Accounting Standards

In December 2003, the Staff of the Securities and Exchange Commission issued Staff Accounting Bulletin No. 104 "Revenue Recognition" ("SAB 104"), which supercedes SAB 101, "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 104's primary purpose is to rescind accounting guidance contained in SAB 101 related to multiple element revenue arrangements, superceded as a result of the issuance of Emerging Issues Task Force ("EITF") Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables" ("EITF No. 00-21"). The wording of SAB 104 was changed to reflect the issuance of EITF No. 00-21, however, the revenue recognition principles of SAB 101 remain largely unchanged by the issuance of SAB 104. We have reviewed SAB 104 and determined that there was no material effect on our financial position or results of operations.

In May 2003, the Financial Accounting Standards Board ("FASB") issued SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS No. 150"), which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances), many of which were previously

classified as equity. SFAS No. 150 is effective for us for financial instruments entered into or modified after May 31, 2003 and for fiscal periods beginning after June 15, 2003 for existing financial instruments. On October 29, 2003, the FASB voted to defer the provisions of paragraphs 9 and 10 of SFAS No. 150 as they apply to mandatorily redeemable noncontrolling interests. We will evaluate the applicability of any changes to these provisions upon their reissuance. There was no impact to our financial position or results of operations as a result of adopting those provisions of SFAS No. 150 that remained in effect.

In January 2003, the FASB issued Financial Interpretation ("FIN") No. 46, "Consolidation of Variable Interest Entities" ("FIN No. 46"). The objective of FIN No. 46 is to improve financial reporting by companies involved with variable interest entities. Prior to FIN No. 46, a company generally included another entity in its consolidated financial statements only if that company controlled the entity through voting interests. FIN No. 46 requires a variable interest entity to be consolidated by a company if that company is either subject to a majority of the risk of loss from the variable interest entity's activities, entitled to receive a majority of the entity's residual returns or both. The consolidation requirements of FIN No. 46 apply immediately to variable interest entities created after January 31, 2003. Certain disclosure requirements apply to all financial statements issued after January 31, 2003 regardless of when the variable interest entity was established. We adopted the provisions of FIN No. 46 effective January 31, 2003 for new or revised agreements and adopted the provisions of FIN No. 46 for existing agreements on July 1, 2003. In December 2003, the FASB issued a revision to FIN No. 46, which, among other things, deferred the effective date for certain variable interests. Applications is required for interest in special-purpose entities in the period ending after December 15, 2003 and application is required for all other types of variable interest entities in the period ending after March 31, 2004. The adoption of the effective provisions of FIN No. 46 had no material effect on our financial position or results of operations and we do not expect the adoption of the remaining provisions to have a material effect on our financial position or results of operations.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others" ("FIN No. 45"). FIN No. 45 requires the disclosure by the guarantor of certain guarantees that it has issued. FIN No. 45 also clarifies that a guarantor is required to recognize, at the inception of the guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. FIN No. 45 does not prescribe a specific approach for subsequently measuring the guarantor's recognized liability over the term of the related guarantee. FIN No. 45 incorporates, without change, the guidance in FASB Interpretation No. 34, "Disclosure of Indirect Guarantees of Indebtedness of Others," which is being superceded. FIN No. 45 is to be applied prospectively to guarantees issued or modified after December 31, 2002. The adoption of FIN No. 45 had no material effect on our financial position or results of operations.

In November 2002, the EITF reached a consensus on Issue No. 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor" ("EITF No. 02-16"), addressing the accounting for cash consideration received by a customer from a vendor, including vendor rebates and refunds. The consensus reached states that consideration received should be presumed to be a reduction of the prices of the vendor's products or services and should therefore be shown as a reduction of cost of sales in the income statement of the customer. The provisions of this consensus are applied prospectively and are consistent with our existing accounting policy.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS No. 146"). SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 supersedes EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 was applied prospectively to exit or disposal activities initiated after December 31, 2002 and had no material effect on our financial positions or results of operations.

Seasonality

We have historically experienced highest usage and revenue per subscriber during the summer months. We expect this trend to continue.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

Market Risk Management

We are exposed to various market financial risks, including changes in interest rates and foreign currency rates. As part of our risk management program, we utilize interest rate caps, swaps and collars to hedge a portion of our variable rate interest risk.

Interest Rate Risk

Our domestic operations have variable rate debt that at December 31, 2003 had an outstanding balance of $1.2 billion. The fair value of such debt approximates the carrying value. Of this variable rate debt at December 31, 2003, $755 million was hedged using interest rate caps, swaps and collars. The caps, swaps and collars in effect at December 31, 2003 expire at various dates between March 2004 and March 2006. The hedges in effect at December 31, 2003, fixed LIBOR between 1.30% and 7.00%. Based on our domestic unhedged variable rate obligations outstanding at December 31, 2003 a hypothetical increase or decrease of 10% in the LIBOR rate would have increased or decreased our domestic annual interest expense by approximately $0.6 million.

Our international operations also have variable rate debt that, at December 31, 2003 had an outstanding balance of approximately $0.3 billion. The fair value of such debt approximates the carrying value. Of this variable rate debt at December 31, 2003, $62.7 million was hedged using an interest rate swap, which fixes the interest rate at 4.94% through November 2009. Based on WWI's unhedged variable rate obligations outstanding at December 31, 2003 a 10% increase or decrease in each borrowing's average interest rate would, respectively, increase or decrease WWI's annual interest expense by approximately $0.5 million.

The potential increases or decreases discussed above are based on certain simplifying assumptions, including a constant level of variable rate debt for all maturities and an immediate, across-the-board increase or decrease in the level of interest rates with no other subsequent changes for the remainder of the period.

Foreign Currency Risk

Currently, 13% of our total international revenues are denominated in U.S. dollars. Certain of our international subsidiaries have functional currencies other than the U.S. dollar and their assets and liabilities are translated into U.S. dollars at exchange rates in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the period. A 10% appreciation in the U.S. dollar would have resulted in an approximately $7.7 million decrease in income (loss) from continuing operations before provision for income taxes and cumulative change in accounting principle for the twelve months ended December 31, 2003. Such a change in income (loss) from continuing operations before provision for income taxes and cumulative change in accounting principle would have resulted from applying a different exchange rate to translate and revalue the financial statements of our international subsidiaries with functional currencies other than the U.S. dollars.

At December 31, 2003, our Slovenian operations, whose functional currency is the Slovenian tolar, had variable rate debt of approximately $61.8 million denominated and repayable in euros and our Austrian operations, whose functional currency is the euro, had variable rate debt, including accrued interest of approximately $223.8 million denominated and repayable in euros. The fair value of such debt approximates the carrying amount on the consolidated balance sheet at December 31, 2003. A 10% appreciation in the euro as compared to the Slovenian tolar would have resulted in an approximately $5.9 million increase in income (loss) from continuing operations before provision for income taxes and cumulative change in accounting principle during the twelve months ended December 31, 2003. Such a change in income (loss) from continuing operations before provision for income taxes and cumulative change in accounting principle would have been the result of an unrealized foreign exchange loss. A 10% appreciation in the euro and Slovenian tolar as compared to the U.S. dollar would have resulted in an approximately $32.6 million increase in debt outstanding at December 31, 2003 with an offsetting currency translation adjustment.

Item 8. *Financial Statements and Supplementary Data*

The financial statements required by this item are set forth on pages 61 through 100 and the related financial statement schedules are set forth on pages 101 through 105.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *Controls and Procedures*

(A) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chairman and Chief Executive Officer along with our Executive Vice President and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, our Chairman and Chief Executive Officer and Executive Vice President and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to us (including our consolidated subsidiaries) required to be included in our periodic SEC filings.

(B) Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART III

Item 10. *Directors and Executive Officers of the Registrant*

The information on directors of the registrant required by this Item is incorporated by reference to the section entitled "Election of Directors and Management Information" in our Proxy Statement for our 2004 annual shareholders meeting to be filed with the United States Securities and Exchange Commission ("Proxy Statement"). The information on executive officers of the registrant called for by this Item is included herein under Part I in the section entitled "Executive Officers of the Registrant."

Item 11. *Executive Compensation*

The information required by this Item is incorporated by reference to the section entitled "Executive Compensation" in our Proxy Statement.

Item 12. *Security Ownership of Certain Beneficial Owners and Management*

The information required by this Item is incorporated by reference to the section entitled "Security Ownership of Certain Beneficial Owners and Management" in our Proxy Statement.

Item 13. *Certain Relationships and Related Transactions*

The information required by this Item is incorporated by reference to the section entitled "Certain Relationships and Related Transactions" in our Proxy Statement.

Item 14. *Principal Accountant Fees and Services*

The information required by this Item is incorporated by reference to the section entitled "Principal Accountant Fees and Services" in our Proxy Statement.

PART IV

Item 15. *Exhibits, Financial Statements, Schedules and Reports on Form 8-K*

(a) *Financial Statements and Schedules*

The financial statements and schedules that are filed with this Form 10-K are set forth in the Index to Consolidated Financial Statements and Schedules, which immediately precedes such documents.

(b) *Reports on Form 8-K*

A Form 8-K was furnished on October 23, 2003 for the purpose of reporting, under Items 9 and 12, the Company's financial and operating results for the quarter ended September 30, 2003.

A Form 8-K was filed on October 31, 2003 for the purpose of reporting, under Item 5, that the Company had issued and sold in an underwritten public offering 12 million shares of its Class A common stock and filing under Item 7 certain exhibits relating to such offering.

(c) *Exhibits*

Exhibit Number	Exhibit Title
3.1(A)	Amended and Restated Articles of Incorporation.
3.2(A)	Bylaws of the Registrant.
4.6(P)	Indenture between Western Wireless Corporation and The Bank of New York, dated July 16, 2003, relating to 4.625% Convertible Subordinated Notes due 2023
4.7(P)	Indenture between Western Wireless Corporation and The Bank of New York, dated June 11, 2003, relating to 9.250% Senior Notes due 2013
10.1(F)	Master Purchase Agreement between Western Wireless Corporation and Nortel Networks, Inc. dated March 10, 2000.
10.2	Amendment Number 1 to Master Purchase Agreement between Western Wireless Corporation and Nortel Networks, Inc. effective January 1, 2001.
10.3(G)	Amended and Restated General Agreement for Purchase of Cellular Systems between Lucent Technologies, Inc. and Western Wireless Corporation dated October 1, 1999.
10.4(D)	License and Services Agreement between Western Wireless Corporation and AMDOCS (UK) Limited dated August 23, 1999.
10.6(J)	Stock Purchase Agreement by and between Western Wireless International Corporation and Bradley J. Horwitz dated April 12, 2001.
10.7(A)	Voting Agreement by and among Western Wireless Corporation and certain of its shareholders, dated May 13, 1996.
10.8(A)	Employment Agreement by and between John W. Stanton and Western Wireless Corporation dated March 12, 1996.
10.9(A)	Employment Agreement by and between Mikal J. Thomsen and Western Wireless Corporation dated March 12, 1996.
10.10(A)	Employment Agreement by and between Theresa E. Gillespie and Western Wireless Corporation dated March 12, 1996.
10.11(C)	Employment Agreement by and between Donald Guthrie and Western Wireless Corporation dated March 12, 1996.
10.12(I)	Employment Agreement by and between Bradley J. Horwitz and Western Wireless Corporation dated March 20, 1996.
10.14(E)	Employment Agreement by and between Jeffrey A. Christianson and Western Wireless Corporation dated December 17, 1999.
10.15(J)	Employment Agreement by and between Gerald J. Baker and Western Wireless Corporation dated January 22, 2001.

Exhibit Number	Exhibit Title
10.16(L)	Employment Agreement by and between Eric Hertz and Western Wireless Corporation dated May 7, 2002.
10.17(M)	Employment Agreement by and between M. Wayne Wisehart and Western Wireless Corporation dated January 3, 2003.
10.18(J)	Form of Indemnification Agreement between Western Wireless Corporation and its Directors and Executive Officers.
10.19(I)	Subscription and Put and Call Agreement with respect to Shares of Common Stock of Western Wireless International Corporation between Western Wireless International Corporation, Western Wireless Corporation, WWC Holding Co., Inc., and Bradley J. Horwitz, as amended through second amendment.
10.20(J)	Third Amendment to the Subscription and Put and Call Agreement with respect to Share of Common Stock of Western Wireless International Corporation by and between Western Wireless International Corporation, Western Wireless Corporation, WWC Holding Co., Inc. and Bradley J. Horwitz dated February 28, 2001.
10.21(J)	Fourth Amendment to the Subscription and Put and Call Agreement with respect to Share of Common Stock of Western Wireless International Corporation by and between Western Wireless International Corporation, Western Wireless Corporation, WWC Holding Co., Inc. and Bradley J. Horwitz dated March 31, 2001.
10.22(J)	Fifth Amendment to the Subscription and Put and Call Agreement with respect to Share of Common Stock of Western Wireless International Corporation by and between Western Wireless International Corporation, Western Wireless Corporation, WWC Holding Co., Inc. and Bradley J. Horwitz dated April 12, 2001.
10.23(L)	Western Wireless Corporation 1994 Management Incentive Stock Option Plan, as amended through February 3, 2000.
10.24	Western Wireless Corporation 1996 Employee Stock Purchase Plan, as amended through November 2001.
10.25(B)	Western Wireless Corporation 1997 Executive Restricted Stock Plan.
10.26(H)	Agreement and Plan of Distribution between Western Wireless Corporation and VoiceStream Wireless Corporation dated April 9, 1999.
10.27(F)	Loan Agreement among Western Wireless Corporation, as Borrower, TD Securities (USA) Inc., as Arranger, Bank of America, N.A., The Chase Manhattan Bank, and Barclays Bank PLC, as Co-Documentation Agents and Co-Syndication Agents, Dresdner Bank, AG, New York and Grand Cayman Branches, First Union National Bank, Fleet National Bank, Goldman Sachs Credit Partners LP, Cooperative Centrale-Raiffeisen Boerenleenbank B.A. "Rabobank International", New York Branch, and Union Bank of California, N.A., as Managing Agents, Skandinaviska Enskilda Banken AB and U.S. Bank National Association, as Co-Agents, and Toronto Dominion (Texas) Inc., as Administrative Agent, dated as of April 25, 2000.
10.28(N)	Western Wireless International Holding Corporation Amended and Restated 1998 Stock Appreciation Plan.
10.29(K)	Agreement dated May 4, 2001 by and among Mannesmann Eurokom GmbH, EKOM Telecommunications Holding Ag and EHG Einkaufs-und Handels GmbH for the Sale and Purchase of 100% of the Shares in tele.ring Telekom Service GmbH, 100% of the Partnership Interest in tele.ring Telekom Service GmbH & Co KEG and for the Call-Option regarding the Sale and Purchase of 100% of the shares in Mannesmann 3G Mobilfunk GmbH 2.2.
10.30(K)	Term Loan Agreement dated June 29, 2001 by and between tele.ring TeleKom Service GmbH, as Borrower, and EKOM Telecommunications Holding AG, as Lender.
10.31(L)	Letter Agreement dated April 5, 2002 by and among tele.ring Telekom Service GmbH, EHG Einkaufs-und Handels GmbH, Vodafone AG (as universal successor of Mannesmann Eurokom GmbH) and EKOM Telecommunications Holding AG.

Exhibit Number	Exhibit Title
10.32(N)	Amendment No. 1 to Term Loan Agreement, dated January 30, 2003 to Term Loan Agreement dated June 29, 2001, by and between tele.ring Telekom GmbH, as Borrower, and EKOM Telecommunications AG, as Lender.
10.33(M)*	Amendment No. 1 to the Amended and Restated General Agreement for Purchase of Cellular Systems between Western Wireless Corporation and Lucent Technologies, Inc. dated September 17, 2002.
10.34(N)*	Facility Agreement dated April 30, 2002 by and between Western Wireless International d.o.o., as Borrower and IKB Deutsche Industriebank AG, as Lead Arranger, Off Shore Security Agent, Off Shore Facility Agent and Original euro Facility Bank and Others.
10.35(N)*	First Amendment Agreement relating to the Facility Agreement dated 30 April 2002 by and between Western Wireless International d.o.o., as borrower and IKB Deutsche Industriebank AG, as Lead Arranger, Off Shore Security Agent, Off Shore Facility Agent and original euro Facility Bank and Others.
10.36(O)	Western Wireless Corporation Executive Restricted Stock Plan, as amended through May 2003
10.37(O)*	Master Purchase and License Agreement between Western Wireless Corporation and Nortel Networks, Inc., dated July 16, 2003
10.38(O)*	First Amendment to Loan Agreement, dated as of July 9, 2003 relating to the Loan Agreement dated as of April 25, 2000
10.39(P)	Second Amendment Agreement, dated August 28, 2003, relating to the Facility Agreement dated 30 April 2002, by and between Western Wireless International d.o.o, as borrower and IKB Deutsche Industriebank AG, as Lead Arranger, Off Shore Security Agent, Off Shore Facility Agent and Original Euro Facility Bank and Others.
10.40(P)	Second Amendment and Restatement, dated August 28, 2003, of the Sponsors' and Shareholders' Undertaking and Completion Guarantee dated 30 April 2002, among Western Wireless International d.o.o., as Borrower, IKB Deutsche Industriebank AG, as Off Shore Security Agent or Off Shore Facility Agent, as the case may be, and Western Wireless International Corporation, Western Wireless International Slovenia Corporation and Western Wireless International Slovenia II Corporation, together the Sponsors.
10.41	Sixth Amendment to the Subscription and Put and Call Agreement with respect to Share of Common Stock of Western Wireless International Corporation by and between Western Wireless International Corporation, Western Wireless Corporation, WWC Holding Co., Inc. and Bradley J. Horwitz dated January 18, 2004.
12.1	Computation of Ratio of Earnings to Fixed Charges.
21.1(N)	Subsidiaries of the Registrant.
23.1	Consent of PricewaterhouseCoopers LLP.
31.1	Certification of John W. Stanton, Chairman and Chief Executive Officer of Western Wireless Corporation, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a))
31.2	Certification of M. Wayne Wisehart, Executive Vice President and Chief Financial Officer of Western Wireless Corporation, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a))
32.1	Certification of John W. Stanton, Chairman and Chief Executive Officer of Western Wireless Corporation, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)
32.2	Certification of M. Wayne Wisehart, Executive Vice President and Chief Financial Officer of Western Wireless Corporation, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

(A) Incorporated by reference to the exhibit filed with our Registration Statement on Form S-1 (Commission File No. 333-2432).

(B) Incorporated by reference to the exhibit filed with our Registration Statement on Form S-4 (Commission File No. 333-14859).

(C) Incorporated by reference to the exhibit filed with our Form 10-K for the year ended 12/31/96.

(D) Incorporated by reference to the exhibit filed with our Form 10-Q for the quarter ended 9/30/99.

(E) Incorporated by reference to the exhibit filed with our Form 10-K for the year ended 12/31/99.

(F) Incorporated by reference to the exhibit filed with our Form 10-Q for the quarter ended 3/31/00.

(G) Incorporated by reference to the exhibit filed with our Form 10-Q for the quarter ended 6/30/00.

(H) Incorporated by reference to the exhibit filed with the VoiceStream Wireless Corporation Form 10 (Commission File No. 000-25441) filed with the SEC on February 26, 1999.

(I) Incorporated by reference to the exhibit filed with our Form 10-K for the year ended 12/31/00.

(J) Incorporated by reference to the exhibit filed with our Form 10-Q for the quarter ended 3/31/01.

(K) Incorporated by reference to the exhibit filed with our Form 8-K on July 16, 2001.

(L) Incorporated by reference to the exhibit filed with our Form 10-Q for the quarter ended 6/30/02.

(M) Incorporated by reference to the exhibit filed with our Form 10-Q for the quarter ended 9/30/02.

(N) Incorporated by reference to the exhibit filed with our Form 10-K for the year ended 12/31/02.

(O) Incorporated by reference to the exhibit filed with our Form 10-Q for the quarter ended 6/30/03.

(P) Incorporated by reference to the exhibit filed with our Form 10-Q for the quarter ended 9/30/03.

* Confidential treatment granted with respect to certain portions of this Exhibit.

WESTERN WIRELESS CORPORATION

FORM 10-K
For The Year Ended December 31, 2003

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of
Western Wireless Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive income (loss), of shareholders' equity (deficit) and of cash flows present fairly, in all material respects, the financial position of Western Wireless Corporation and its subsidiaries at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the accompanying index present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedules are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2 to the consolidated financial statements, effective January 1, 2003, the Company changed its method of accounting for legal liabilities associated with asset retirements as required by Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations".

As described in Note 6 to the consolidated financial statements, effective January 1, 2002, the Company changed its method of accounting for intangible assets as required by Statement of Financial Accounting Standards No. 142, "Goodwill and Intangible Assets".

As described in Note 2 to the consolidated financial statements, effective January 1, 2001, the Company changed its method of accounting for derivative instruments and hedging activities as required by Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities".

PRICEWATERHOUSECOOPERS LLP

Seattle, Washington
March 10, 2004

WESTERN WIRELESS CORPORATION

CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	As of December 31, 2003	2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 128,597	$ 62,429
Accounts receivable, net of allowance for doubtful accounts of $24,523 and $22,059, respectively	215,813	159,976
Inventory	30,182	24,461
Marketable securities		10,270
Prepaid expenses and other current assets	23,067	43,078
Total current assets	397,659	300,214
Property and equipment, net of accumulated depreciation of $932,915 and $739,437, respectively	901,866	855,595
Licensing costs and other intangible assets, net of accumulated amortization of $27,512 and $23,838, respectively	1,189,744	1,163,399
Investments in and advances to unconsolidated affiliates	9,353	41,284
Other assets	23,062	38,484
	$ 2,521,684	$ 2,398,976
LIABILITIES AND NET CAPITAL DEFICIENCY		
Current liabilities:		
Accounts payable	$ 100,651	$ 59,363
Accrued liabilities and other	203,753	179,065
Construction accounts payable	31,061	30,543
Current portion of long-term debt	47,318	141,914
Total current liabilities	382,783	410,885
Long-term liabilities:		
Long-term debt, net of current portion	2,172,893	2,317,070
Deferred income taxes	150,977	120,687
Other long-term liabilities	39,565	14,022
Total long-term liabilities	2,363,435	2,451,779
Minority interests in consolidated subsidiaries	22,083	22,749
Commitments and contingencies (Note 10)		
Net capital deficiency:		
Preferred stock, no par value, 50,000,000 shares authorized; no shares issued and outstanding		
Common stock, no par value, 300,000,000 shares authorized; Class A, 84,663,930 and 72,229,605 shares issued and outstanding, respectively, and; Class B, 6,792,721 and 6,774,724 shares issued and outstanding, respectively	899,304	669,072
Deferred compensation	(112)	(39)
Accumulated other comprehensive loss	(16,514)	(26,513)
Deficit	(1,129,295)	(1,128,957)
Total net capital deficiency	(246,617)	(486,437)
	$ 2,521,684	$ 2,398,976

See accompanying notes to consolidated financial statements.

WESTERN WIRELESS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Dollars in thousands, except per share data)

	For the Years Ended December 31,		
	2003	2002	2001
Revenues:			
Subscriber revenues	$1,107,535	$ 810,686	$ 693,776
Roamer revenues	263,031	257,935	252,514
Fixed line revenues	56,613	55,751	29,198
Equipment sales	59,609	53,632	46,938
Other revenues	14,536	8,606	15,533
Total revenues	1,501,324	1,186,610	1,037,959
Operating expenses:			
Cost of service (exclusive of depreciation and accretion included below and stock-based compensation, net of $319, $0 and $151, respectively)	422,653	360,691	287,811
Cost of equipment sales	160,979	118,649	103,352
General and administrative (exclusive of stock-based compensation, net of $10,281, ($4,122) and $1,875, respectively)	256,859	216,848	222,510
Sales and marketing (exclusive of stock-based compensation, net of $345, $0 and $281, respectively)	216,093	181,552	194,111
Depreciation, amortization and accretion	272,289	240,487	209,926
Asset dispositions	7,640	21,304	
Stock-based compensation, net	10,945	(4,122)	2,307
Total operating expenses	1,347,458	1,135,409	1,020,017
Other income (expense):			
Interest and financing expense, net	(158,569)	(156,691)	(161,853)
Equity in net income (loss) of unconsolidated affiliates, net of tax	2,750	4,219	(7,772)
Gain on sale of Croatian joint venture	40,519		
Loss on extinguishment of debt	(21,220)		
Other, net	14,841	813	(10,848)
Total other expense	(121,679)	(151,659)	(180,473)
Minority interests in net loss of consolidated subsidiaries	4,717	8,408	18,967
Income (loss) from continuing operations before provision for income taxes and cumulative change in accounting principle	36,904	(92,050)	(143,564)
Provision for income taxes	(35,011)	(123,270)	
Income (loss) from continuing operations before cumulative change in accounting principle	1,893	(215,320)	(143,564)
Discontinued operations:			
Income (loss) from discontinued operations		5,736	(5,933)
Gain on sale of discontinued operations		23,903	
Total discontinued operations		29,639	(5,933)
Income (loss) before cumulative change in accounting principle	1,893	(185,681)	(149,497)
Cumulative change in accounting principle	(2,231)		(5,580)
Net loss	$ (338)	$ (185,681)	$ (155,077)
Basic and diluted loss per share:			
Continuing operations before cumulative change in accounting principle	$ 0.02	$ (2.73)	$ (1.82)
Discontinued operations		0.38	(0.08)
Cumulative change in accounting principle	(0.02)		(0.07)
Basic and diluted loss per share	$ 0.00	$ (2.35)	$ (1.97)
Pro forma net income (loss) assuming SFAS No. 143 is applied retroactively (Note 2)	$ 1,893	$ (186,601)	$ (155,631)
Comprehensive income (loss):			
Net loss	$ (338)	$ (185,681)	$ (155,077)
Unrealized income (loss) on marketable securities:			
Reclassification adjustment	5,208	223	(1,984)
Unrealized holding gain (loss)	990	(8,777)	(3,067)
Net unrealized income (loss) on marketable securities	6,198	(8,554)	(5,051)
Unrealized income (loss) on hedges:			
Reclassification adjustment, net	82		
Unrealized loss on hedges	(203)	(5,856)	(8,082)
Net unrealized loss on hedges	(121)	(5,856)	(8,082)
Foreign currency translation	3,922	12,078	(1,173)
Total comprehensive income (loss)	$ 9,661	$ (188,013)	$ (169,383)

See accompanying notes to consolidated financial statements.

WESTERN WIRELESS CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
(Dollars in thousands)

	Common Stock				Accumulated Other Comprehensive		Total Net Capital
	Class A Shares	Class B Shares	Paid-in Capital	Deferred Compensation	Loss	Deficit	Deficiency
BALANCE AS OF JANUARY 1, 2001	71,054,977	7,060,059	$665,084	$(5,703)	$ (9,875)	$ (788,199)	$(138,693)
Shares issued:							
Upon exercise of stock options	747,639		4,596				4,596
Class B shares exchanged for Class A shares	78,987	(78,987)					
Deferred compensation			(1,522)	5,703			4,181
Foreign currency translation adjustment					(1,173)		(1,173)
Unrealized loss on hedges					(8,082)		(8,082)
Unrealized loss on securities					(3,067)		(3,067)
Reclassification adjustment on sale of securities					(1,984)		(1,984)
Net loss						(155,077)	(155,077)
BALANCE AS OF DECEMBER 31, 2001	71,881,603	6,981,072	668,158	—	(24,181)	(943,276)	(299,299)
Shares issued:							
Upon exercise of stock options	81,654	25,000	797				797
Class B shares exchanged for Class A shares	231,348	(231,348)					
Deferred compensation	35,000		117	(39)			78
Foreign currency translation adjustment					12,078		12,078
Unrealized loss on hedges					(5,856)		(5,856)
Unrealized loss on securities					(8,777)		(8,777)
Reclassification adjustment on sale of securities					223		223
Net loss						(185,681)	(185,681)
BALANCE AS OF DECEMBER 31, 2002	72,229,605	6,774,724	669,072	(39)	(26,513)	(1,128,957)	(486,437)
Shares issued:							
Upon exercise of stock options	226,322	25,000	1,671				1,671
Class B shares exchanged for Class A shares	7,003	(7,003)					
Upon grant to executive officers in lieu of cash bonuses	201,000		1,037				1,037
For cash, net of costs	12,000,000		227,300				227,300
Deferred compensation			224	(73)			151
Foreign currency translation adjustment					3,922		3,922
Unrealized loss on hedges					(203)		(203)
Reclassification adjustment on hedges					82		82
Unrealized gain on securities					990		990
Reclassification adjustment on sale of securities					5,208		5,208
Net loss						(338)	(338)
BALANCE AS OF DECEMBER 31, 2003	84,663,930	6,792,721	$899,304	$ (112)	$(16,514)	$(1,129,295)	$(246,617)

See accompanying notes to consolidated financial statements.

WESTERN WIRELESS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	For the Years Ended December 31,		
	2003	2002	2001
Operating activities:			
Net loss	$ (338)	$(185,681)	$(155,077)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Discontinued operations		(5,736)	5,933
Gain on sale of joint venture and subsidiary, respectively	(40,519)	(23,903)	
Cumulative change in accounting principle	2,231		5,580
Realized loss on marketable securities	5,180	658	(8,006)
Loss on early extinguishment of debt	21,220		
Depreciation, amortization and accretion	276,411	244,217	214,560
Deferred income taxes	30,290	120,687	
Asset dispositions	7,640	21,304	
Stock-based compensation, net	10,945	(4,122)	2,307
Equity in net (income) loss of unconsolidated affiliates, net of tax	(2,750)	(4,219)	7,772
Minority interests in net loss of consolidated subsidiaries	(4,717)	(8,408)	(18,967)
Adjustment of interest rate hedges to fair market value	(21,141)	(546)	18,710
Non-cash interest	10,633	7,407	936
Other, net	1,791	569	20
Changes in operating assets and liabilities:			
Accounts receivable, net	(38,764)	(6,258)	(15,485)
Inventory	(3,874)	10,794	(9,699)
Prepaid expenses and other current assets	22,728	7,349	4,957
Other assets	(5,178)	19	(16,782)
Accounts payable	25,265	(28,034)	23,538
Accrued liabilities	27,042	(237)	12,633
Net cash provided by operating activities	324,095	145,860	72,930
Investing activities:			
Purchase of property and equipment	(250,057)	(300,428)	(378,228)
Additions to licensing costs and other intangible assets	(9,705)	(15,093)	(33,537)
Proceeds from sale of joint venture and subsidiary, respectively	69,630	28,897	
Acquisition of wireless properties	(16,220)		
Proceeds from asset disposition	22,800	5,102	
Credit facility collateralization	(886)	(23,242)	
Proceeds from sale of marketable securities	279	1,534	26,636
Payments to VoiceStream Wireless			(24,500)
Purchase of minority interest in Western Wireless International			(14,140)
Other, net	3,540	(1,096)	(9,100)
Net cash used in investing activities	(180,619)	(304,326)	(432,869)
Financing activities:			
Additions to long-term debt	739,504	222,780	795,895
Repayment of long-term debt	(1,014,538)	(52,024)	(440,910)
Issuance of common stock, net	228,971	450	4,596
Deferred financing costs	(28,155)		
Premium on extinguishment of debt	(10,133)		
Minority interest contributions			22,163
Other, net	(509)	520	
Net cash provided by (used in) financing activities	(84,860)	171,726	381,744
Effect of exchange rate changes	7,552	4,086	
Change in cash and cash equivalents	66,168	17,346	21,805
Cash and cash equivalents, beginning of year	62,429	45,083	23,278
Cash and cash equivalents, end of year	$ 128,597	$ 62,429	$ 45,083

See accompanying notes to consolidated financial statements.

1. Organization:

Western Wireless Corporation ("Western Wireless," "the Company," "we," "our" and "us") provides wireless communications services in the United States principally through the ownership and operation of cellular systems. We provide cellular operations primarily in rural areas in 19 western states under the CellularONE® and Western Wireless® brand names.

We own approximately 98% of Western Wireless International Holding Corporation ("WWI"). WWI, through its consolidated subsidiaries and equity investments, is a provider of wireless communications services in seven countries. WWI owns controlling interests in six of these countries: Slovenia, Austria, Ireland, Bolivia, Haiti and Ghana. We also have a non-controlling interest in Georgia. In 2002, WWI sold its majority ownership interest in its Icelandic subsidiary and wrote off its investment in Côte d'Ivoire. In 2003, WWI sold its minority interest in its Croatian joint venture, VIP-Net GSM d.o.o. ("VIP-Net"). In 2003, we suspended operations in Côte d'Ivoire and we are uncertain as to when, or if, operations will be resumed there.

2. Summary of Significant Accounting Policies:

Principles of Consolidation:

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and its affiliate investments in which we have a greater than 50% interest. All affiliate investments in which we have a non-controlling interest, but have significant influence, are accounted for using the equity method. All significant intercompany accounts and transactions have been eliminated. As of December 31, 2003, we consolidate six of WWI's operating entities: Slovenia, Austria, Ireland, Bolivia, Haiti and Ghana.

U.S. headquarter functions of WWI and majority owned European, South American and Caribbean consolidated subsidiaries are recorded as of the date of the financial statements. Our consolidated Ghanaian entity and our Georgian entity, which is accounted for using the equity method, are presented on a one-quarter lag. We believe presenting financial information on a one-quarter lag for certain entities is necessary to provide adequate time to convert the results into United States Generally Accepted Accounting Principles ("GAAP") and ensure quality and accurate information to the users of our financial statements.

Revenue Recognition:

Access and special feature service revenues are recognized when earned. Service revenues based on customer usage are recognized at the time the service is provided. Activation fees for our indirect channel are deferred over the expected length of customer service, while activation fees for our direct channel are recognized when billed. We adopted the provisions of Emerging Issues Task Force ("EITF") Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables" ("EITF No, 00-21") effective July 1, 2003 on a prospective basis which requires activation fees collected by us through our direct channel to be included as a component of equipment revenues. Previously, activation fees collected through our direct channel were included in subscriber revenue. International prepaid service revenue is deferred until airtime is used, at which point revenue is recognized into income. Equipment sales, which primarily consist of handset revenues, are recognized upon delivery of the handset to the customer. We consider the sale of a handset to be a separate earnings process from that of providing monthly access.

Beginning in the third quarter of 2003, we include amounts collected from our customers for federal and state universal service fund assessments as a component of subscriber revenues. The subsequent remittances to the universal service fund are recorded in general and administrative expenses. The amounts included in subscriber revenues and general and administrative expenses were each approximately $12.9 million for the year ended December 31, 2003. Because the amount was not material to our previously reported revenues, expenses or net loss, we have not changed the presentation in prior periods.

Cash and Cash Equivalents:

Cash and cash equivalents generally consist of cash and marketable securities that have original maturity dates at the time of acquisition not exceeding three months. Such investments are stated at cost which approximates fair value.

Inventory:

Inventory consists primarily of handsets and related accessories. Inventory is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis and market value is determined using replacement cost.

Marketable Securities:

Marketable securities are stated at fair market value as determined by the most recently traded price of each security at the balance sheet date. All marketable securities are defined as available-for-sale securities under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No. 115"). We determine the appropriate classification of our investments in marketable securities at the time of purchase and reevaluate such determination at each balance sheet date. Available-for-sale securities are carried at fair value with the unrealized gains (losses) reported as a separate component of comprehensive income (loss), unless the unrealized loss is considered other-than-temporary, in which case it is recorded as other expense.

Long-Lived Assets:

Property and equipment are stated at cost. Depreciation commences once the assets have been placed in service and is computed using the straight-line method over the estimated useful lives of the assets. Lives for: (i) buildings and improvements range from 3 to 40 years; (ii) wireless communications systems range from 3 to 20 years; and (iii) furniture and equipment range from 2 to 7 years.

Domestic licensing costs primarily represent costs incurred to acquire Federal Communications Commission's ("FCC") wireless licenses, including cellular licenses principally obtained through acquisitions. Our domestic licensing costs have an indefinite useful life and, beginning January 1, 2002, are no longer amortized.

International licensing costs primarily represent costs incurred to acquire wireless spectrum in foreign markets and are recorded at cost. Amortization begins with the commencement of service to customers using the straight-line method over the estimated useful lives which include known renewal periods. Estimated useful lives range from 15 to 25 years, depending upon the period of issuance by government regulators.

Other intangible assets consist primarily of deferred financing costs and trademarks. Trademarks are amortized over their estimated useful lives, typically 10 years. Deferred financing costs are amortized using the effective interest method over the terms of the respective loans.

We capitalize interest costs associated with the cost of constructing our wireless networks and the cost of acquiring our licenses during the initial construction phase. These costs are amortized over the related assets' estimated useful lives. For the years ended December 31, 2003, 2002 and 2001, we capitalized $0.2 million, $2.1 million and $1.5 million of interest costs, respectively.

It is our policy to review the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Measurement of the impairment loss is based on the fair value of the asset. Generally, fair value will be determined using valuation techniques such as expected future cash flows.

As described in Note 6, we must assess the recoverability of our domestic licenses at least annually. This evaluation is performed on our domestic licensing costs as a single unit. We are required to separate individual

licensing costs from the combined operating unit at the time we adopt or consider a plan to dispose of an individual market. During late 2002, we began considering the sale of our Arizona 6 Rural Service Area ("RSA") license. Early indication of market values for this RSA reflected that future cash flows upon sale would not exceed the carrying value of the license. Accordingly, we recorded an impairment charge of $15 million related to this RSA which is included in asset dispositions in our consolidated statement of operations. Upon final negotiations, an additional impairment loss was recorded in 2003 of approximately $7.6 million. General market prices along with the sales price of this RSA still support our aggregate license valuation and do not indicate a broader impairment issue.

On January 1, 2003, we adopted SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). This statement relates to the expected costs of closing facilities and removing assets. SFAS No. 143 requires entities to record the fair value of a legal liability for an asset retirement obligation ("ARO") in the period it is incurred if a reasonable estimate of fair value can be made. This cost is initially capitalized and amortized over the remaining life of the underlying asset. Once the obligation is ultimately settled, any difference between the final cost and the recorded liability is recognized as a gain or loss. For us, an ARO includes those costs associated with removing component equipment that is subject to retirement from cell sites that reside upon leased property. As a result of adopting SFAS No. 143 on January 1, 2003, we recorded an ARO of $6.8 million and a non-cash cumulative change in accounting principle of $2.2 million representing accumulated accretion and depreciation through December 31, 2002. The accretion and depreciation expense for the twelve months ended December 31, 2003 related to the adoption of SFAS No. 143 was $1.3 million.

The following pro forma amounts show the effect of the retroactive application of the change in accounting principle for the adoption of SFAS No. 143.

	Year Ended December 31,		
	2003	2002	2001
	(Dollars in thousands, except per share data)		
As reported:			
Net loss	$ (338)	$(185,681)	$(155,077)
Basic income (loss) per share	$ 0.00	$ (2.35)	$ (1.97)
Diluted income (loss) per share	$ 0.00	$ (2.35)	$ (1.97)
Pro forma:			
Net income (loss)	$1,893	$(186,601)	$(155,631)
Basic income (loss) per share	$ 0.02	$ (2.36)	$ (1.98)
Diluted income (loss) per share	$ 0.02	$ (2.36)	$ (1.98)

	At December 31,		At January 1,
	2003	2002	2002
	(Dollars in thousands)		
Pro forma			
Asset retirement obligation	$8,511	$6,839	$6,183

Advertising Costs:

We expense advertising costs as incurred. Advertising costs totaled $43.6 million, $34.4 million and $39.1 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Income Taxes:

We file consolidated federal and state income tax returns and our foreign subsidiaries also file separate foreign income tax returns as may be applicable. Deferred tax assets and liabilities are recognized based on temporary differences between the financial statements and the tax basis of assets and liabilities using enacted tax rates expected to be in effect when they are realized. A valuation allowance against deferred tax assets is recorded when it is more likely than not that an uncertainty regarding their realizability exists.

Loss on Extinguishment of Debt:

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS No. 145"). SFAS No. 145 requires that gains and losses from the extinguishment of debt be classified as extraordinary items only if they meet the criteria in Accounting Principles Board ("APB") Opinion No. 30, ("Opinion No. 30"). Applying the provisions of Opinion No. 30 distinguishes transactions that are part of an entity's recurring operations from those that are unusual and infrequent that meet criteria for classification as an extraordinary item. Under SFAS No. 145, gains and losses on early extinguishment of debt are no longer considered "extraordinary." Accordingly, in 2003, we recorded a $21.2 million loss on the extinguishment of our 2006 and 2007 Notes and the refinancing of our Slovenian credit facility, in other expense.

Basic and Diluted Loss Per Share:

Basic loss per share is calculated using the weighted average number of shares of outstanding common stock during the period. Diluted loss per share is calculated using the weighted average number of shares of outstanding common stock plus the dilutive effect of outstanding stock options, convertible notes and the employee stock purchase plan using the "treasury stock" method or the "if-converted" method, as applicable. The number of shares outstanding has been calculated based on the requirements of SFAS No. 128, "Earnings Per Share" ("SFAS No. 128"). With respect to years in which we incurred losses from continuing operations before cumulative change in accounting principle, all options and convertible notes outstanding are anti-dilutive, thus basic and diluted loss per share are equal.

Stock-Based Compensation Plans:

In December 2002, we adopted the disclosure provisions of SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure" ("SFAS No. 148"), which amends SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). As permitted under SFAS No. 148, we have elected to continue to follow the intrinsic value method under Accounting Principles Board ("APB") No. 25, "Accounting for Stock Issued to Employees," in accounting for our stock-based compensation plans.

The following table illustrates the effect on our net loss and basic and diluted loss per share if we had applied the fair value recognition provisions of SFAS No. 123 to our stock-based compensation plans:

	Year Ended December 31,		
	2003	2002	2001
	(Dollars in thousands, except per share data)		
Net loss:			
As reported	$ (338)	$(185,681)	$(155,077)
Deduct: incremental stock-based compensation expense determined under fair value based method for all awards	(5,243)	(8,226)	(13,278)
Pro forma net loss	$(5,581)	$(193,907)	$(168,355)
Basic loss per share:			
As reported	$ 0.00	$ (2.35)	$ (1.97)
Pro forma	$ (0.07)	$ (2.46)	$ (2.14)
Diluted loss per share:			
As reported	$ 0.00	$ (2.35)	$ (1.97)
Pro forma	$ (0.07)	$ (2.46)	$ (2.14)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model using the following weighted average assumptions:

	2003	2002	2001
Weighted average risk free interest rates	4.1%	5.0%	5.0%
Expected dividend yield	0.0%	0.0%	0.0%
Expected volatility	75.0%	67.0%	64.0%
Expected lives (in years)	7.5	7.5	7.5

The Black-Scholes option pricing model requires the input of highly subjective assumptions and does not necessarily provide a reliable measure of fair value.

Foreign Currency Translation:

For operations outside the U.S. that prepare financial statements in currencies other than U.S. dollars, we translate the financial statements into U.S. dollars. Results of operations and cash flows are translated at average exchange rates during the period, and assets and liabilities are translated at end of period exchange rates, except for equity transactions and advances not expected to be repaid in the foreseeable future, which are translated at historical cost. The effects of exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars are accumulated as a separate component in comprehensive income (loss).

Fair Value of Financial and Derivative Instruments:

We enter into interest rate swap, cap and collar agreements to manage interest rate exposure pertaining to long-term debt. We have only limited involvement with these financial instruments, and do not use them for trading purposes. Interest rate swaps and collars are accounted for on an accrual basis, the cost of which is included in interest expense. Premiums paid to purchase interest rate cap agreements are classified as an asset and amortized to interest expense over the terms of the agreements.

We enter into foreign exchange contracts as needed to hedge certain foreign currency commitments. Gains and losses are recognized currently and are generally offset by gains or losses on the related commitments.

On January 1, 2001, we adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). We record all derivative instruments on the balance sheet at fair value. On the date derivative contracts are entered into, we designate the derivative as either: (i) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge); (ii) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge); or (iii) a hedge of a net investment in a foreign operation (net investment hedge). On July 1, 2003, we adopted the provisions of SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS No. 149"), which amends and clarifies the accounting guidance on derivative instruments and hedging activities that fall within the scope of SFAS No. 133. SFAS No. 149 also amends certain other existing pronouncements to provide more uniform reporting of contracts that are derivatives in their entirety or that contain embedded derivatives that warrant separate accounting. The adoption of the provisions of SFAS No. 149 had no material effect on our financial position or results of operations.

Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income (loss), depending on whether a derivative is designated as part of a hedge transaction and, if it is, depending on the type of hedge transaction. For fair value hedge transactions, changes in the fair value of the derivative instrument are generally offset in the statement of operations by changes in the fair value of the item being hedged. For cash flow hedge transactions, changes in the fair value of the derivative instrument are reported in other comprehensive income (loss). For net investment hedge transactions, changes in the fair value are recorded as a component of our foreign currency translation, which is also included in other comprehensive income (loss). The gains and losses on cash flow hedge transactions that are reported in other comprehensive income (loss) are reclassified to earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item or the hedge transactions are realized. The impact of ineffective hedges is recognized in results of operations in the periods in which the hedges are deemed to be ineffective.

For the years ended December 31, 2003, 2002 and 2001, respectively, other expense included a $21.6 million net gain, a $0.5 million net gain and a $18.7 million net loss related to non-qualified cash flow hedges under SFAS No. 133. During the years ended December 31, 2003, 2002 and 2001, respectively, other comprehensive income (loss) included net losses of $0.1 million, $5.9 million and $8.1 million on qualified cash flow hedges.

The impact of the adoption of SFAS No. 133 was a cumulative change in accounting principle loss of $5.6 million on January 1, 2001.

Information regarding the fair value of our financial instruments is summarized as follows:

	At December 31,			
	2003		2002	
	Recorded Value	Fair Value	Recorded Value	Fair Value
	(Dollars in thousands)			
Current and long-term debt	$2,220,211	$2,313,667	$2,458,984	$2,374,713
Interest rate swap, cap and collar liabilities	$ 17,222	$ 17,222	$ 38,700	$ 38,700

The carrying value of short-term financial instruments approximates fair value due to the short maturity of these instruments. The estimated fair value of long-term debt is based on incremental borrowing rates

currently available on loans with similar terms and maturities and upon quoted market prices for the same or similar debt issues. The fair value of interest rate swaps, caps, collars and foreign currency forwards is based upon quoted market prices of comparable contracts. We do not hold or issue any financial instruments for trading purposes.

Supplemental Cash Flow Disclosure:

Cash paid for interest was $152.0 million, $149.8 million and $154.2 million for the years ended December 31, 2003, 2002 and 2001, respectively.

The effect of exchange rate changes on cash and cash equivalents was not material for the year ended December 31, 2001.

In December 2003, we acquired the outstanding shares of Minnesota Southern Wireless from HickoryTech Corporation ("Hickory Tech") for cash and shares of HickoryTech stock we held. The stock payment portion of this agreement represented a non-cash transaction of 1,038,927 shares held by us with an assessed fair market value of $10.7 million.

In May 2003, we entered into an agreement with T-Mobile USA, Inc. ("TMO") where we received independently valued licenses for a nominal amount of cash and agreed to provide discounted roaming services through 2013. We recorded deferred revenue of $17.0 million associated with the acquisition, which will be amortized through 2013.

There were no significant non-cash investing or financing activities for the years ended December 31, 2002 and 2001.

Major Customer:

Our largest roaming partner, AT&T Wireless Services, Inc. ("AT&T Wireless"), accounted for 12%, 15% and 17% of our total domestic revenues in 2003, 2002 and 2001, respectively.

Reclassifications:

Certain amounts in prior years' financial statements have been reclassified to conform to the 2003 presentation.

Estimates Used in Preparation of Financial Statements:

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. On an on-going basis, we evaluate our estimates. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

Recently Issued Accounting Standards:

In December 2003, the Staff of the Securities and Exchange Commission issued Staff Accounting Bulletin No. 104 "Revenue Recognition" ("SAB 104"), which supercedes SAB 101, "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 104's primary purpose is to rescind accounting guidance contained in SAB 101 related to multiple element revenue arrangements, superceded as a result of the

issuance of EITF No. 00-21. The wording of SAB 104 was changed to reflect the issuance of EITF No. 00-21, however, the revenue recognition principles of SAB 101 remain largely unchanged by the issuance of SAB 104. We have reviewed SAB 104 and determined that there was no material effect on our financial position or results of operations.

In May 2003, the Financial Accounting Standards Board ("FASB") issued SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS No. 150"), which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances), many of which were previously classified as equity. SFAS No. 150 is effective for us for financial instruments entered into or modified after May 31, 2003 and for fiscal periods beginning after June 15, 2003 for existing financial instruments. On October 29, 2003, the FASB voted to defer the provisions of paragraphs 9 and 10 of SFAS No. 150 as they apply to mandatorily redeemable noncontrolling interests. We will evaluate the applicability of any changes to these provisions upon their reissuance. There was no impact to our financial position or results of operations as a result of adopting those provisions of SFAS No. 150 that remained in effect.

In January 2003, the FASB issued Financial Interpretation ("FIN") No. 46, "Consolidation of Variable Interest Entities" ("FIN No. 46"). The objective of FIN No. 46 is to improve financial reporting by companies involved with variable interest entities. Prior to FIN No. 46, a company generally included another entity in its consolidated financial statements only if that company controlled the entity through voting interests. FIN No. 46 requires a variable interest entity to be consolidated by a company if that company is either subject to a majority of the risk of loss from the variable interest entity's activities, entitled to receive a majority of the entity's residual returns or both. The consolidation requirements of FIN No. 46 apply immediately to variable interest entities created after January 31, 2003. Certain disclosure requirements apply to all financial statements issued after January 31, 2003 regardless of when the variable interest entity was established. We adopted the provisions of FIN No. 46 effective January 31, 2003 for new or revised agreements and adopted the provisions of FIN No. 46 for existing agreements on July 1, 2003. In December 2003, the FASB issued a revision to FIN No. 46, which, among other things, deferred the effective date for certain variable interests. Application is required for interests in special-purpose entities in the period ending after December 15, 2003 and application is required for all other types of variable interest entities in the period ending after March 31, 2004. The adoption of the effective provisions of FIN No. 46 had no material effect on our financial position or results of operations and we do not expect the adoption of the remaining provisions to have a material effect on our financial position or results of operations.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others" ("FIN No. 45"). FIN No. 45 requires the disclosure by the guarantor of certain guarantees that it has issued. FIN No. 45 also clarifies that a guarantor is required to recognize, at the inception of the guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. FIN No. 45 does not prescribe a specific approach for subsequently measuring the guarantor's recognized liability over the term of the related guarantee. FIN No. 45 incorporates, without change, the guidance in FASB Interpretation No. 34, "Disclosure of Indirect Guarantees of Indebtedness of Others," which is being superceded. FIN No. 45 is to be applied prospectively to guarantees issued or modified after December 31, 2002. The adoption of FIN No. 45 had no material effect on our financial position or results of operations.

In November 2002, the EITF reached a consensus on Issue No. 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor" ("EITF No. 02-16"), addressing the accounting for cash consideration received by a customer from a vendor, including vendor rebates and refunds. The consensus reached states that consideration received should be presumed to be a reduction of the

prices of the vendor's products or services and should therefore be shown as a reduction of cost of sales in the income statement of the customer. The provisions of this consensus are applied prospectively and are consistent with our existing accounting policy.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS No. 146"). SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 supersedes EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 was applied prospectively to exit or disposal activities initiated after December 31, 2002 and had no material effect on our financial position or results of operations.

3. Marketable Securities:

Marketable securities are classified as available-for-sale and are stated at fair market value. Information regarding our marketable securities as of December 31, 2002 is summarized as follows (dollars in thousands):

Available-for-sale equity securities:	
Aggregate fair value	$10,270
Historical cost	16,767
Unrealized holding loss	$(6,497)

Our net unrealized holding loss was included as a decrease to accumulated other comprehensive income (loss). Realized gains and losses are determined on the basis of specific identification.

4. Prepaid Expenses and Other Current Assets:

	December 31,	
	2003	2002
	(Dollars in thousands)	
Prepaid rent	$ 6,705	$ 7,651
Value added taxes receivable	3,419	9,027
Prepaid maintenance	1,052	9,055
Deferred customer acquisition costs	2,689	4,962
Deposits	734	5,970
Other	8,468	6,413
	$23,067	$43,078

5. Property and Equipment:

	December 31, 2003	December 31, 2002
	(Dollars in thousands)	
Land, buildings and improvements	$ 47,040	$ 37,228
Wireless communications systems	1,528,433	1,333,062
Furniture and equipment	163,586	135,561
	1,739,059	1,505,851
Less accumulated depreciation	(932,915)	(739,437)
	806,144	766,414
Construction in progress	95,722	89,181
	$ 901,866	$ 855,595

Depreciation expense was $263.9 million in 2003, $233.3 million in 2002 and $175.3 million in 2001.

6. Licensing Costs and Other Intangible Assets:

On January 1, 2002, we adopted SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). SFAS No. 142 addresses how acquired goodwill and other intangible assets are recorded upon their acquisition as well as how they are to be accounted for after they have been initially recognized in the financial statements. Under this statement, goodwill, including excess net book value associated with equity method investments, and other intangible assets with indefinite useful lives, on a prospective basis, is no longer amortized. Our domestic FCC licenses provide us with the exclusive right to utilize certain radio frequency spectrum to provide cellular communications services. FCC licenses are issued for only a fixed time, generally ten years and such licenses are subject to renewal by the FCC. Renewals of FCC licenses have historically occurred routinely and at nominal cost. Moreover, we have determined that there are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of our FCC licenses. As a result, our FCC licenses are treated as an indefinite-lived intangible asset under the provisions of SFAS No. 142 and are no longer amortized but rather are assessed for impairment. We must reevaluate the useful life determination for wireless licenses at regular intervals to determine whether events and circumstances continue to support an indefinite useful life. Our assessment is performed by combining our individual domestic licenses as a single unit and determining their fair value using the discounted present value of expected future cash flows. We consider our domestic licenses to be a single unit as they are operated in aggregate in such a manner that represents their highest and best use. In addition, it is unlikely that a significant portion of our individual RSAs or MSAs would be sold on a stand-alone basis. The determination of fair value is a complex consideration that involves significant assumptions and estimates. Assumptions and estimates made were based on our best judgments and included among other things: (i) an assessment of market and economic conditions including discount rates; (ii) future operating strategy and performance; (iii) competition and market share; and (iv) the nature and cost of technology utilized. During the third quarter of 2003, we completed our annual impairment assessment of our indefinite life intangible assets and determined that in the aggregate they continue not to be impaired. Impairment must be assessed at least annually for these assets, or when indications of impairment exist. It is possible that future assessments could cause us to conclude that impairment indications exist. Accordingly, there are no assurances that future valuations will result in the conclusion that our domestic licenses are not impaired.

In connection with the adoption of SFAS No. 142, we incurred a deferred income tax provision of $120.7 million for the year ended December 31, 2002 mainly to increase the valuation allowance related to our net operating loss ("NOL") carryforwards. This charge included $96.9 million as the initial effect as of

January 1, 2002. We have significant deferred tax liabilities related to our domestic licenses. Historically, we did not need a valuation allowance for the portion of our NOL carryforward equal to the amount of license amortization expected to occur during the NOL carryforward period. Since we ceased amortizing domestic licenses on January 1, 2002 for book purposes and we can no longer estimate the amount, if any, of deferred tax liabilities related to our domestic licenses which will reverse during the NOL carryforward period, we have increased the valuation allowance accordingly. Subsequent to January 1, 2002, we have continued to amortize our domestic licenses for federal income tax purposes, but as previously discussed, domestic license costs are no longer amortized for book purposes. The ongoing difference between book and tax amortization resulted in an additional deferred income tax provision of approximately $23.8 million for the year ended December 31, 2002. For the year ended December 31, 2003, the domestic income tax provision was $30.3 million. This deferred income tax provision was comprised mainly of the ongoing difference between book and tax amortization of domestic licenses for the year coupled with the acquisition of the 1900 MHz PCS licenses acquired from TMO. Deferred income taxes represent a non-cash charge and are not currently paid or payable and accordingly there is no impact on cash flows from operating, investing or financing activities.

Information related to our licensing costs and other intangible assets is as follows:

	December 31,	
	2003	2002
	(Dollars in thousands)	
Intangible assets subject to amortization:		
International related licensing costs	$ 101,367	$ 94,324
Deferred financing costs	41,174	30,487
Trademark and other	16,357	14,347
	158,898	139,158
Accumulated amortization:		
International related licensing costs	(17,237)	(9,888)
Deferred financing costs	(6,808)	(11,918)
Trademark and other	(3,467)	(2,032)
	(27,512)	(23,838)
Net intangible assets subject to amortization	131,386	115,320
Intangible assets not subject to amortization:		
Domestic licensing costs	1,058,358	1,048,079
	$1,189,744	$1,163,399

We include the amortization of deferred financing costs in interest and financing expense. The following table represents current and expected amortization expense, excluding deferred financing costs, for each of the following periods (dollars in thousands):

Aggregate amortization expense:	
For the year ended December 31, 2003	$7,421
Expected amortization expense:	
For the year ending December 31, 2004	$8,411
For the year ending December 31, 2005	$8,411
For the year ending December 31, 2006	$7,405
For the year ending December 31, 2007	$7,405
For the year ending December 31, 2008	$7,405

The following table reconciles our net loss adjusted to exclude amortization expense related to intangible assets, assuming the adoption of SFAS No. 142 had occurred on January 1, 2001:

	Year Ended December 31,		
	2003	2002	2001
	(Dollars in thousands, except per share data)		
Income (loss) from continuing operations before cumulative change in accounting principle	$ 1,893	$(215,320)	$(143,564)
Add back: license amortization			30,458
Adjusted income (loss) from continuing operations before cumulative change in accounting principle	1,893	(215,320)	(113,106)
Total discontinued operations		29,639	(5,933)
Income (loss) before cumulative change in accounting principle	1,893	(185,681)	(119,039)
Cumulative change in accounting principle	(2,231)		(5,580)
Adjusted net loss	$ (338)	$(185,681)	$(124,619)
Basic income (loss) per share:			
Continuing operations before cumulative change in accounting principle	$ 0.02	$ (2.73)	$ (1.82)
Add back: license amortization			0.39
Adjusted continuing operations before cumulative change in accounting principle	0.02	(2.73)	(1.43)
Total discontinued operations		0.38	(0.08)
Cumulative change in accounting principle	(0.02)		(0.07)
Adjusted basic income (loss) per share	$ 0.00	$ (2.35)	$ (1.58)

	Year Ended December 31,		
	2003	2002	2001
	(Dollars in thousands, except per share data)		
Diluted net income (loss) per share:			
Continuing operations before cumulative change in accounting principle	$ 0.02	$ (2.73)	$ (1.82)
Add back: license amortization			0.39
Adjusted continuing operations before cumulative change in accounting principle	0.02	(2.73)	(1.43)
Total discontinued operations		0.38	(0.08)
Cumulative change in accounting principle	(0.02)		(0.07)
Adjusted diluted income (loss) per share	$ 0.00	$ (2.35)	$ (1.58)

7. Investments In and Advances To Unconsolidated Affiliates:

	December 31,	
	2003	2002
	(Dollars in thousands)	
Western Wireless International:		
Croatia		$31,581
Georgia	$9,353	9,703
	$9,353	$41,284

As of December 31, 2003, our beneficial ownership interest in Georgia was 15%.

In June 2003, WWI sold its 19% minority ownership interest in VIP-Net to Mobilkom Austria Aktiengesellschaft & Co. KG ("Mobilkom") for $69.6 million in cash, which included repayment of a loan to WWI.

The following summarized financial information represents the assets, liabilities and results of operations of MagtiCom GSM, Ltd. which is owned by our unconsolidated Georgian operating company ("Telcell") and is Telcell's only operating entity.

	As of December 31,	
	2003	2002
	(Dollars in thousands)	
Balance sheet data:		
Total current assets	$12,835	$ 4,268
Total non-current assets	$58,723	$54,904
Total current liabilities	$10,493	$ 9,366
Total non-current liabilities	$ 0	$14,055

	For the Year Ended December 31,		
	2003	2002	2001
	(Dollars in thousands)		
Statement of operations data:			
Total revenues	$66,656	$46,366	$34,968
Operating expenses	31,599	26,536	21,954
Operating income	35,057	19,830	13,014
Other expense	(6,408)	(4,255)	(1,993)
Net income	$28,649	$15,575	$11,021

8. Accrued Liabilities and Other:

	December 31,	
	2003	2002
	(Dollars in thousands)	
Taxes, mainly sales, use and property	$ 37,662	$ 26,904
Payroll and benefits	28,997	26,126
Interest expense	33,478	23,356
Interconnect charges	19,869	12,310
Fair market value adjustment of interest rate hedges	15,160	38,701
Stock appreciation rights	10,086	4,142
Licensing costs	14,262	6,194
Unearned revenue	21,821	18,760
Other	22,418	22,572
	$203,753	$179,065

9. **Long-Term Debt:**

	December 31, 2003	December 31, 2002
	(Dollars in thousands)	
Credit Facility:		
Revolvers	$ 350,000	$ 700,000
Term Loans	822,000	1,100,000
10½% Senior Subordinated Notes Due 2006		187,050
10½% Senior Subordinated Notes Due 2007		196,000
9.250% Senior Notes Due 2013	600,000	
4.625% Convertible Subordinated Notes Due 2023	115,000	
tele.ring Term Loan	200,753	151,976
Slovenian Credit Facility	69,438	71,391
Bolivian Bridge Loan	34,700	34,700
Other	28,320	17,867
	2,220,211	2,458,984
Less current portion	(47,318)	(141,914)
	$2,172,893	$2,317,070

The aggregate amounts of principal maturities as of December 31, 2003, are as follows (Dollars in thousands):

Year Ending December 31,	
2004	$ 47,318
2005	230,886
2006	405,303
2007	219,712
2008	593,688
Thereafter	723,304
	$2,220,211

Credit Facility:

In July 2003, we amended our credit facility with a consortium of lenders (as amended, the "Credit Facility"). As part of the amendment we reduced the commitment under one of our revolving credit lines by $150 million and made prepayments aggregating $400 million under the other revolving credit line and the term loans. After such reduction and prepayments our Credit Facility consists of (i) a $350 million term loan ("Term Loan A"); (ii) a $500 million term loan ("Term Loan B"); and (iii) two $350 million revolving loans ("Revolver A" and "Revolver B"). The commitment reduction and each such prepayment was applied to the earliest maturities first. The Credit Facility also requires us to make mandatory prepayments from excess cash flow and from certain proceeds of certain indebtedness. In 2004, we are required to prepay approximately $60 million of indebtedness under the Credit Facility from excess cash flow. Currently, we plan to reborrow under Revolver A of the Credit Facility. The Credit Facility further limits the amount we are permitted to invest in our international subsidiaries from January 1, 2003 to $100 million plus certain other amounts received, such as the proceeds from the sale of Croatia and the Class A common stock offering in 2003.

Under the terms of Revolver B and Term Loan A, we are required to make quarterly payments on the outstanding principal balance beginning March 31, 2005. These payments typically tend to increase on the anniversary date of the initial payment, until paid in full on March 31, 2008. Under the terms of Term Loan B, we are required to make a balloon payment due September 30, 2008. Further, the amount available under Revolver A reduces each quarter beginning with the quarter ending June 30, 2005. Substantially all our domestic assets are pledged as collateral for such indebtedness. The terms of the Credit Facility contain certain quarterly covenants which impose limitations on our operations and activities, including, among other things, limitations on the incurrence of indebtedness, the sale of assets, investments and acquisitions, distribution of dividends or other distributions and loans. Failure to comply with covenants would result in an event of default and would allow the lenders to accelerate the maturity. We were in compliance with financial covenants at December 31, 2003 and had approximately $300 million available to borrow under Revolver A.

Under the Credit Facility, interest is payable at an applicable margin in excess of a prevailing base rate. The prevailing rate is based on the prime rate or the Eurodollar rate. The applicable margin for Revolver A, Revolver B and Term Loan A is determined quarterly based on the leverage ratio of the Company and ranges from 1.625% to 2.25% for Eurodollar advances and 0.625% to 1.25% for prime rate advances. The applicable margin on Term Loan B is 3.25% for Eurodollar advances and 2.25% for prime rate advances. We typically borrow under the Eurodollar rate. The Credit Facility also provides for an annual fee ranging from 0.25% to 0.50% on any undrawn commitment of Revolver A and Revolver B, payable quarterly.

The Credit Facility requires us to enter into interest rate hedge agreements to manage the interest rate exposure pertaining to borrowings under the Credit Facility. We had entered into interest rate caps, swaps and collars with a total notional amount of $755 million and $720 million at December 31, 2003 and 2002, respectively. Generally these instruments have initial terms ranging from three to four years and effectively convert variable rate debt to fixed rate. The weighted average interest rate under these agreements was approximately 3.5% and 6.3% for the years ended December 31, 2003 and 2002, respectively.

10½% Senior Subordinated Notes Due 2006 and 2007:

In August 2003, we redeemed the entire principal amount of the 10½% Senior Subordinated Notes Due 2006 (the "2006 Notes") and the 10½% Senior Subordinated Notes Due 2007 (the "2007 Notes") together with accrued interest. The redemption price for the 2006 Notes was 101.75% and the redemption price for the 2007 Notes was 103.5%. We recorded a $16.9 million aggregate loss on the extinguishment of the 2006 and 2007 Notes and the cancellation of the related interest rate swaps.

9.250% Senior Notes Due 2013:

In July 2003, we issued $600 million of 9.250% Senior Notes due 2013 (the "2013 Notes") at par. Interest is payable semi-annually. We may redeem the 2013 Notes at our option at any time on or after July 15, 2008, in whole or from time to time in part, at specified redemption prices, plus accrued and unpaid interest. In addition, on or before July 15, 2008, we may redeem any of the 2013 Notes at our option at any time, in whole, or from time to time in part, at a redemption price equal to the greater of: (i) 100% of the principal amount of the 2013 Notes being redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the 2013 Notes being redeemed discounted to the date of redemption at a specified rate. In addition, on or before July 15, 2006, we may apply, at our option, certain proceeds from issuances of our capital stock and from transactions with affiliates and related persons to redeem up to 35% of the aggregate principal amount of the 2013 Notes at a redemption price equal to 109.250% of the principal amount of the 2013 Notes being redeemed, plus accrued and unpaid interest to but excluding the date fixed for redemption. The 2013 Notes contain certain covenants that, among other things, limit our ability to incur additional indebtedness, make certain asset dispositions, make restricted payments, issue capital stock of certain wholly-owned subsidiaries and enter into certain mergers, sales or combinations.

The 2013 Notes are unsecured and will rank equally in right of payment to all existing and future senior unsecured obligations of ours. Additionally, the 2013 Notes will rank senior in right of payment to all existing and future subordinated debt, but are effectively subordinated in right of payment to all indebtedness and other liabilities of our subsidiaries.

4.625% Convertible Subordinated Notes Due 2023:

In June 2003, we issued $115 million of 4.625% Convertible Subordinated Notes due 2023 (the "2023 Notes") at par. Interest is payable semi-annually. The 2023 Notes are convertible into Class A common stock at a per share price of $15.456, subject to adjustment, at any time or, at our option, into an equivalent amount of cash in lieu of shares of common stock. In addition, holders may require that we repurchase all or a portion of the 2023 Notes on June 15, 2013 and June 15, 2018 at par plus accrued interest payable in cash or Class A common stock, at our option. Between June 18, 2006 and June 18, 2010, we may redeem in whole or in part the 2023 Notes in cash at par plus accrued interest plus a make whole amount equal to the present value of the remaining scheduled interest payments through and including June 15, 2010, subject to the closing sales price of our common stock exceeding the conversion price by 150% for 20 trading days in any consecutive 30 day trading period immediately prior to notification of redemption. Between June 18, 2010 and June 18, 2013, we may redeem in cash at par plus accrued interest all or a portion of the 2023 Notes subject to the closing sales price of our common stock exceeding the conversion price by 125% for 20 trading days in any consecutive 30 day trading period immediately prior to notification of redemption. After June 18, 2013, the 2023 Notes are redeemable at par plus accrued interest. The 2023 Notes are subordinate in right of payment to the Credit Facility, the 2013 Notes and all indebtedness and other liabilities of our subsidiaries.

tele.ring Term Loan:

In June 2001, under the terms of the transaction to acquire tele.ring from a subsidiary of Vodafone Group Plc ("Vodafone"), an affiliate of Vodafone agreed to make available to tele.ring an unsecured term loan (the "tele.ring Term Loan") for purposes of funding anticipated working capital and system expansion needs. The aggregate amount available under the initial tele.ring Term Loan at inception was approximately 75 million euro increasing quarterly to up to 250 million euro on April 1, 2002. In January 2003, the tele.ring Term Loan was amended, decreasing the aggregate availability to 185 million euro and extending the availability period through June 2004. Under the amended terms of the tele.ring Term Loan, repayment terms were extended, such that all outstanding principal and accrued interest shall be repaid based on predetermined percentages on each of July 1, 2004, 2005, 2006 and December 31, 2006. Interest is payable at EURIBOR plus an applicable margin of 3.5%. Terms of the tele.ring Term Loan incorporate certain restrictions that include, among other things, the transfer of assets, including cash of $35.2 million at December 31, 2003, from tele.ring to WWI. As of December 31, 2003 there was $200.8 million outstanding under the tele.ring Term Loan and $23.1 million of accrued interest. Principal and interest payments required under the tele.ring term loan in 2004, using current exchange rates, are approximately $11.5 million.

Slovenian Credit Facility:

In April 2002, Western Wireless International d.o.o. ("Vega") entered into a credit facility agreement with a consortium of banks to provide funding for the implementation and expansion of Vega's network in Slovenia. In September 2003, the Slovenian credit facility was amended (as amended, the "Slovenian Credit Facility"). Under the terms of the Slovenian Credit Facility: (i) all undrawn commitments were cancelled and substantially all of Vega's operating and financial covenants were eliminated; (ii) balances of $20.9 million from collateral accounts supporting the original loan and a $0.9 million refund of facility fees related to the undrawn commitments were utilized to pay down the principal balance; (iii) the applicable margin on EURIBOR advances has been increased to initial rates of 1.50% on certain EURIBOR advances and 3.50% on the remaining EURIBOR advances; and (iv) the repayment schedule for outstanding borrowings, which

are comprised of semi-annual installments beginning on May 30, 2004 and ending on November 30, 2009, remained unchanged. Western Wireless International Corporation ("WWIC"), a subsidiary of WWI, has agreed to certain covenants, including an unconditional guarantee of the loan, an obligation to fund Vega's cash shortfalls and restrictions which limit the ability of WWIC and its majority owned subsidiaries to incur indebtedness, grant security interests, dispose of majority owned subsidiaries and enter into guarantees. There are also certain financial covenants, relating to WWIC and its majority owned subsidiaries, including Minimum Consolidated Annualized EBITDA and Consolidated Tangible Net Worth. WWIC was in compliance with its covenants at December 31, 2003. The amendment was deemed to be a significant modification under EITF Issue No. 96-19 "Debtor's Accounting for a Modification or Exchange of Debt Instruments" and accordingly Vega wrote off all deferred financing costs associated with the original credit facility resulting in a loss on extinguishment of debt of $4.3 million for the year ended December 31, 2003. As of December 31, 2003, Vega had $69.4 million outstanding under the Slovenian Credit Facility. For the year ended December 31, 2004, using current exchange rates, we are required to make approximately $11.4 million in principal and interest payments and funding of related collateral accounts under the Slovenian Credit Facility.

Bolivian Bridge Loan:

In October 2000, NuevaTel, S.A. ("NuevaTel"), a subsidiary of WWI, entered into a bridge loan facility ("Bolivian Bridge Loan") to provide funding for the build-out and implementation of NuevaTel's network in Bolivia. WWI has guaranteed its prorata share (71.5%), based upon its ownership interest in NuevaTel, of the Bolivian Bridge Loan. In November 2003, NuevaTel entered into a credit facility agreement ("Bolivian Credit Facility") with the Overseas Private Investment Corporation ("OPIC") to refinance the Bolivian Bridge Loan and provide funding for the implementation and expansion of NuevaTel's network in Bolivia. The terms of the Bolivian refinancing have been substantially negotiated and we are currently working to satisfy conditions precedent to funding the Bolivian Credit Facility. We anticipate a funding of the Bolivian Credit Facility's entire commitment of $50 million in one tranche by March 31, 2004. Repayments will begin in the second quarter of 2006, and end in the first quarter of 2014. Interest will accrue at a base rate commensurate with United States Government sponsored enterprise securities, plus 3.75%. The Bolivian Credit Facility contains certain restrictive covenants, including a debt service coverage ratio which does not become effective until the first quarter in which a principal payment is made. Other covenants include, among other things, limitations on NuevaTel's ability to incur additional indebtedness, make certain asset dispositions, make restricted payments and enter into certain mergers, sales or combinations. Under the terms of the Bolivian Credit Facility, WWIC has pledged its shares in NuevaTel to OPIC as security for the Bolivian Credit Facility and has agreed to enter into a sponsor support agreement with OPIC pursuant to which WWIC will have a maximum obligation to OPIC of $11.6 million. WWIC will secure this obligation by providing, at the time of the funding of the Bolivian Credit Facility, a letter of credit in favor of OPIC. NuevaTel's reimbursement obligations under the letter of credit will be secured by cash collateral provided by WWIC. As of December 31, 2003, the outstanding amount under the Bolivian Bridge Loan was $34.7 million and the facility was fully drawn. The maturity date of the Bolivian Bridge Loan has been extended until March 31, 2004. Until the Bolivian Credit Facility closes, we intend to seek additional extensions of the Bolivian Bridge Loan maturity date, but there can be no assurances that any necessary extension will be granted.

None of our international loan facilities have recourse to Western Wireless Corporation. As previously discussed, WWI and certain of its subsidiaries have severally guaranteed the Bolivian Bridge Loan and the Slovenian Credit Facility.

The weighted average domestic interest rate paid to third parties was 6.6%, 6.6% and 8.0% in 2003, 2002 and 2001, respectively. The consolidated international weighted average interest rate paid to third parties was 6.5%, 5.8% and 7.6% for the years ended December 31, 2003, 2002 and 2001, respectively.

In 2004, if we attain our domestic subscriber growth projections, we anticipate spending approximately $200 million in capital expenditures primarily to complete our domestic CDMA overlay and expand our GSM coverage.

In 2004, WWI's business plans also include capital expenditures of approximately $125 million, which are primarily related to the expansion of our networks in Austria and Ireland. In addition, WWI has debt service requirements of approximately $45 million and working capital needs of $24 million in Ireland and Slovenia. In February 2004, WWI acquired an additional 17.87% ownership in its Irish subsidiary, Meteor Mobile Communications Limited ("Meteor"), from two of its partners, Quantum Industrial Partners and SFM Domestic Investments, for approximately $30 million. In 2004, WWI plans to explore additional new debt financing. WWI plans to fund its needs through cash flow from operations in Austria, Bolivia, Haiti and Ghana, local foreign borrowings in Bolivia, proceeds from its potential refinancing activities, in combination with, to the extent necessary, up to $110 million in contributions and advances from Western Wireless.

We believe that domestic operating cash flow and available international loan facilities will be adequate to fund our projected 2004 domestic and international capital requirements. In 2004, we intend to reborrow approximately $60 million under Revolver A of the Credit Facility in order to make the required excess cash flow prepayment required by the Credit Facility. Our domestic business plans do not indicate a need to increase our net borrowing under the Credit Facility, even though borrowing capacity is expected to exist. If we do not achieve planned domestic operating cash flow targets, quarterly covenants and borrowing limitations contained in the Credit Facility and the 2013 Notes may trigger a limitation on the available borrowing capacity under the Credit Facility. Our operating cash flow is dependent upon, among other things: (i) the amount of revenue we are able to generate from our customers; (ii) the amount of operating expenses required to provide our services; (iii) the cost of acquiring and retaining customers; and (iv) our ability to grow our customer base. In order to comply with debt covenants or in the event that the borrowing capacity under the Credit Facility is limited, we may be required to curtail capital spending, reduce expenses, or otherwise modify our planned operations and/or seek additional debt or equity at the domestic or international level and/or restructure or refinance our existing financing arrangements. Our ability to raise additional capital, if necessary, is subject to a variety of factors, including: (i) the commercial success of our operations; (ii) the volatility and demand of the capital markets, conditions in the economy generally and the telecommunications industry specifically; and (iii) other factors we cannot presently predict with certainty. There can be no assurance that such funds will be available to us or if such funding will be available on acceptable terms.

10. Commitments and Contingencies:

Purchase Commitments:

We have various purchase commitments for materials, supplies and other items incident to the ordinary course of business. We have no material contractual commitments extending beyond 2004. Such commitments that we have are not at prices in excess of current market value.

Operating Leases:

We have operating leases for cell site locations, administrative offices and retail facilities. Future minimum payments required under operating leases and agreements, utilizing current exchange rates, that

have initial or remaining noncancellable terms in excess of one year as of December 31, 2003, are summarized below (dollars in thousands):

Year Ending December 31,	
2004	$ 60,478
2005	35,954
2006	26,930
2007	19,870
2008	16,556
Thereafter	112,707
	$272,495

Aggregate rental expense for all operating leases was approximately $58.1 million in 2003, $51.6 million in 2002 and $34.6 million in 2001.

International Contingencies:

Haiti:

In accordance with the Rights Agreements entered into in September 1998 by a wholly owned subsidiary of WWI with two of the shareholders of Communication Cellulaire d' Haiti, S.A. ("COMCEL"), WWI's Haitian subsidiary, these two minority shareholders have the right to elect that WWI"s wholly owned subsidiary purchase all of their shares at fair market value, as defined in the agreements, within the 30 day period after COMCEL's issuance of its December 31, 2003 financial statements. Island Cellular LLC, a limited liability company organized under the laws of New York, and High Ridge Holdings, Inc., a Delaware corporation, own a 20% and 4% interest, respectively, in COMCEL at December 31, 2003. If WWI and the two shareholders cannot agree on a fair market valuation of COMCEL, all of the shares of COMCEL may be sold to a third party.

In February 2004, rebels in opposition to President Jean-Bertrand Aristide gained control of several of Haiti's key cities ultimately resulting in Aristide's resignation. In March 2004, a multinational peacekeeping force, including U.S. Marines, arrived in Haiti to secure key areas and restore order in the country until a new presidential election can be held and a civilian force established. COMCEL's network has remained operational during this period of civil unrest with the exception of temporary interruption in communication services to some parts of the country. COMCEL's retail locations remain intermittently closed during this period of unrest.

Ghana:

Under the terms of the Ghana license, Western Telesystems Ghana Ltd. ("Westel") was required to meet certain customer levels and build-out requirements by February 2002. Westel was unable to meet the required customer levels due to the inability of the regulator to provide spectrum and enforce interconnection with the incumbent telephone company, and all development has been stifled. The National Communication Authority of Ghana ("NCA") has assessed a penalty claim of $71 million for not meeting these build-out requirements. Westel has contested this fine on the basis that the government and the NCA failed to deliver the key commitments of spectrum and interconnection and does not believe the enforcement of these penalties is probable, but there can be no assurance to that effect. WWC's net investment in Westel at December 31, 2003 was approximately $4.8 million.

Côte d'Ivoire:

WWI owns a 40% interest in Cora de Comstar S.A. ("Cora") which has operated under a provisional operating license since it was formed in 1995. When the provisional license was issued to Cora, the government established certain conditions by which the provisional license would become a long-term license. On July 6, 2001, the government announced its intention to require Cora and the two other wireless operators in Côte d'Ivoire to each pay a license fee of 40 billion CFA francs, or approximately $53 million, in order to obtain their long-term licenses. WWI believes that this requirement violates the terms of the provisional license and is a breach of Cora's contract with the government. As a result of the above events, WWI reassessed the estimated future cash flows related to its investment in Cora and recorded a provision of $10.4 million in 2001 against the carrying value of the investment.

In September 2002, rebels in opposition to the Ivorian government attempted a coup and gained control of northern sections of the country. Fighting continues and attempts at peace talks have failed, furthering the political instability. As a result of increased political instability and diminished operating cash flows of Cora, WWI again reassessed the estimated future cash flows related to its investment in Cora and recorded an additional $5 million provision, thereby fully writing off its investment in Cora. These provisions are included in equity in net income (loss) of unconsolidated subsidiaries. In October 2003, Cora suspended operations after its assets were expropriated by armed persons supported by local police. We are uncertain as to when, or if, operations will be resumed there. We have fully written off our investment in Cora. Together with our partner, Modern Africa Growth & Investment Company L.L.C, we have filed an expropriation claim against the government of Côte d'Ivoire for approximately $55 million. We are uncertain of the timing or likelihood of any recovery.

Slovenia:

In Slovenia, our largest competitor, the state-owned telephone company which has a market share of approximately 75%, charges its customers an exceptionally high tariff to call the customers of our Slovenian operating company, Vega. As a result, potential customers may find subscribing to Vega's service unattractive since it will be prohibitively expensive for most Slovenians to call them. We believe that these pricing practices are anti-competitive and that they violate regulations of Slovenia and the European Union. If the Slovenian telephone company does not suspend these practices, we may be unable to realize a return on our investment and may be required to impair our investment in our Slovenian operating company. At December 31, 2003, the long-term assets in our Slovenian entity were approximately $100 million.

General:

Our international investments are subject to the laws and regulations governing telecommunications services in effect in each of the countries in which they operate. These laws and regulations can have a significant influence on our results of operations and are subject to change by the responsible governmental agencies. The financial statements as presented reflect certain assumptions based on laws and regulations currently in effect in each of the various countries. We cannot predict what future laws and regulations might be passed that could have a material effect on our results of operations. Further, certain of the countries in which we have investments have experienced or may experience political instability. We assess the impact of significant changes in laws, regulations and political stability on a regular basis and update the assumptions and estimates used to prepare our financial statements when deemed necessary.

11. Income Taxes:

Significant components of deferred income tax assets and liabilities, at their estimated effective tax rate, are as follows:

	December 31, 2003	December 31, 2002
	(Dollars in thousands)	
Deferred tax assets:		
U.S. federal and state net operating loss carryforwards	$ 253,246	$ 267,993
Foreign net operating loss carryforwards	83,637	59,957
Stock-based compensation	13,974	13,671
Other	25,721	29,877
Total deferred tax assets	376,578	371,498
Valuation allowance	(315,466)	(313,576)
Deferred tax liabilities:		
Wireless licenses basis difference	(150,977)	(120,687)
Property and equipment basis difference	(39,084)	(38,386)
Other	(22,028)	(19,536)
Total deferred tax liabilities	(212,089)	(178,609)
	$(150,977)	$(120,687)

Income tax expense for the year ended December 31, 2003, is comprised of domestic deferred income tax of $30.3 million and foreign taxes currently payable of $4.7 million. Income tax expense for the year ended December 31, 2002, is comprised of domestic deferred income tax of $120.7 million and foreign taxes currently payable of $2.6 million.

A reconciliation of taxes on results of continuing operations at the federal statutory rate to the actual tax provision is as follows:

	Year Ended December 31, 2003	Year Ended December 31, 2002
	(Dollars in thousands)	
Income taxes at federal statutory rate	$12,916	$(32,218)
Impact of foreign operations	14,812	13,486
Change in valuation allowance, net of non-rate items	(3,179)	133,450
State income taxes and other	10,462	8,552
Provision for income taxes	$35,011	$123,270

For the year ended December 31, 2001, we had no provision for income taxes and no taxes currently payable.

At December 31, 2003, we had available federal NOL carryforwards of approximately $668 million. We also have NOLs related to foreign jurisdictions of approximately $1.5 billion, which are reported at foreign statutory rates. Approximately $1.1 billion of these foreign NOL carryforwards are related to Austria and were assigned no value in purchase accounting. These NOL carryforwards are not available in the United States. The federal NOL carryforwards will expire in tax years 2003 through 2023. We may be limited in our ability

to use these carryforwards in any one year due to ownership changes that preceded the business combination that formed us in July 1994 and changes in shareholdings that occurred during 1999.

We believe that available objective evidence creates sufficient uncertainty regarding the realization of the net deferred tax assets, including a history of recurring operating losses. Accordingly, a valuation allowance has been provided for the net deferred tax assets of the Company. The valuation allowance increased approximately $2 million, $130 million and $67 million in 2003, 2002 and 2001, respectively.

12. Shareholders' Equity:

The authorized capital stock of the Company consists of 300,000,000 shares of Class A Common Stock and Class B Common Stock, no par value, and 50,000,000 shares of preferred stock, no par value (the "Preferred Stock").

Common Stock:

The holders of our Class A Common Stock have identical rights to holders of Class B Common Stock, except that holders of Class A Common Stock are entitled to one vote per share and holders of Class B Common Stock are entitled to ten votes per share. Shares of Class B Common Stock generally convert automatically into shares of Class A Common Stock on a share-for-share basis immediately upon any transfer of the Class B Common Stock other than a transfer from an original holder of Class B Common Stock to certain affiliates of such holder.

Preferred Stock:

We are authorized to issue 50,000,000 shares of Preferred Stock, which may be issued from time to time in one or more classes or series or both upon authorization by our Board of Directors.

Stock Issuances:

In November 2003, we completed an equity offering of 12,000,000 shares of Class A common stock for net proceeds of $227.3 million.

We issued 452,322, 141,654 and 747,639 shares of Class A common stock in 2003, 2002 and 2001, respectively, as a result of employee stock option exercises and issuances under our restricted stock plan.

Other Transactions:

During 1999, as a result of the Spin-off, the Company recognized compensation expense on all options outstanding as of May 3, 1999. On the date of the Spin-off, the Company canceled and reissued all outstanding stock options. All reissued stock options were granted in a manner that ensured employees of both the Company and VoiceStream maintained the value of their options, subject to normal fluctuations in the price of both companies stock, after the Spin-off.

This reissuance did not accelerate benefits to option holders. The Company believes this allows employees to continue to better participate in the success of the company for which they work. At the date of the Spin-off, the Company recorded deferred compensation of approximately $82.8 million and compensation expense for those options in which the service period had passed of $63.4 million. Subsequent to the date of the Spin-off, the Company has recognized an additional $18.3 million of stock option compensation, net of cancellations, through December 31, 2001. As of December 31, 2001, the Company had fully recognized the stock option compensation associated with these options.

13. Income (Loss) Per Common Share:

Statement of Financial Accounting Standards No. 128, "Earnings Per Share," requires two presentations of income per share — "basic" and "diluted." Basic income (loss) per share is calculated using the weighted average number of shares outstanding during the period. Diluted income (loss) per share is computed on the basis of the weighted average number of common shares outstanding plus the dilutive effect of outstanding stock options, convertible debt and the employee stock purchase plan using the "treasury stock" method or the "if converted" method, as applicable.

Income (loss) per share is calculated using the weighted average number of shares of outstanding stock during the period. Weighted average shares issuable upon the exercise of stock options, which were not included in the calculation because they were anti-dilutive, were 786,000, 2,990,000 and 2,504,000 for the years ended December 31, 2003, 2002 and 2001, respectively. Weighted average shares issuable upon the assumed conversion of our 4.625% Convertible Subordinated Notes, which were not included in the calculation because they were anti-dilutive, were 4,159,000 for the year ended December 31, 2003. For the years ended December 31, 2002 and 2001, all options outstanding are anti-dilutive, thus basic and diluted loss per share are equal. Stock option exercises and the conversion of all or a portion of the 4.625% Convertible Subordinated Notes could potentially dilute earnings per share in the future.

The following table sets forth the computation of basic and diluted income per share:

	Year Ended December 31,		
	2003	2002	2001
	(Dollars in thousands, except per share data)		
Numerator:			
Income (loss) from continuing operations before cumulative change in accounting principle	$ 1,893	$ (215,320)	$ (143,564)
Total discontinued operations		29,639	(5,933)
Cumulative change in accounting principle	(2,231)		(5,580)
Net income (loss)	$ (338)	$ (185,681)	$ (155,077)
Denominator:			
Weighted average shares:			
Basic	81,248,000	78,955,000	78,625,000
Effect of dilutive securities:			
Dilutive options	1,576,000		
Weighted average shares:			
Diluted	82,824,000	78,955,000	78,625,000
Basic income (loss) per share:			
Continuing operations before cumulative change in accounting principle	$ 0.02	$ (2.73)	$ (1.82)
Discontinued operations		0.38	(0.08)
Cumulative change in accounting principle	(0.02)		(0.07)
Basic income (loss) per share	$ 0.00	$ (2.35)	$ (1.97)

	Year Ended December 31,		
	2003	2002	2001
	(Dollars in thousands, except per share data)		
Diluted income (loss) per share:			
Continuing operations before cumulative change in accounting principle	$ 0.02	$ (2.73)	$ (1.82)
Discontinued operations		0.38	(0.08)
Cumulative change in accounting principle	(0.02)		(0.07)
Diluted income (loss) per share	$ 0.00	$ (2.35)	$ (1.97)

14. Stock-based Compensation Plans:

The 1994 Management Incentive Stock Option Plan (the "MISOP") as amended, provides for the issuance of up to 12,600,000 shares of common stock as either Nonstatutory Stock Options or as Incentive Stock Options, the terms and conditions of which are at the discretion of the administrator of the MISOP. Typically the vesting period is four years with a maximum exercise term of ten years.

The 1996 Employee Stock Purchase Plan ("ESPP") provides for the issuance of up to 1,000,000 shares of Class A Common Stock to eligible employees participating in the plan. The terms and conditions of eligibility under the 1996 ESPP require that an employee must have been employed by us or our subsidiaries for at least three months prior to participation. A participant may contribute up to 10% of their total annual compensation toward the 1996 ESPP, not to exceed the Internal Revenue Service contribution limit each calendar year. Shares are offered under the 1996 ESPP at 85% of market value at each offer date. Participants are fully vested at all times. In February 2004, the board authorized an additional 1,000,000 shares under a new 2004 ESPP. Under the 2004 ESPP, employees are immediately eligible to participate in the plan. All other material terms of the 2004 ESPP are similar to the 1996 ESPP.

Options granted, exercised and canceled under the above MISOP are summarized as follows:

	Year Ended December 31,					
	2003		2002		2001	
	Shares	Weighted Average Price	Shares	Weighted Average Price	Shares	Weighted Average Price
	(Amounts in thousands, except pricing information)					
Outstanding, beginning of period	3,291	$15.20	2,960	$15.06	3,065	$ 7.64
Options granted	1,085	$ 5.17	806	$16.61	675	$39.19
Options exercised	(251)	$ 7.55	(107)	$ 6.58	(748)	$ 6.57
Options canceled	(98)	$23.98	(368)	$19.71	(32)	$10.24
Outstanding, end of the period	4,027	$12.76	3,291	$15.20	2,960	$15.06
Exercisable, end of the period	2,328	$13.85	2,155	$12.44	1,815	$ 9.69

The weighted average fair value of stock options granted was $4.13 in 2003, $9.96 in 2002 and $28.67 in 2001.

The following table summarizes information about fixed price stock options outstanding at December 31, 2003:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
	(Amounts in thousands, except pricing information)				
$0.53 - $7.66	2,242	6 years	$ 5.50	840	$ 5.57
$8.13 - $9.95	1,017	5 years	$ 9.09	1,017	$ 9.09
$11.55 - $39.19	768	7 years	$38.78	471	$38.89
$0.53 - $39.19	4,027	6 years	$12.76	2,328	$13.85

In September 1998, WWI's Board of Directors approved the 1998 Stock Appreciation Rights ("SAR") Plan (the "SAR Plan"), effective January 1, 1998. Under the SAR Plan, as amended, selected key employees and agents of WWI may receive performance units, which are "rights" to receive an amount based upon 7% of the fair market value of WWI. Fair market value is based upon management's estimates at the time, considering various factors and is approved by WWI's board of directors. The WWI SAR Plan, as amended, provides for quarterly valuations and exercise windows. WWI SARs do not represent an equity interest in WWI, only a right to compensation under the terms of the SAR Plan.

The SAR Plan, as amended, authorizes a maximum of 28,000 rights and authorizes the SAR Plan administrator to determine, among other things, the grant of SARs, the price of the grant and vesting provisions. Granted SARs generally vest over a four-year period and provide for a cash payout in a lump-sum distribution or installments over a period not to exceed three years. As of December 31, 2003, 2002 and 2001 there were 21,250, 17,788 and 20,413 rights outstanding under the SAR Plan, respectively. As of December 31, 2003 our accrued SAR Payable was $9.2 million.

In 2003, WWI recorded SAR Plan expense of $8.8 million. In connection with a revaluation of the SARs based on then current market conditions, WWI recorded a reversal of compensation expense of $5.5 million in 2002 and $1.9 million in 2001. During 2003, 2002 and 2001, 125, 1,394 and 4,600 vested SARs, respectively, were exercised. As a result, WWI paid $2.9 million, $2.8 million and $0.3 million in 2003, 2002 and 2001, respectively.

15. Acquisitions, Dispositions and Discontinued Operations:

HickoryTech Acquisition:

In December 2003, we purchased all of the outstanding shares of common stock of Minnesota Southern Wireless Company ("MSWC") from HickoryTech Corporation, for consideration in the amount of $23.6 million. MSWC owns the licenses and related assets for the Minnesota 10 RSA and the Minneapolis/St. Paul Metro A-2 MSA, as well as the Mankato-Fairmont and Rochester-Austin-Albert Lea BTAs. The purchase price was paid in the form of 1,038,927 shares of HickoryTech common stock we owned and $12.9 million in cash. In addition we paid $3.3 million for construction in progress at closing. In 2003, we recognized a $5.2 million loss on the 1,038,927 shares of common stock that were delivered to HickoryTech at closing. The loss represents the difference between amounts paid for the common stock and the assessed market value at the closing date.

PCS Licenses Acquisition:

In May 2003, we entered into an agreement with TMO under which we have received 5 MHz of certain domestic PCS licenses for a nominal amount of cash and have agreed to provide discounted GSM roaming services through 2013. During 2003, we completed buildout commitments and received FCC approval for the first two stages of licenses. The acquired licenses and related microwave clearing costs were recorded at their fair market value of $26.7 million. We recorded deferred revenues associated with the acquisition, which will be amortized through 2013 with the related GSM minutes of use. Subject to completion of certain other contractual obligations, we expect to receive an incremental 5 MHz of PCS licenses covering some of these same markets.

TMO is considered a related party by us as our Chairman of the Board, Director and Chief Executive Officer is also the Chairman of the Board and a Director of TMO. We anticipate the remainder of the license acquisition to close by the second quarter of 2004.

Arizona 6 Disposition:

In May 2003, we signed an asset purchase agreement to sell the assets and license for our Arizona 6 Rural Service Area ("RSA") for $22.8 million in cash. The sales price of this RSA reflected that future cash flows would be less than the carrying value of the license. Accordingly, we recorded an impairment related to this RSA during the first quarter of 2003 of $7.6 million, which is included in asset dispositions in our consolidated statement of operations. This transaction closed during the third quarter of 2003 and the proceeds from the asset disposition of $22.8 million are reflected on our statement of cash flows.

Croatia Disposition:

In October 1998, VIP-Net was formed as a joint venture between WWI, Mobilkom and four other partners in Austria and Croatia. In June 2003, WWI sold its 19% minority ownership interest in VIP-Net to Mobilkom for $69.6 million in cash, which included repayment of a loan to WWI. Additionally, Mobilkom assumed WWI's portion of the guarantee of VIP-Net's credit facility, which was secured by WWI's shares of VIP-Net. This transaction resulted in a gain on sale of $40.5 million.

Domestic Asset Dispositions:

In 2002, we implemented a domestic strategy to dispose of certain minor domestic non-core assets. In conjunction with these efforts, we recognized a charge of approximately $7.6 million related to the disposition of certain of our paging assets. In addition, related to the exploration and sale of the Arizona 6 RSA, we recorded an impairment charge of $15 million in 2002.

Iceland Disposition:

In November 2002, WWI sold its majority ownership interest in its Icelandic subsidiary, TAL h.f. ("TAL"), for $28.9 million in cash, which included repayment of a loan to WWI. This transaction resulted in a gain on the sale of $23.9 million. The buyer assumed the obligation to refinance or repay the remaining principal and interest outstanding under the Icelandic credit facility. Since TAL represented a component of our business with distinguishable cash flows and operations, it is presented in the accompanying consolidated financial statements as discontinued operations. Our 2001 statement of operations and balance sheet were reclassified accordingly. For 2002 and 2001, $23.7 and $35.4 million, respectively, of TAL revenue is reported in discontinued operations. In addition, $5.7 million and ($5.9) million of pretax income (loss) for TAL is reflected in discontinued operations for 2002 and 2001, respectively. TAL was a subsidiary of WWI.

North Dakota 3 Acquisition:

In June 2002, we were notified that we were the successful bidder for the North Dakota 3 RSA license by the FCC for approximately $9.4 million. The purchase of the license was completed in September 2002. The North Dakota 3 RSA was accounted as an asset acquisition. The entire purchase price was recorded to licensing costs.

Austrian UMTS Acquisition:

In April 2002, an indirect wholly owned subsidiary of WWI, exercised its option to acquire 100% of the stock of EKOM 3G Mobilfunk GmbH ("EKOM 3G"), formerly known as Mannesmann 3G Mobilfunk GmbH (an indirect wholly-owned subsidiary of Vodafone), holder of an Austrian UMTS license for assumption of $0.5 million of liabilities. During 2003, EKOM 3G completed its build out of 25% of the UMTS system in accordance with the license requirements, as defined by the UMTS license agreement.

Cellular One Group Acquisition:

In July 2001, we completed the acquisition of Southwestern Bell Mobile Systems' ownership interest in Cellular One Group, which owns, licenses and promotes the Cellular One brand and related trademarks, services marks and designs. The purchase price was approximately $9 million allocated to trademarks. Southwestern Bell now conducts business as Cingular Wireless, LLC. As a result of this transaction, we now own 100% of the Cellular One Group.

tele.ring Acquisition:

On June 29, 2001, we completed the acquisition of tele.ring (defined below), a provider of GSM mobile, Internet and fixed line services in Austria, from a subsidiary of Vodafone Group Plc ("Vodafone") as described below.

The acquisition was accomplished pursuant to the terms of an agreement dated May 4, 2001, among Mannesmann Eurokom GmbH ("MEU"), an indirect wholly-owned subsidiary of Vodafone, EKOM Telecommunications Holding AG, a wholly-owned subsidiary of MEU, and EHG Einkaufs und Handels GmbH ("EHG"), an indirect wholly-owned subsidiary of WWI. In accordance with the agreement, EHG acquired for ten euros 100% of the stock of tele.ring Telekom Service GmbH ("tele.ring GmbH") and 100% of the partnership interests in tele.ring Telekom Service GmbH Co KEG ("tele.ring KEG"; tele.ring GmbH and tele.ring KEG are herein collectively referred to as "tele.ring"). After repayment of existing tele.ring debt (which was all intra-company debt due to Vodafone), tele.ring's balance sheet had a net working capital position of approximately zero as of the closing of the acquisition.

The following unaudited pro forma condensed combined financial information combines the historical statements of operations of the Company for the year ended December 31, 2001 and assumes the acquisition was effected on January 1 of that year. The accounting policies of the Company and tele.ring differ as a result of differences between U.S. GAAP and Austrian GAAP; tele.ring's historical financial data has been adjusted to conform to U.S. GAAP. Further, certain reclassifications have been made to tele.ring's historical

presentation to conform to our presentation. These reclassifications do not materially impact tele.ring's results of operations or financial position for the periods presented. (Dollars in thousands, except per share data):

	As Reported	Western Wireless Corporation and tele.ring Pro Forma
Total revenues	$ 1,037,959	$ 1,101,904
Loss from continuing operations before cumulative change in accounting principle	$ (143,564)	$ (222,412)
Net loss	$ (155,077)	$ (233,925)
Basic and diluted loss per share	$ (1.97)	$ (2.98)
Basic and diluted weighted average shares outstanding:	78,625,000	78,625,000

16. Selected Quarterly Consolidated Financial Information (unaudited):

Selected quarterly consolidated financial information for the years ended December 31, 2003 and 2002 is as follows:

Quarter Ended	Total Revenue	Operating Income (Loss)	Income (Loss) from Continuing Operations Before Cumulative Change in Accounting Principle	Net Income (Loss)	Basic Income (Loss) Per Share(2)	Diluted Income (Loss) Per Share(2)
		(Dollars in thousands, except per share data)				
March 31, 2003, as reported	$327,174	$21,097	$ (21,561)	$ (21,561)	$(0.27)	$(0.27)
March 31, 2003, as restated(1)	$327,174	$20,856	$ (21,802)	$ (24,033)	$(0.27)	$(0.27)
June 30, 2003, as reported	$359,232	$32,835	$ 40,325	$ 40,325	$ 0.51	$ 0.49
June 30, 2003, as restated(1)	$359,232	$32,590	$ 40,080	$ 40,080	$ 0.51	$ 0.49
September 30, 2003	$401,325	$58,483	$ (18,469)	$ (18,469)	$(0.23)	$(0.23)
December 31, 2003	$413,593	$41,937	$ 2,084	$ 2,084	$ 0.02	$ 0.02
March 31, 2002	$284,426	$11,783	$(122,110)	$(120,648)	$(1.55)	$(1.55)
June 30, 2002	$290,849	$13,213	$ (29,942)	$ (27,377)	$(0.38)	$(0.38)
September 30, 2002	$306,307	$30,850	$ (16,104)	$ (14,723)	$(0.20)	$(0.20)
December 31, 2002	$305,028	$(4,645)	$ (47,164)	$ (22,933)	$(0.60)	$(0.60)

(1) We filed amendments to our quarterly reports on Form 10-Q for the quarters ended March 31, 2003 and June 30, 2003 related to the adoption of SFAS No. 143 (see Note 2).

(2) Represents basic and diluted income (loss) per share from continuing operations before cumulative change in accounting principle.

17. Operating Segments and Related Information:

Operations of the Company are overseen by domestic and international management teams each reporting to the Chief Executive Officer of the Company. Our international operations consist of consolidated subsidiaries and operating entities around the world. Our Chief Executive Officer evaluates international operations on a country by country basis, accordingly, our operating segments include domestic operations, Austrian operations, and all other international segments. The results of Slovenia, Ireland, Bolivia, Ghana and Haiti, are aggregated into "all other international" as provided for under SFAS No. 131 based on their relative

size along with having substantially similar businesses. Certain allocations have been made between the domestic and all other international segments reflecting certain centralized back office costs and assets benefiting both domestic and international operations. Adjusted EBITDA is the measure of profitability utilized by our Chief Operating Decision Maker and is presented herein in accordance with SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information."

Our domestic segment provides cellular services in rural markets in the western United States. Our Austrian segment provides both wireless and fixed line services in Austria, while the all other international segment provides mainly wireless services.

The table below summarizes financial results for each segment:

	Domestic Operations	Austrian Operations	All Other International(2)	Consolidated
		(Dollars in thousands)		
Year Ended December 31, 2003				
Total revenues	$ 970,237	$369,220	$161,867	1,501,324
Depreciation, amortization and accretion expense	200,438	11,362	60,489	272,289
Asset dispositions	7,640			7,640
Stock-based compensation, net	2,182	753	8,010	10,945
Provision (benefit) for income taxes	30,290	(4)	4,725	35,011
Interest and financing expense, net	99,351	10,232	48,986	158,569
Equity in net income (loss) of unconsolidated affiliates	(400)		3,150	2,750
Total assets	1,864,309	226,317	431,058	2,521,684
Total capital expenditures	174,147	40,334	35,576	250,057
Adjusted EBITDA(1)	420,244	29,265	(4,769)	444,740
Year Ended December 31, 2002				
Total revenues	$ 883,704	$192,770	$110,136	$1,186,610
Depreciation, amortization and accretion expense	194,003	5,057	41,427	240,487
Asset dispositions	21,304			21,304
Stock-based compensation, net	1,328		(5,450)	(4,122)
Provision for income taxes	120,687	1	2,582	123,270
Interest and financing expense, net	110,080	6,710	39,901	156,691
Equity in net income (loss) of unconsolidated affiliates	(678)		4,897	4,219
Total assets	1,798,758	140,592	459,626	2,398,976
Total capital expenditures	160,676	46,156	93,596	300,428
Adjusted EBITDA(1)	367,614	(23,480)	(35,264)	308,870

	Domestic Operations	Austrian Operations	All Other International(2)	Consolidated
	(Dollars in thousands)			
Year Ended December 31, 2001				
Total revenues	$ 913,471	$ 79,490	$ 44,998	1,037,959
Depreciation, amortization and accretion expense	190,601	417	18,908	209,926
Stock-based compensation, net	4,183		(1,876)	2,307
Interest and financing expense, net	138,384	673	22,796	161,853
Equity in net income (loss) of unconsolidated affiliates	1,550		(9,322)	(7,772)
Total assets	1,857,743	89,158	423,519	2,370,420
Total capital expenditures	261,431	7,666	109,131	378,228
Adjusted EBITDA(1)	345,010	(41,882)	(72,953)	230,175

(1) Adjusted EBITDA:

EBITDA is a non-GAAP financial measure generally defined as net income (loss) before interest, taxes, depreciation and amortization. We use the non-GAAP financial measure "Adjusted EBITDA" which further excludes the following items: (i) accretion; (ii) asset dispositions; (iii) stock-based compensation, net; (iv) equity in net (income) loss of unconsolidated affiliates, net of tax and other, net; (v) (gain) loss on sale of joint venture; (vi) loss on extinguishment of debt; (vii) minority interests in net loss of consolidated subsidiaries; (viii) discontinued operations; and (ix) cumulative change in accounting principle. Each of these items is presented in our Consolidated Statements of Operations and Comprehensive Income (Loss).

Other companies in the wireless industry may define Adjusted EBITDA in a different manner or present other varying financial measures, and, accordingly, the Company's presentation may not be comparable to other similarly titled measures of other companies. The Company's calculation of Adjusted EBITDA is also not directly comparable to EBIT (earnings before interest and taxes) or EBITDA.

The Company views Adjusted EBITDA as an operating performance measure and as such, believes that the GAAP financial measure most directly comparable to Adjusted EBITDA is net income (loss). The Company has presented Adjusted EBITDA because this financial measure, in combination with other financial measures, is an integral part of the Company's internal reporting system utilized by management to assess and evaluate the performance of its business. Adjusted EBITDA is also considered a significant performance measure. It is used by management as a measurement of the Company's success in obtaining, retaining and servicing customers by reflecting the Company's ability to generate subscriber revenue while providing a high level of customer service in a cost effective manner. The components of Adjusted EBITDA include the key revenue and expense items for which the Company's operating managers are responsible and upon which the Company evaluates their performance.

Adjusted EBITDA is consistent with certain financial measures used in the Company's Credit Facility and the 2013 Notes. Such financial measures are key components of several negative covenants including, among others, the limitation on incurrence of indebtedness, the limitations on investments and acquisitions and the limitation on distributions and dividends.

Adjusted EBITDA should not be construed as an alternative to net income (loss), as determined in accordance with GAAP, as an alternative to cash flows from operating activities, as determined in accordance with GAAP, or as a measure of liquidity. The Company believes Adjusted EBITDA is useful to investors as a means to evaluate the Company's operating performance prior to financing costs, deferred tax charges, non-cash depreciation and amortization expense, and certain other non-cash charges. Although Adjusted EBITDA

may be defined differently by other companies in the wireless industry, the Company believes that Adjusted EBITDA provides some commonality of measurement in analyzing operating performance of companies in the wireless industry.

A reconciliation of net income (loss) to Adjusted EBITDA is included in the following table (Dollars in thousands):

	Year Ended December 31,							
	2003				2002			
	Domestic	Austrian Operations	All Other International	Consolidated	Domestic	Austrian Operations	All Other International	Consolidated
Net income (loss)	$ 76,417	$ 1,659	$(78,414)	$ (338)	$(80,194)	$(37,169)	$(68,318)	$(185,681)
Depreciation, amortization and accretion	200,438	11,362	60,489	272,289	194,003	5,057	41,427	240,487
Asset dispositions	7,640			7,640	21,304			21,304
Stock-based compensation, net	2,182	753	8,010	10,945	1,328		(5,450)	(4,122)
Interest and financing expense, net	99,351	10,232	48,986	158,569	110,080	6,710	39,901	156,691
Equity in net (income) loss of unconsolidated affiliates, net of tax and other, net	(15,747)	4,493	(6,337)	(17,591)	(315)	1,921	(6,638)	(5,032)
(Gain) loss on sale of joint venture	1,574		(42,093)	(40,519)				
Loss on extinguishment of debt	16,910		4,310	21,220				
Minority interests in net loss of consolidated subsidiaries			(4,717)	(4,717)			(8,408)	(8,408)
Provision for income taxes	30,290	(4)	4,725	35,011	120,687	1	2,582	123,270
Discontinued operations					721		(30,360)	(29,639)
Cumulative change in accounting principle	1,189	770	272	2,231				
Adjusted EBITDA	$420,244	$29,265	$ (4,769)	$444,740	$367,614	$(23,480)	$(35,264)	$ 308,870

	Year Ended December 31, 2001			
	Domestic	Austrian Operations	All Other International	Consolidated
Net income (loss)	$ (3,526)	$(43,313)	$(108,238)	$(155,077)
Depreciation, amortization and accretion	190,601	417	18,908	209,926
Asset dispositions				
Stock-based compensation, net	4,183		(1,876)	2,307
Interest and financing expense, net	138,384	673	22,796	161,853
Equity in net (income) loss of unconsolidated affiliates, net of tax and other, net	8,768	341	9,511	18,620
(Gain) loss on sale of joint venture				
Loss on extinguishment of debt				
Minority interests in net loss of consolidated subsidiaries			(18,967)	(18,967)
Provision for income taxes				
Discontinued operations			5,933	5,933
Cumulative change in accounting principle	6,600		(1,020)	5,580
Adjusted EBITDA	$345,010	$(41,882)	$ (72,953)	$ 230,175

(2) Revenues and Long-Lived Assets by Geographic Area:

Within the all other international segment, revenues for the country of Ireland were $67.9 million, $43.2 million and $12.1 million for the years ended December 31, 2003, 2002 and 2001, respectively. Long-lived assets attributable to operations in Ireland, which are primarily comprised of property, plant, equipment and intangible assets, net of accumulated depreciation and amortization, were $142.7 million, $134.1 million and $122.0 million at December 31, 2003, 2002 and 2001, respectively.

18. Related Party Transactions:

In May 2003, we entered into an agreement with TMO in which we are receiving certain domestic FCC licenses for a nominal amount of cash and have agreed to provide discounted GSM roaming services through 2013. During 2003, we completed buildout commitments and received FCC approval for the first two stages of licenses. The acquired licenses and related microwave clearing costs were recorded at their fair market value of $26.7 million. We recorded deferred revenues associated with the acquisition, which will be amortized through 2013 with related GSM minutes of use.

TMO is considered a related party by us as our Chairman of the Board, Director and Chief Executive Officer is also the Chairman of the Board and a Director of TMO. We anticipate the remainder of the transaction to close by the second quarter of 2004. As of December 31, 2003, we have a payable due to TMO of approximately $2.3 million associated with the acquisition which is included in current liabilities.

In 2003 we purchased $0.3 million of data storage devices from Advanced Digital Information Corporation ("ADIC"). John Stanton, the Chairman of our Board and Chief Executive Officer is a member of the board of directors of ADIC and is a member of their Audit Committee. Further, a member of our board of directors is the Chief Executive Officer of ADIC.

In 2003 we had travel expenses of $0.3 million with TPS, LLC, a company owned by our CEO and Chairman of the Board and Vice Chairman. TPS, LLC owns and operates an airplane used for certain business travel by the Company.

In the fourth quarter of 2001, WWI's Austrian subsidiary sold at fair market value 0.5% of its share capital to a former officer of the same subsidiary. Under this agreement the former officer has the right to put the shares to WWI, and WWI has the right to call the shares, on certain dates and at fair market value

depending upon the time period. In January 2004, the former officer put 0.25% of the share capital to WWI for an amount of approximately $1.0 million; the former officer still holds the remaining 0.25%.

In February 2004, WWI acquired an additional 17.87% ownership in Meteor from two of its partners, Quantum Industrial Partners and SFM Domestic Investments, for approximately $30 million.

In April 2001, Bradley J. Horwitz, Executive Vice President of the Company and President of WWI exercised a fair value put agreement exchanging a 2.02% interest in WWI for approximately $14.1 million. Mr. Horwitz still holds the right to put his remaining interest in WWI to us at fair value. We now own approximately 98% of the outstanding shares of WWI.

On May 3, 1999, we distributed to our shareholders our entire interest in VoiceStream, now T-Mobile USA ("the Spin-off"). In 1999, at the time of the Spin-off, an estimate of the NOL carryforwards resulting from VoiceStream's cumulative tax losses remained with VoiceStream. Pursuant to a tax sharing agreement entered into between us and VoiceStream, VoiceStream paid us $20 million, for the amount of the tax benefit of NOLs generated while VoiceStream was a wholly-owned subsidiary of us. We accounted for this payment as a return of capital. Subsequently, through operation of tax law, we retained certain of the cumulative tax losses originally transferred to VoiceStream following the Spin-off. Under the tax sharing agreement between the companies, we paid VoiceStream $24.5 million in 2001. This amount represents the present value of the expected tax benefit of the NOLs we retained. We have a full valuation allowance against our NOLs.

19. Other Comprehensive Loss:

The components of accumulated other comprehensive loss is as follows:

	December 31,	
	2003	2002
	(Dollars in thousands)	
Unrealized loss on marketable securities		$ (6,497)
Unrealized loss on hedges	$(14,058)	(13,938)
Cumulative translation adjustment	(2,156)	(6,078)
Other	(300)	
	$(16,514)	$(26,513)

WESTERN WIRELESS CORPORATION

SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF REGISTRANT
COMBINED BALANCE SHEETS
(Parent Company Only)
(Dollars in thousands)

	As of December 31,	
	2003	2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 68,961	$ 34,005
Accounts receivable, net of allowance for doubtful accounts of $13,492 and $12,957, respectively	110,009	105,263
Inventory	20,229	12,223
Prepaid expenses and other current assets	7,392	8,901
Total current assets	206,591	160,392
Property and equipment, net of accumulated depreciation of $799,641 and $676,600, respectively	543,284	543,170
Licensing costs and other intangible assets, net of accumulated amortization of $11,869 and $14,473, respectively	1,107,301	1,076,992
Investments in and advances to unconsolidated affiliates	120,977	188,537
Other assets	226	285
	$1,978,379	$1,969,376
LIABILITIES AND NET CAPITAL DEFICIENCY		
Current liabilities:		
Accounts payable	$ 18,145	$ 9,556
Accrued liabilities	127,110	130,586
Construction accounts payable	17,175	6,583
Current portion of long-term debt	99	106,094
Total current liabilities	162,529	252,819
Long-term liabilities:		
Long-term debt	1,892,157	2,082,307
Deferred income taxes	150,977	120,687
Other long-term liabilities	19,333	
Total long-term liabilities	2,062,467	2,202,994
Net capital deficiency:		
Preferred stock, no par value, 50,000,000 shares authorized; no shares issued and outstanding		
Common stock, no par value, 300,000,000 shares authorized; Class A, 84,663,930 and 72,229,605 shares issued and outstanding, respectively, and; Class B, 6,792,721 and 6,774,724 shares issued and outstanding, respectively	899,304	669,072
Deferred compensation	(112)	(39)
Accumulated other comprehensive loss	(16,514)	(26,513)
Deficit	(1,129,295)	(1,128,957)
Total net capital deficiency	(246,617)	(486,437)
	$1,978,379	$1,969,376

See accompanying notes to condensed financial information.

WESTERN WIRELESS CORPORATION

SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF REGISTRANT
COMBINED STATEMENTS OF OPERATIONS
(Parent Company Only)
(Dollars in thousands)

	For the Years Ended December 31,		
	2003	2002	2001
Revenues:			
Subscriber revenues	$ 706,307	$ 609,406	$ 619,214
Roamer revenues	217,397	228,878	244,538
Equipment sales and other revenues	46,533	44,277	45,450
Total revenues	970,237	882,561	909,202
Operating Expenses:			
Cost of service	170,499	176,190	188,434
Cost of equipment sales	88,178	79,047	79,770
General and administrative	173,587	144,563	165,692
Sales and marketing	117,729	115,574	127,630
Depreciation, amortization and accretion	200,438	193,994	187,704
Asset dispositions	7,640	21,304	
Stock-based compensation, net	2,182	1,328	4,183
Total operating expenses	760,253	732,000	753,413
Other income (expense):			
Interest and financing expense, net	(141,886)	(146,328)	(158,861)
Equity in net loss of unconsolidated affiliates, net of tax	(41,374)	(70,961)	(127,841)
Loss on early extinguishment of debt	(16,910)		
Other, net	21,327	1,734	(18,584)
Total other expense	(178,843)	(215,555)	(305,286)
Income (loss) from continuing operations before provision for income taxes and cumulative change in accounting principle	31,141	(64,994)	(149,497)
Provision for income taxes	(30,290)	(120,687)	
Income (loss) from continuing operations before cumulative change in accounting principle	851	(185,681)	(149,497)
Cumulative change in accounting principle	(1,189)		(5,580)
Net loss	$ (338)	$(185,681)	$(155,077)

See accompanying notes to condensed financial information.

WESTERN WIRELESS CORPORATION

SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF REGISTRANT
COMBINED STATEMENTS OF CASH FLOWS
(Parent Company Only)
(Dollars in thousands)

	For the Years Ended December 31,		
	2003	2002	2001
Operating activities:			
Net loss	$ (338)	$(185,681)	$(155,077)
Adjustments to reconcile net loss to net cash provided by operating activities	293,427	414,472	340,432
Net cash provided by operating activities	293,089	228,791	185,355
Investing activities:			
Purchase of property and equipment	(174,147)	(160,675)	(261,577)
Additions to licensing costs and other intangible assets	(9,705)	(9,472)	(8,325)
Receipts from (investments in) unconsolidated affiliates	24,602	(80,715)	(134,761)
Acquisition of wireless properties	(16,220)		
Proceeds from asset disposition	22,800	5,102	
Payments to VoiceStream Wireless			(24,500)
Purchase of minority interest in Western Wireless International			(14,140)
Net cash used in investing activities	(152,670)	(245,760)	(443,303)
Financing activities:			
Additions to long-term debt	715,000	70,000	690,000
Repayment of long-term debt	(1,011,145)	(27,040)	(440,044)
Issuance of common stock, net	228,970		
Deferred financing costs	(28,155)		
Premium on extinguishment of debt	(10,133)		
Other, net		450	4,596
Net cash provided by (used in) financing activities	(105,463)	43,410	254,552
Change in cash and cash equivalents	34,956	26,441	(3,396)
Cash and cash equivalents, beginning of year	34,005	7,564	10,960
Cash and cash equivalents, end of year	$ 68,961	$ 34,005	$ 7,564

See accompanying notes to condensed financial information.

WESTERN WIRELESS CORPORATION

SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF REGISTRANT
(Parent Company Only)
NOTES TO CONDENSED FINANCIAL INFORMATION

This Schedule I and the related notes should be read in conjunction with the Consolidated Financial Statements and Notes thereto.

1. Basis of Presentation:

The condensed financial information presented in Schedule I represents the balance sheets, statements of operations and cash flows for us as if our subsidiary, WWI, was an unconsolidated entity. Certain, but not all, of the net assets of WWI's consolidated subsidiaries and equity based investments are restricted ("Restricted Subsidiaries") under loan agreements including those of Slovenia, Austria and Bolivia. The Company less WWI is referred to as "Parent Company Only" in Schedule I. Our ownership in WWI has been reflected in this condensed financial information as if the investment was accounted for using the equity method.

2. Long-Term Debt Maturities:

The aggregate amounts of principal maturities as of December 31, 2003, of our debt excluding the debt of the Restricted Subsidiaries are as follows (Dollars in thousands):

Year Ending December 31,	
2004	$ 99
2005	150,103
2006	250,054
2007	200,000
2008	572,000
Thereafter	720,000
	$1,892,256

3. Commitments and Contingencies:

Operating Leases:

We have operating leases for cell site locations, administrative offices and retail locations. Future minimum payments required under operating leases and agreements that have initial or remaining noncancellable terms in excess of one year as of December 31, 2003, excluding the operating leases and agreements of the Restricted Subsidiaries are summarized as follows (Dollars in thousands):

Year Ending December 31,	
2004	$18,406
2005	12,457
2006	9,098
2007	5,638
2008	3,280
Thereafter	7,159
	$56,038

WESTERN WIRELESS CORPORATION

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

Description	Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts(1) (2)	Deductions(3)	Balance at End of Period
			(Dollars in thousands)		
Year ended December 31, 2003					
Allowance for doubtful accounts....	$ 22,059	$ 35,079	$ 1,165	$(33,780)	$ 24,523
Valuation allowance for deferred tax assets	$313,576	$ (3,179)	$ 5,069	$	$315,466
Year ended December 31, 2002					
Allowance for doubtful accounts....	$ 20,407	$ 19,051	$ 1,090	$(18,489)	$ 22,059
Valuation allowance for deferred tax assets	$183,293	$133,450	$(3,167)	$	$313,576
Year ended December 31, 2001					
Allowance for doubtful accounts....	$ 15,801	$ 31,807	$ 7,093	$(34,294)	$ 20,407
Valuation allowance for deferred tax assets	$116,028	$ 67,265	$	$	$183,293

(1) With respect to the allowance for doubtful accounts, this primarily reflects opening/ending allowance for doubtful accounts related to market acquisitions/dispositions, credits given to customers and currency translation adjustments.

(2) With respect to the valuation allowance for deferred tax assets, this reflects non-rate impacting items.

(3) Write-offs, net of bad debt recovery.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WESTERN WIRELESS CORPORATION

By: /s/ JOHN W. STANTON
John W. Stanton
Chairman of the Board and
Chief Executive Officer

Date: March 12, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ JOHN W. STANTON John W. Stanton	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 12, 2004
/s/ THERESA E. GILLESPIE Theresa E. Gillespie	Vice Chairman and Director	March 12, 2004
/s/ MIKAL J. THOMSEN Mikal J. Thomsen	President and Director	March 12, 2004
/s/ M. WAYNE WISEHART M. Wayne Wisehart	Executive Vice President and Chief Financial Officer	March 12, 2004
/s/ SCOTT A. SOLEY Scott A. Soley	Vice President and Controller	March 12, 2004
/s/ JOHN L. BUNCE JR. John L. Bunce, Jr.	Director	March 12, 2004
/s/ MITCHELL R. COHEN Mitchell R. Cohen	Director	March 12, 2004
/s/ DANIEL J. EVANS Daniel J. Evans	Director	March 12, 2004
/s/ JONATHAN M. NELSON Jonathan M. Nelson	Director	March 12, 2004
/s/ PETER H. VAN OPPEN Peter H. van Oppen	Director	March 12, 2004

NOTES

NOTES

CORPORATE INFORMATION

Executive Officers
John W. Stanton
Chairman and Chief Executive Officer

Donald Guthrie
Vice Chairman

Theresa E. Gillespie
Vice Chairman

Mikal J. Thomsen
President

Wayne Wisehart
Executive Vice President and
Chief Financial Officer

Eric Hertz
Chief Operating Officer

Bradley J. Horwitz
Executive Vice President and
President – International

Jeffrey A. Christianson
Senior Vice President, General Counsel
and Corporate Secretary

Thorpe M. "Chip" Kelly
Senior Vice President

Gerald J. "Jerry" Baker
Senior Vice President – Engineering
and Technical Operations

Board of Directors
John W. Stanton
Chairman and Chief Executive Officer

John L. Bunce, Jr.
Hellman & Friedman

Mitchell R. Cohen
Hellman & Friedman

Daniel J. Evans
Daniel J. Evans and Associates

Theresa E. Gillespie
Vice Chairman

Jonathan M. Nelson
Providence Equity Partners, Inc.

Mikal J. Thomsen
President

Peter H. van Oppen
Advanced Digital Information Corporation

Vice Presidents
Eugene A. DeJordy
Gaetano "Tom" Favillo
Sheri G. Fonnesbeck
Jerry M. Gallegos
E. Todd Heiner
Scott A. Hopper
Scott A. Soley
Michelle M. Stern
Rietta C. Stoneman
Steven R. Winslow

Western Wireless International Vice Presidents
Scott P. Alderman
Roger Blott
Gina M. Haggerty
Natashia E. Press
Jan Remmelg
W. Stewart Sherriff
Peter K. Simpson

Independent Accountants
PricewaterhouseCoopers LLP
999 Third Avenue
Suite 1800
Seattle, WA 98104
Phone (206) 398-3000

Transfer Agent
Mellon Investor Services, L.L.C.
85 Challenger Road
Ridgefield Park, NJ 07660
Phone (800) 522-6645
URL: http://www.melloninvestor.com

Investor Relations
Western Wireless Corporation
3650 131st Avenue SE
Bellevue, WA 98006
www.wwireless.com

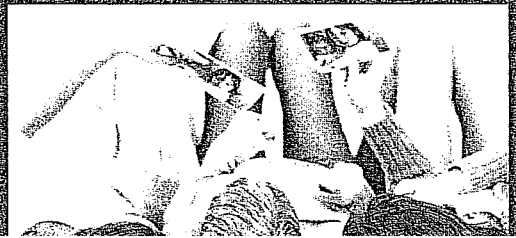
Annual Meeting
The annual meeting will be held on
Wednesday, May 26, 2004

Cellular One Website
www.CellularOne.com

Corporate Headquarters
3650 131st Avenue SE
Bellevue, WA 98006
Phone (425) 586-8700

Cautionary statement for purposes of the "Safe Harbor" provisions of the Private Litigation Reform Act of 1995: Statements contained in or incorporated by reference in this document that are not based on historical fact are "forward-looking statements" within the meaning of the Private Securities Reform Act of 1995. Forward-looking statements may be identified by use of forward-looking terminology such as "believe," "may," "will," "expect," "estimate," "anticipate," "continue," or similar terms, variations of those terms, or the negative of those terms.

Note: A full discussion of the company's financial results is contained in the Form 10-K.




Western Wireless.

There is an alternative to landline service.

Residential Phone Service by Cellular One provides a larger local calling area than your local landline service for a lower price (only $14.99). Our service provides unlimited minutes, just like you are used to. And if you are eligible for our Lifeline program, you could receive even lower rates.



Basic service requires only an identity verification. Credit approval is only required for long distance. Eligibility required for Lifeline reduced rates. No annual contracts required. No early termination fee. Unlimited outbound calling from within the local calling area. Long distance provided at 10¢ per minute with credit approval. Calls to Canada and Mexico are 25¢ per minute with credit approval. International calls at 29¢ per minute with credit approval and the $2.99 monthly International Calling Feature. Activation fee is $15.

RESIDENTIAL PHONE SERVICE

BY CELLULARONE

FL_RPS_KSNVTX_02_04

AD-Bayonne, N. J.
EXHIBIT
Int. 19

There is an alternative to landline service.

Residential Phone Service by Cellular One provides a larger local calling area than your local landline service for a lower price (only $14.99). Our service provides unlimited minutes, just like you are used to. And if you are eligible for our Lifeline program, you could receive even lower rates*.

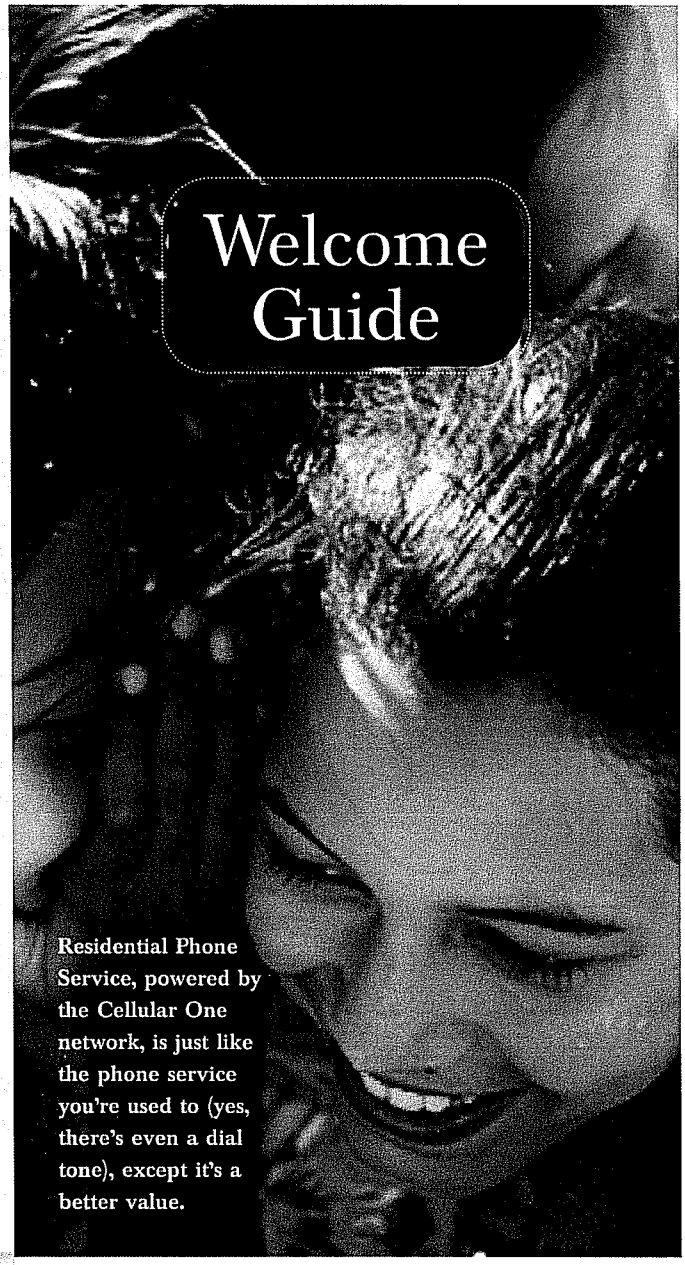


Features available include: voice mail, call waiting, call forwarding, caller ID (where available). Unlimited local minutes within the large local calling area included in the low monthly rate. Digital handsets are provided for a $3 monthly equipment rental fee.

*Requires eligibility. Credit approval is required for long distance. Prepaid long distance cards are another option for making toll calls.

RESIDENTIAL PHONE SERVICE
BY CELLULARONE

FL_RPS_RES_02_04



Customer Services
1 877 684-8562

RESIDENTIAL PHONE SERVICE
BY CELLULARONE

RESIDENTIAL PHONE SERVICE
BY CELLULARONE

Cellular One is a registered service mark of The Cellular One Group.
2004 Western Wireless Corp. WG_RPS_01_04

Cellular One Network Features

We offer a wide variety of standard and optional call management products. To add any of these helpful features, contact your local Cellular One representative or call Customer Services at 1 877 684-8562.

Voice Mail

Works like a "built-in" answering machine to record messages from calls you can't answer. Follow the online prompts to set up, or see the Voice Mail quick reference card for detailed instructions.

Immediate Call Forwarding

Seamlessly forwards all incoming calls to another specified phone number.

- To activate, press *71; enter 1 + area code + phone number; wait for confirmation tone
- To cancel, press *710

No Answer Call Forwarding

Forwards all incoming calls to another phone number after a specified number of unanswered rings.

- To activate, press *72; enter 1 + area code + phone number; wait for confirmation tone
- To cancel, press *720

NOTE: Forwarded calls may incur a long distance charge.

Call Waiting

Alerts you to an incoming call while you are on a call, so you can put the existing conversation on hold and answer the second call. Follow the steps below to activate this feature:

- When you hear the tone, press the flash/hook button to answer the call
- Press the flash/hook button to return to the original call in progress

International Dialing

This features allows international calls to be made on the RPS system.

Safety Information

The Phonecell unit functions as a radio transceiver. When it is ON, it transmits and receives radio frequency (RF) energy. The wireless system handling your call controls the power level at which your unit transmits, however nominal power output for each unit is as follows:
Phonecell SX4D CDMA is 230 milliwatts.
Phonecell SX4D TDMA is 600 milliwatts.
Phonecell SX Analog is between 0.6 watts and 3 watts.

RF energy from the unit may affect inadequately shielded electronic equipment. Consult the user manuals of your other electronic appliances to determine their level of shielding.

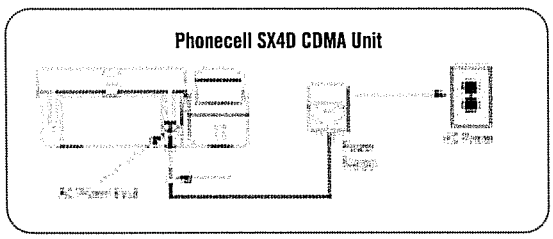
Safe Operation Requirements

The Phonecell unit is designed for indoor use only. To ensure safe and efficient operation, please carefully read and follow the safety guidelines outlined here and in your User Manual. **PROXIMITY:** Do not operate your unit when any person is within 1 inch (2.5 centimeters) of the antenna. For the best call quality, keep the antenna free from obstructions and point it straight up. **VENTILATION:** Your unit must be placed or mounted on a flat, level surface to allow proper ventilation. Do not block the space around or beneath the phone as this could cause the unit to overheat and fail. **ANTENNA CARE AND REPLACEMENT:** Do not use the unit with a damaged antenna. If your antenna is damaged, replace it immediately. Use only a manufacturer-approved antenna. Unauthorized antennas, modifications, or attachments could damage the unit. **BATTERY:** All batteries contain corrosive material. Please handle batteries carefully and replace expired batteries promptly. Dispose of damaged or used batteries in accordance with local laws. **ELECTRONIC DEVICES:** Phonecell unit operation may interfere with pacemakers, hearing aids, and other electronic equipment. Do not use your unit in health care facilities, hospitals, aircraft, where wireless phone use is prohibited or other places where equipment sensitive to external RF energy may be in use. **CHILDREN:** Children should operate the unit under adult supervision. **POTENTIALLY EXPLOSIVE ATMOSPHERES:** Do not use your unit when in any area with a potentially explosive atmosphere such as gas stations, blasting areas and chemical transfer and storage facilities. Do not store flammable gas, liquid or explosives in the area of your Phonecell unit or accessories. **SERVICE:** Only Authorized Service Personnel should remove the cover of the unit. For further assistance with authorized repairs, contact your authorized Cellular One representative. Please have the model and serial numbers available. These numbers are located on the bottom of the unit.

EZ Set Up: Phonecell® SX4D CDMA Unit

For detailed information about setting up and using your Phonecell SX4D CDMA unit, please refer to your User Manual. It is recommended that you thoroughly read the User Manual to acquaint yourself with how your new phone works.

1. Determine location. For best results, the Phonecell SX4D CDMA must be placed in a location suitable for transceiving, as close to exterior walls or windows as possible. See your User Guide for details.
2. Connect the antenna.
3. Connect the handset to the base unit.



4. Plug the Phonecell SX4D CDMA into AC power.
5. Plug the barrel end of the AC connector into the back of the phone.
6. Allow up to 30 seconds for the phone to initialize.

If your Phonecell SX4D CDMA is working properly, the LCD Display window is on and LED Display at the top of the phone unit will glow. The color of the LED indicates signal strength:

GREEN: Best Service
ORANGE: Adequate Service
RED: Poor Service
BLINKING: Incoming Call
UNLIT: No Service

Battery Installation

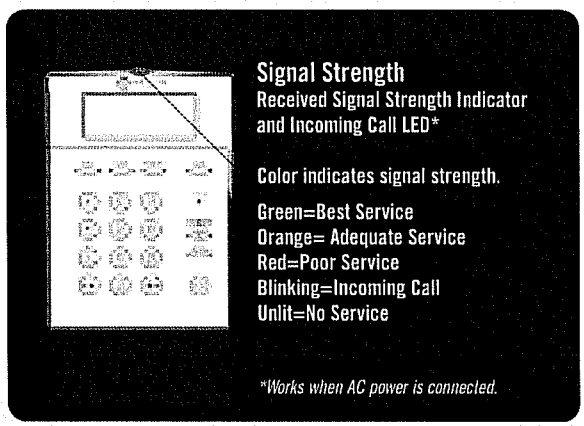
The Phonecell SX4D CDMA accommodates a self-charging backup battery for phone use in the event of AC power loss. To install the battery, remove the cover tab located on the back of the unit. The battery cover is not reinstalled when the battery is in use.

A fully charged battery will provide up to two hours of talk time and 72 hours standby for emergency operation when AC power is unavailable. Total charging time is 15 hours.

Placing & Receiving Calls

The Phonecell SX4D CDMA works just like a traditional landline phone. Pick up the handset and you should hear a dial tone and be ready to place a call. If service is not available, you will hear a "No Service" tone. Incoming calls will ring your SX4D CDMA. Simply pick up the handset and begin speaking.

NOTE: Residential Phone Service subscribers can not receive collect calls through the Cellular One Network.



Troubleshooting

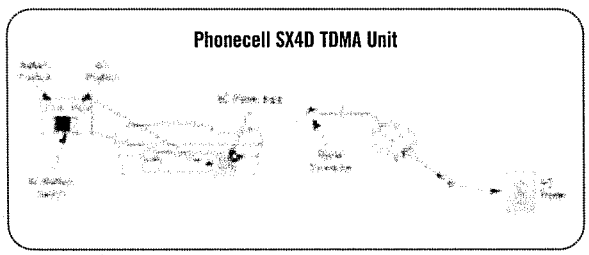
To operate properly, the Phonecell SX4D CDMA must either be connected to AC power or have a fully charged battery attached. If power is lost to the unit, verify that AC power is available and properly connected. If AC power is unavailable, verify that the battery power switch is in the active position.

Check to make sure the unit is properly plugged in or battery is attached and charged. Check signal strength indicator and phone location to see if the signal is obstructed. Check for dial tone. If the phone is operational but your Cellular One Service is unavailable, contact Customer Services at 1 877 684-8562 for assistance.

EZ Set Up: Phonecell® SX4D TDMA Unit

For detailed information about setting up and using your Phonecell SX4D TDMA unit, please refer to your User Manual. It is recommended that you thoroughly read the User Manual to acquaint yourself with how your new phone works.

1. Determine location. For best results, the Phonecell SX4D TDMA must be placed in a location suitable for transceiving, as close to exterior walls or windows as possible. See your User Guide for details.
2. Connect the antenna.
3. IMPORTANT! Connect the green ground wire to the center plate screw of any standard AC wall outlet.



4. Plug the Phonecell SX4D TDMA into the wall. (Diagram above)
5. Plug the barrel end of the AC connector into the back of the phone.
6. Allow up to 30 seconds for the phone to initialize

If your Phonecell SX4D TDMA is working properly, the LCD Display will show the Signal Strength Indicator.

Battery Installation

The Phonecell SX4D TDMA accommodates 6 standard AAA alkaline batteries for emergency operation when AC power is unavailable.

Placing & Receiving Calls

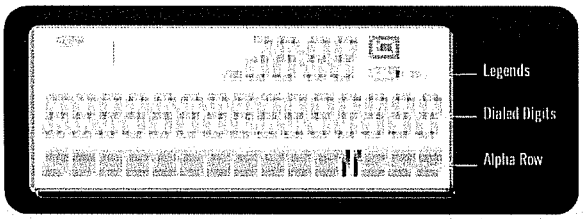
The Phonecell SX4D TDMA works just like a traditional landline phone. Pick up the handset and you should hear a dial tone and be ready to place a call. If service is not available, you will hear a "No Service" tone. Incoming calls will ring your SX4D TDMA. Simply pick up the handset and begin speaking.

NOTE: Residential Phone Service subscribers can not receive collect calls through the Cellular One Network.

Troubleshooting

To operate properly, the Phonecell SX4D TDMA must either be connected to AC power or have the required batteries loaded in the battery compartment. If power is lost to the unit, verify that AC power is available and properly connected. If AC power is unavailable, verify that the batteries are in good condition and that the battery power switch is in the active position.

Check to make sure the unit is properly plugged in or batteries are properly loaded. Check the signal strength indicator and phone location to see if the signal is obstructed. Check for dial tone. If the phone is operational but your Cellular One Service is unavailable, contact Customer Services at 1 877 684-8562 for assistance.



In-Use Indicator

The In-Use Indicator displays a "U" in the 14th character position when the Phonecell SX4D is in use (i.e. call data is sent to the wireless base station). The 14th character remains blank when the Phonecell SX4D is not in use.

Wireless Service Indicator

The Wireless Service Indicator displays the wireless status as follows: N=No Service A=Analog (AMPS) Service D=Digital (TIA/EIA-136) Service

Alpha Row Details



Signal Strength **The Phonecell SX4D's LCD displays three rows of information: Legends, Dialed Digits, and Alpha.**

Alpha **The bottom row is used to display Received Signal Strength, In-Use Indicator, Roam Indicator and Wireless Service Indicator.**

Received Signal Strength **The Received Signal Strength is displayed by the first 11 characters (from left to right) in the Alpha Row. Signal Strength Bar Graph displays the signal strength as a series of solid block characters. The stronger the signal, the more characters are illuminated from left to right.**

Note: The 12th character (from left to right) is used as a separator only and does not provide information. A "II" character is displayed and is always illuminated.

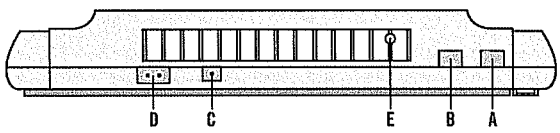
Roam Indicator **The Roam Indicator is displayed with an "R" in the 13th character position (from left to right) when the Phonecell SX4D is in the roam mode. The 13th character remains blank when the Phonecell SX4D is not in the roam mode.**

EZ Set Up: Phonecell® SX Analog Unit

For detailed information about setting up and using your Phonecell SX Analog unit, please refer to your User Manual. It is recommended that you thoroughly read the User Manual to acquaint yourself with how your new phone works.

1. Determine location. For best results, the Phonecell SX Analog must be placed as close to exterior walls or windows as possible. See your User Guide for details.
2. Connect your telephone to the Phonecell SX Analog via the phone jack (B).
3. Connect the Phonecell SX Analog to a power supply via the AC line cord (D).

Phonecell SX Analog Unit



A	*Handheld programmer jack (RADIO jack) (Technician use only)*
B	*Telephone line jack (PHONE jack)*
C	*Optional DC power source (barrel plug connector)*
D	*AC line cord connector (IEC-320 Class II)*
E	*LED (light)*

Caution: Though they look similar, the PHONE plug (B) and RADIO plug (A) are keyed to help prevent improper connection. Do not force either plug into the incorrect jack.

If your Phonecell SX Analog is working properly, the LCD Display will light a steady green. If the light is not a steady green, please refer to the LED Table in the Troubleshooting section of your User's Guide.

Battery Installation

The Phonecell SX Analog accommodates a self-charging backup battery pack for use in the event of AC power loss. This battery provides 1 hour of talk time and 8 hours of standby. Total charging time for the backup batteries is 24 hours.

Placing & Receiving Calls

The Phonecell SX Analog works just like a traditional landline phone. Pick up the handset and you should hear a dial tone and be ready to place a call. If service is not available, you will hear a "No Service" tone. Incoming calls will ring your Phonecell SX Analog. Simply pick up the handset and begin speaking.

NOTE: Residential Phone Service subscribers can not receive collect calls through the Cellular One Network.

Troubleshooting

If the telephone service is not working, first check the operation of your telephone equipment and the connection to the Phonecell SX unit.

Power Supply: The LED on the Phonecell SX will designate the power condition. (See unit illustration on previous page.) If the light is not a steady green refer to the table for the diagnosis of the potential problem. If the power cord is connected and the LED is not lit, the unit is not receiving power. If the unit utilizes the optional battery backup feature, the batteries may be discharged to a level below the operating condition.

Note: Check that the AC power source and its corresponding circuit breaker are functioning properly. Only Authorized Service Personnel should remove the cover of the Phonecell SX for additional service.

Troubleshooting Tips

MODE & COLOR: Flashing Red
OPERATION: Malfunction
TRY THIS: Hardware fault detected. Disconnect the power cord for a minute or two and then plug back in. If the LED is still flashing red, please contact Customer Services at 1 877 684-8562.

MODE & COLOR: Continuous Red
OPERATION: No Service
TRY THIS: If you have moved the unit from where it was initially installed, check to see if the antenna is firmly connected. If the LED is still continuously red, please contact Customer Services at 1 877 684-8562.

MODE & COLOR: Continuous Yellow
OPERATION: Moderate
TRY THIS: If you have moved the unit from where it was initially installed, check to see if the antenna is firmly connected. If the LED is still continuously yellow, please contact Customer Services at 1 877 684-8562. (The unit should still operate in this mode, but for optimal strength performance the light should be green.)

MODE & COLOR: Oscillating Red/Green
OPERATION: Diagnostic/Programming Mode
TRY THIS: Disconnect the power cord for a minute or two and then plug back in. If the LED is still in this mode, please contact Customer Services at 1 877 684-8562.

MODE & COLOR: Continuous Green
OPERATION: Best Signal Strength
TRY THIS: If the LED light is green and you are unable to make/receive calls, please contact Customer Services at 1 877 684-8562. The Customer Services representative may ask the following questions: What happens after you dial? What message do you receive? Can you complete any calls?

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June 14, 2004

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FAX Received JUN 14 2004

RE: WWC's Petition for Designation as an ETC
TC03-191 GPGN File No. 5925.030691

Dear Ms. Bonrud:

Enclosed please find an original and ten copies of Petitioner's Post-Hearing Brief of WWC License LLC. Counsel have been served electronically and by Next Day Delivery.

If you have any questions, please call me.

Sincerely,

Amy K. Schuldt for

Talbot J. Wieczorek

TJW:klw
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Jim Cremer via email and Next Day Delivery
Benjamin Dickens via Next Day Delivery
Clients

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Filing by WWC License, LLC d/b/a CellularOne® for Designation as an Eligible Telecommunications Carrier in Other Rural Areas	)))))	Docket No. TC03-191

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JUN 15 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

FAX Received JUN 14 2004

POST-HEARING BRIEF OF WWC LICENSE, LLC

JUNE 14, 2004

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I. INTRODUCTION

The fundamental question presented in this proceeding is whether the Public Utilities Commission of the State of South Dakota ("Commission") will continue to adhere to the requirements of the Communications Act of 1934, as amended, 47 U.S.C. § 151 *et seq.* (the "Act"), and promote competitive local telecommunications markets in which new entrants, including a commercial mobile radio services ("CMRS") provider, can become eligible to receive federal universal service support to meet the telecommunications needs of South Dakota's rural consumers.

Consistent with federal and State law, the Commission should designate WWC License, LLC d/b/a CellularOne® ("Western Wireless") as a competitive eligible telecommunications carrier ("ETC") throughout its requested service areas and reject attempts to protect the interests of monopoly local exchange carriers ("LECs") to the ultimate detriment of South Dakota's rural consumers. Designating Western Wireless as an additional ETC is consistent with the statutory mandates of Section 214(e) of the Act, the directives of the Federal Communications Commission ("FCC"), South Dakota law and the Commission's prior decisions.

Western Wireless hereby submits this Post-Hearing Brief in support of its request for designation as a competitive federal ETC in accordance with 47 U.S.C. § 214(e) and S.D. Codified Laws § 49-31-78. Based on the evidence presented at the evidentiary hearing in this matter, Western Wireless has demonstrated that it satisfies the applicable ETC requirements set forth in Section 214(e)(2) and S.D. Codified Laws § 49-31-78. The Commission should

therefore designate Western Wireless as a competitive ETC in the requested service areas identified on Exhibit A to the Direct Testimony of James H. Blundell. (WW Ex. 2 – Ex. A.)[1]

II. PROCEDURAL BACKGROUND

This proceeding was commenced on November 5, 2003, when Western Wireless filed its Verified Application for Designation as an Eligible Telecommunications Carrier in Other Rural Service Areas ("Application"). (WW Ex. 1). The Company's Application describes in detail how Western Wireless satisfies the federal ETC criteria and thoroughly describes its intent and ability to meet the obligations of a competitive federal ETC throughout its requested ETC service areas in South Dakota.

James Valley Cooperative Telephone Company ("James Valley"), Golden West Telecommunications Cooperative, Inc. ("Golden West"), West River Telecommunications Cooperative ("West River"), Vivian Telephone Company ("Vivian"), Tri-County Telcom, Inc. ("Tri-County"), Venture Communications Cooperative ("Venture"), Alliance Communications Cooperative ("Alliance"), Splitrock Properties, Inc. ("Splitrock") and the South Dakota Telecommunications Association ("SDTA") (collectively, "Intervenors") all sought and were granted intervention.[2] Alliance, Splitrock and West River were subsequently granted leave to withdraw from any participation in this proceeding.

The Commission ordered a public hearing on Western Wireless' Application, and a three-day evidentiary hearing was held on May 4-6, 2004. Western Wireless offered the testimony of James H. Blundell, Executive Director of External Affairs (TR, p. 28; WW Exhs. 2-4), and

---

[1] The Direct Testimony of James H. Blundell was received as WW Ex. 2. Western Wireless will cite to its prefiled testimony and hearing exhibits as "WW Ex. __." Intervenor exhibits will be cited as "Inter. Ex. __." The transcript of the evidentiary hearing will be cited as "TR, p. __." Portions of the transcript which contain confidential information will be cited as "CTR, p. ___."

[2] Each of the individual incumbent local exchange carriers ("Rural LECs") is a member of, and is also represented by, SDTA in this proceeding.

Don J. Wood, an expert in telecommunications and economics. (CTR, p. 258; WW Exhs. 5 & 6). SDTA offered the testimony of hired consultants Glenn Brown (TR, p. 351; Inter. Exhs. 1 & 2) and Sue Vanicek (TR, p. 577; Inter. Exhs. 3 & 4). James Valley offered the testimony of company witness James Groft (TR, p. 508; Inter. Exhs. 5 & 6), Golden West and Vivian offered the testimony of George Strandell (TR, p. 532; Inter. Exhs. 7 & 8); and Venture offered the testimony of Randy Houdek (TR, p. 553; Inter. Exhs. 9 & 10).

III. WESTERN WIRELESS SATISFIES EACH OF THE PREREQUISITES FOR DESIGNATION AS A COMPETITIVE ETC SET FORTH IN 47 U.S.C. § 214(e) AND S.D. CODIFIED LAWS § 49-31-78

To be designated as a competitive ETC, 47 U.S.C. § 214(e) and S.D. Codified Laws § 49-31-78 require that an applicant demonstrate: (1) it is a common carrier; (2) it can provide the nine supported services and functionalities set forth in 47 C.F.R. § 54.101(a)(1)-(a)(9) (the "Supported Services") using its own facilities or a combination of its own facilities and the resale of another carrier's services; (3) it will advertise the availability of and charges for the Supported Services using media of general distribution; (4) it will provide the Supported Services throughout a designated ETC service area; and (5) in an area served by a rural telephone company, the designation as an additional ETC is in the public interest.

A. The Commission Previously Determined Western Wireless Satisfies The Criteria To Be Designated As A Competitive ETC In South Dakota

Consistent with the Section 214(e) of the Act, FCC rules and State law, the Commission previously designated Western Wireless as a competitive ETC in numerous non-rural Qwest service areas and certain rural telephone company service areas.[3] Among other things, the

[3] *In the Matter of the Filing by GCC License Corporation For Designation As An Eligible Telecommunications Carrier*, Docket No. TC98-146, *Order Designating GCC License Corporation As An Eligible Telecommunications Carrier In Non-Rural Telephone Company Exchanges* (Oct. 18, 2001) ("*Western Wireless Qwest Order*"); *In the Matter of the Filing By GCC License Corporation For*

Commission made the following findings in Docket TC98-146:

- Western Wireless satisfies the prerequisites to be designated as a competitive federal ETC;
- Western Wireless' offering of an expanded local calling area will benefit the public;
- The mobility of Western Wireless' services will benefit the public;
- Designating Western Wireless as a competitive ETC would not detrimentally affect the incumbent carriers' ability to provide universal service to their customers; and
- The incumbent carriers' speculative claims regarding changes to the universal service funding mechanisms did not support a finding that they would be unable to continue to provide the supported services to their customers.

After carefully weighing these findings, the Commission concluded as a matter of law that the designation of Western Wireless throughout its requested rural service areas was consistent with the public interest.[4] The issues before the Commission in this proceeding are no different, and the Commission's prior findings and conclusions in Docket No. TC98-146 apply equally to the Rural LEC service areas requested by Western Wireless under its present Application.

Moreover, in Docket TC98-146 the Commission conditioned Western Wireless' ETC designation on filing with the Commission information relating to its advertising plan, local calling areas and service agreements. (*Western Wireless ETC Order*, Findings of Fact, ¶¶ 20-24). Western Wireless has complied with these requirements for the areas where the Commission has previously granted ETC status. Upon the granting of its present Application, Western Wireless will amend its Compliance Filing in Docket TC98-146 to add the newly

---

Designation As An Eligible Telecommunications Carrier, Docket No. TC98-146, *Findings of Fact and Conclusions of Law; Notice of Filing of Entry of Order* (Oct. 18, 2001) ("*Western Wireless ETC Order*").

[4] *Western Wireless ETC Order*, Conclusions of Law, ¶ 6.

designated areas to use the same service agreements and procedures in the requested service areas as previously filed with the Commission. (WW Ex. 2, p. 22).

Accordingly, the Commission should not delay in designating Western Wireless as a competitive ETC throughout its requested ETC service areas.

B. The Record Evidence Demonstrates Western Wireless Satisfies Each Of The Prerequisites For ETC Designation In This Proceeding

No party to this proceeding disputes Western Wireless' demonstrated satisfaction of each of the basic criteria for designation as a competitive ETC. Each of the requirements is addressed below with reference to the record evidence demonstrating Western Wireless' satisfaction of the criteria.

C. Western Wireless Is A Common Carrier

The first requirement for ETC designation is status as a "common carrier." 47 U.S.C. § 214(e)(1). Western Wireless is a "telecommunications carrier," as defined in 47 U.S.C. § 153(49), and is authorized to provide CMRS under the "CellularOne®" brand name throughout its FCC-licensed cellular market areas in South Dakota.[5] (WW Ex. 1, p. 2). The services provided by Western Wireless in South Dakota include mobile telephony, data/facsimile, 911, voice mail and other features and services. (*Id.*)

A "common carrier" is defined by 47 U.S.C. § 153(10) as a person engaged as a common carrier on a for-hire basis in interstate communications utilizing either wire or radio technology. The FCC's regulations specifically provide that CMRS, such as that provided by Western

[5] Western Wireless is licensed to provide CMRS throughout the following Rural Service Areas ("RSAs"): South Dakota 1 – Harding; South Dakota 2 – Corson; South Dakota 3 – McPherson; South Dakota 4 – Marshall; South Dakota 5 – Custer; South Dakota 6 – Haakon; South Dakota 7 – Sully; South Dakota 8 – Kingsbury; South Dakota 9 – Hanson and the Sioux Falls and Rapid City Metropolitan Service Areas ("MSAs"). The FCC's defined cellular market areas are addressed in *Common Carrier Public Mobile Services Information*, Report No. CL-92-40, *Cellular MSA/RSA Markets and Counties*, DA 92-109 (rel. Jan. 24, 1992).

Wireless, is a common carrier service. *See* 47 C.F.R. § 20.9(a)(7). Western Wireless is therefore a "common carrier" for purposes of being designated an ETC under 47 U.S.C. § 214(e)(1). *See also Western Wireless ETC Order*, Conclusions of Law, ¶ 6.

Significantly, no party offered any evidence to the contrary on this requirement. Indeed, SDTA witness Glenn Brown admits that Western Wireless is a common carrier for purposes of ETC designation.[6] Further, neither SDTA witness Sue Vanicek nor any Rural LEC witness dispute Western Wireless' satisfaction of any of the prerequisites for ETC designation and, instead, rely solely on Ms. Vanicek's public interest arguments to oppose the Company's designation as a competitive ETC.[7] Accordingly, the Commission should again find that Western Wireless satisfies this first ETC requirement.

D. Western Wireless Will Provide The Supported Services Using Its Own Facilities

The second requirement for ETC designation is that the applicant demonstrate its ability to provide the Supported Services using its own facilities or a combination of its own facilities and the resale of another carrier's services. 47 U.S.C. § 214(e)(1)(A). As discussed above, this Commission and the South Dakota Courts have already determined that Western Wireless is capable of providing each of the nine Supported Services over its existing South Dakota network infrastructure. (*See Western Wireless ETC Order* & *Western Wireless Qwest Order*). Moreover, no party to this proceeding disputes Western Wireless' satisfaction of this requirement. To the

---

[6] TR, p. 366 ("Do you agree Western Wireless is a common carrier for the purposes of being designated an ETC; correct? Yes.").

[7] TR, p. 582 ("[Y]our testimony is limited to that public interest issue, isn't it? Yes. And I take it then nothing in your testimony addresses any of the other ETC requirements. That would be correct."). Ms. Vanicek admittedly drafted each of the Rural LEC witnesses' nearly verbatim testimony to provide factual support for her own public interest arguments. *See, e.g.*, TR, pp. 512-13 (Groft only reviewed Ms. Vanicek's work product); TR, pp. 538-40 (although purporting to rely on the Joint Board Recommended Decision, Strandell had "not [read] a word" of it); TR, pp. 557-58 (verbatim Houdek testimony only offered as foundation for Vanicek testimony).

contrary, SDTA witness Glenn Brown freely admits that Western Wireless is presently capable of providing each of the required services or functionalities:

> Q. And you don't dispute Western Wireless's ability and commitment to provide those supported services as required by the FCC rule?
>
> A. No, sir.
>
> Q. And, in fact, there's no specific service or issue on supported services raised in your testimony, is there?
>
> A. There is not.

(TR, pp. 369-370). Likewise, as discussed above, neither Ms. Vanicek nor any Rural LEC witness offered any evidence to refute Western Wireless' demonstrated ability and commitment to provide the Supported Services with its own facilities. (TR, p. 582).

But even if the Company's technical capabilities were in dispute, the record evidence – as more thoroughly discussed below – incontrovertibly demonstrates that Western Wireless has the present ability to provide each of the nine Supported Services, and that it is fully capable of and committed to meeting requests for service throughout its requested ETC service areas consistent with the obligations of a competitive ETC.

1. Voice-grade access to the public switched telephone network

Voice-grade access means the ability to make and receive phone calls within a voice frequency range of between 300 and 3000 Hertz.[8] Through its interconnection arrangements with local telephone companies, each of Western Wireless' South Dakota customers is able to make and receive calls on the public switched network within the prescribed frequency range. (WW Ex. 1, 4; WW Ex. 2, p. 9).

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[8] 47 C.F.R. § 54.101(a)(1); *see also In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Fourth Report and Order on Reconsideration*, FCC 97-420 (rel. Dec. 30, 1997) ("*Fourth Report and Order*").

2. Local usage

Western Wireless provides all of its customers with an amount of local usage, free of charge, as required by 47 C.F.R. § 54.101(a)(2). Unlimited local usage is not required of any ETC.[9] In fact, the FCC recently determined that an ETC applicant's commitment to provide local usage and current provision of a variety of service plans including different levels of local usage fully satisfies this obligation.[10]

Western Wireless will include local usage in all of its service offerings, and intends to offer unlimited local usage as part of at least one of its service offerings within its requested ETC service areas. (WW Ex. 1, p. 4; WW Ex. 2, p. 10). In addition, Western Wireless will comply with any and all specific local usage requirements adopted by the FCC in the future and required of federal ETCs. (WW Ex. 1, p. 4) Western Wireless therefore does and will continue to provide local usage in each of its qualifying service offerings in satisfaction of Section 54.101(a)(2).

3. Dual-tone, multi-frequency ("DTMF") signaling, or its functional equivalent

DTMF is a method of signaling that facilitates the transportation of call set-up and call detail information. 47 C.F.R. § 54.101(a)(3). The FCC has recognized that "wireless carriers use out-of-band digital signaling mechanisms . . . . [I]t is appropriate to support out-of-band

---

[9] *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket 96-45, *Order and Order on Reconsideration*, FCC 03-170 (rel. July 14, 2003) ("*July 2003 Order*"),

[10] *In the Matter of Federal-State Joint Board on Universal Service, Virginia Cellular, LLC Petition for Designation as an Eligible Telecommunications Carrier in the Commonwealth of Virginia*, CC Docket No. 96-45, *Memorandum Opinion and Order*, FCC 03-338, ¶ 14 (rel. Jan. 22, 2004) ("*Virginia Cellular Order*"); *see also In the Matter of Federal-State Joint Board on Universal Service, Highland Cellular, Inc. Petition for Designation as an Eligible Telecommunications Carrier in the Commonwealth of Virginia*, CC Docket No. 96-45, *Memorandum Opinion and Order*, FCC 04-37, ¶ 15 (rel. April 12, 2004) ("*Highland Cellular Order*").

signaling mechanisms as an alternative to DTMF signaling."[11] Western Wireless currently uses out-of-band digital signaling and in-band multi-frequency signaling that is functionally equivalent to DTMF signaling and, therefore, meets this requirement. (WW Ex. 1, p. 4; WW Ex. 2, p.10).

4. Single-party service or its functional equivalent

"Single party service" means that only one party will be served by each subscriber loop or access line, in contrast to a multi-party line. Under the FCC's rules, a CMRS provider meets the requirement of offering single party service when it offers a dedicated message path for the length of a user's particular transmission. 47 C.F.R. § 54.101(a)(4). Western Wireless meets the requirement of providing single-party service by providing a dedicated message path for the length of all customer calls. (WW Ex. 1, p. 5; WW Ex. 2, p. 10).

5. Access to emergency services

An ETC must also provide customers the ability to reach a public service answering point ("PSAP") for emergency services by dialing "911." 47 C.F.R. § 54.101(a)(5). The FCC also requires that a carrier provide access to enhanced 911, or "E-911," which includes the capability of providing both automatic numbering information ("ANI") and automatic location information ("ALI"), when the PSAP submits a bona fide request to the carrier and is capable of processing the data. (*See* CTR, pp. 44-45).

Western Wireless currently provides all of its customers with access to emergency services by dialing 911 and stands ready to provide E-911 service to its customers once a PSAP submits a compliant request for E-911 service. (WW Ex. 1, p. 5; WW Ex. 2, pp. 10-11). At the time of hearing, Western Wireless had already deployed Phase I E-911 service in seven South

[11] *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Report and Order*, FCC 97-157, ¶ 71 (rel. May 8, 1997) ("*Universal Service Order*").

Dakota counties, including Brown, Davison, Lawrence, Meade, Minnehaha, Moody and Pennington. (TR, pp. 225-26). The Company also had two pending Phase I E-911 requests in Codington and Marshall Counties. (TR, pp 226-27). Western Wireless had also received two Phase II E-911 requests, but the local PSAPs were unable to receive the Phase II data. (*Id.*). Accordingly, Western Wireless is in full compliance will all federal E-911 deployment obligations in South Dakota.

6. Access to operator services

Access to operator services means any automatic or live assistance provided to a consumer to arrange for the billing or completion, or both, of a telephone call. 47 C.F.R. § 54.101(a)(6). Western Wireless satisfies this requirement by providing all of its customers with access to operator services provided by either the Company or other entities. (WW Ex. 1, pp. 5-6; WW Ex. 2, p. 11).

7. Access to interexchange service.

An ETC must offer consumers access to interexchange service for the purposes of making and receiving toll or interexchange calls. 47 C.F.R. § 54.101(a)(7). Equal access to interexchange service – *i.e.*, the ability of a customer to access a presubscribed long distance carrier by dialing 1+number – is not required under federal law. Congress has preempted States from requiring a CMRS provider to offer equal access in any context. 47 U.S.C. § 332(c)(8). As a result, the FCC determined it would be discriminatory to designate equal access as a supported service.[12] Later, the FCC specifically preempted State commissions from requiring a CMRS

[12] *Universal Service Order*, ¶¶ 78-79 (finding that in light of CMRS providers' exemption from providing equal access, "supporting equal access would undercut local competition and reduce consumer choice and, thus, would undermine one of Congress' overriding goals in adopting the 1996 Act").

provider to offer equal access to obtain universal service support.[13] Likewise, this past July the FCC reiterated that equal access is not a supported service.[14]

Western Wireless presently meets the requirement to provide access to interexchange service by providing all of its customers with the ability to make and receive interexchange or toll calls through direct interconnection arrangements with several interexchange carriers ("IXCs"). (WW Ex. 1, p. 6; WW Ex. 2, p. 11). Although Western Wireless cannot technically provide access to presubscribed IXCs today, all of its South Dakota customers are able to reach their IXC of choice by dialing an appropriate access code (*i.e.*, "dial-around" access). (*Id.*; TR, pp. 105, 219-20). Western Wireless therefore satisfies the requirement of providing access to interexchange service.

8. Access to directory assistance

The ability to place a call to directory assistance is a required service offering. 47 C.F.R. § 54.101(a)(8). Western Wireless satisfies this requirement by providing all of its South Dakota customers with access to directory assistance by dialing "411" or "555-1212." (WW Ex. 1, p. 6; WW Ex. 2, pp. 11-12).

9. Toll limitation for qualifying low-income consumers.

An ETC must offer a "toll limitation" service to requesting Lifeline customers.[15] The FCC has defined "toll limitation" as either "toll blocking" or "toll control" if a carrier is

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[13] *In the Matter of Petition of the State Independent Alliance and the Independent Telecommunications Group for a Declaratory Ruling that the Basic Universal Service Offering Provided by Western Wireless in Kansas is Subject to Regulation as Local Exchange Service*, WT-Docket No. 00-239, *Memorandum Opinion and Order*, FCC 02-164, ¶ 15 (rel. Aug. 2, 2002).

[14] *July 2003 Order*, ¶ 7.

[15] The obligation of a federal ETC to provide Lifeline and Link-Up service to qualified, low-income consumers is addressed in Part 54, Subpart E of the FCC's rules. 47 C.F.R. §§ 54.401-415. Western Wireless currently provides such services in its designated ETC service areas in South Dakota, and has committed to comply with all federal and State Lifeline and Link-Up obligations imposed on federal ETCs. (WW Ex. 1, pp. 12-13.)

incapable of providing both, but as both "toll blocking" and "toll control" if a carrier can provide both. 47 C.F.R. § 54.400(d). Toll blocking allows consumers to elect not to allow the completion of outgoing toll calls. Toll control allows consumers to specify a certain amount of toll usage that may be incurred per month or per billing cycle. 47 C.F.R. § 54.400(b)-(c).

Today, Western Wireless offers toll blocking services for Lifeline customers in areas where it has been designated as an ETC. Western Wireless will utilize this same technology to offer toll blocking to Lifeline customers throughout its requested areas at no additional charge. (WW Ex. 1, pp. 6-7; WW Ex. 2, p. 12).

Accordingly, as set forth above, the uncontroverted record evidence demonstrates that Western Wireless currently offers each of the nine Supported Services, and that the Company can and will offer those services to its universal service customers over its own facilities. Accordingly, the Commission should again find that Western Wireless fully satisfies the requirement to provide the Supported Services.

E. Western Wireless Will Offer And Advertise The Availability Of And Charges For The Supported Services

The third requirement for ETC designation is that the applicant commit to advertising the availability of and charges for the Supported Services using media of general distribution. 47 U.S.C. § 214(e)(1)(B). As a designated ETC, Western Wireless currently advertises its service offerings through several different media, including newspaper, television, radio, and billboard advertising. (WW Ex. 1, p. 7; WW Ex. 2, p. 15-16). Western Wireless also maintains various retail store locations throughout its authorized service areas, which provide an additional source of advertising. (*Id.*) Once designated as a competitive ETC in its requested ETC service areas in this proceeding, Western Wireless commits to advertise the availability of the Supported Services and the corresponding charges in a manner that fully informs the general public,

consistent with its advertising obligations in Docket TC98-146. (WW Ex. 2, p. 15). Moreover, Western Wireless has committed to complying with all form and content requirements, if any, adopted by the FCC or this Commission in the future and required of all ETCs. (*Id.*, p. 16).

None of the Intervenors offered any evidence to suggest Western Wireless' ability or commitment to advertise its service offerings is deficient in any way. To the contrary, the Intervenors concede Western Wireless' plans to meet the advertising requirement are appropriate. (TR, p. 370). The Commission should therefore conclude that Western Wireless fully satisfies the advertising requirement under 47 U.S.C. § 214(e)(1).

F. Western Wireless Has Appropriately Requested ETC Designation Where It Can Meet All Requests For Service Consistent With Its Obligations As A Federal ETC

1. The Service Area Requirement Is Clear

The fourth prerequisite for ETC designation is that the applicant identify appropriate service areas throughout which it will offer and advertise the Supported Services. 47 U.S.C. § 214(e)(1). Section 214(e)(5) of the Act defines the term "service area" as a geographic area established by a State commission for the purpose of determining universal service obligations and support mechanisms. 47 U.S.C. § 214(e)(5). For an area served by a rural telephone company, 47 U.S.C. § 214(e)(5) and 47 C.F.R. § 54.207(b) provide that the term "service area" is synonymous with the rural telephone company's "study area," unless and until the Commission and FCC cooperatively establish a different service area definition under the FCC's procedures prescribed in 47 C.F.R. § 54.207(c) and (d). A rural telephone company's "study area" is generally defined as all of the company's existing certificated exchange area in a given state.[16]

[16] *See Universal Service Order*, ¶ 172, n. 434.

2. Western Wireless Is Not Required To Prove Ubiquitous Signal Coverage Prior To Designation As A Competitive ETC

An applicant for designation as a competitive ETC is not required to prove that it can provide ubiquitous service throughout its requested service areas prior to designation. Indeed, the FCC has made clear that any such requirement would be an unlawful barrier to entry and, more importantly, would deprive consumers in rural and high cost areas of the benefits of competition.[17] Rather, the FCC has determined that a new entrant must be given the same reasonable opportunity to develop its network as that afforded an incumbent and – like the incumbent – the new entrant is only obligated to extend its network to serve new customers upon "reasonable request." Specifically, the FCC concluded:

> We find that an interpretation of section 214(e) requiring carriers to provide the supported services throughout the service area prior to designation as an ETC has the effect of prohibiting the ability of prospective entrants from providing telecommunications service. A new entrant faces a substantial barrier to entry if the incumbent local exchange carrier (LEC) is receiving universal service support that is not available to the new entrant for serving customers in high-cost areas. We believe that requiring a prospective new entrant to provide service throughout a service area before receiving ETC status has the effect of prohibiting competitive entry in those areas where universal service support is essential to the provision of affordable telecommunications service and is available to the incumbent LEC. Such a requirement would deprive consumers in high-cost areas of the benefits of competition by insulating the incumbent LEC from competition.
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> * * *
>
> No competitor would ever reasonably be expected to enter a high-cost market and compete against an incumbent carrier that is receiving support without first knowing whether it is also eligible to receive such support. We believe that it is unreasonable to expect an unsupported carrier to enter a high-cost market and provide a service that its competitor already provides at a substantially supported price. Moreover, a new entrant cannot reasonably be expected to be able to make the substantial financial investment required to provide the supported services in high-cost areas without some assurance that it will be eligible for federal universal

[17] *In the Matter of Federal-State Joint Board on Universal Service Western Wireless Corporation Petition for Preemption of an Order of the South Dakota Public Utilities Commission*, CC Docket 96-45, *Declaratory Ruling*, FCC 00-248, ¶ 12 (rel. Aug. 10, 2000) ("*South Dakota Preemption Order*").

service support. In fact, the carrier may be unable to secure financing or finalize business plans due to uncertainty surrounding its designation as an ETC.

* * *

. . . We find the requirement that a carrier provide service to every potential customer throughout the service area before receiving ETC designation has the effect of prohibiting the provision of service in high-cost areas. As an ETC, the incumbent LEC is required to make service available to all consumers upon request, but the incumbent LEC may not have facilities to every possible consumer. We believe the ETC requirements should be no different for carriers that are not incumbent LECs. A new entrant, once designated as an ETC, is required, as the incumbent is required, to extend its network to serve new customers upon reasonable request. We find, therefore, that new entrants must be allowed the same reasonable opportunity to provide service to requesting customers as the incumbent LEC, once designated as an ETC. Thus, we find that a telecommunications carrier's inability to demonstrate that it can provide ubiquitous service at the time of its request for designation as an ETC should not preclude its designation as an ETC.[18]

None of the Intervenors dispute that the Commission must apply the FCC's standard articulated in the *South Dakota Preemption Order* in this proceeding. Indeed, although he erroneously disputes Western Wireless' service area analysis in this proceeding, Mr. Brown acknowledges that an applicant for ETC designation is not required to demonstrate it is providing ubiquitous service throughout a study area as a prerequisite to designation. (TR, pp. 372, 445).

3. Western Wireless' Service Area Analysis Is Appropriate

Western Wireless is requesting designation as a competitive ETC throughout the South Dakota study areas of James Valley, Golden West, West River, Vivian, Tri-County, Venture, Alliance and Splitrock. (WW Ex. 2 – Ex. A). To ensure it can meet the obligations of a competitive ETC in its requested service areas, Western Wireless carefully analyzed its ability to provide the Supported Services and to respond to reasonable requests for service throughout the requested study areas. Western Wireless included in its Application only those Rural LEC study areas where the Company can meet these obligations today. As Mr. Blundell explained, Western

[18] *Id.*, ¶¶ 12-17 (footnotes omitted)(emphasis added).

Wireless is only seeking designation in study areas where, based upon its current and projected signal coverage, it serves at a minimum 85% of the population of the study area.

> Based on its review and analysis of certain data and information, Western Wireless has done its best to identify the study areas where it can meet its obligation to respond over time to reasonable requests for service. To do that we looked first at our existing signal coverage and authorized cellular licensed area. Using publicly available mapping software and the Company's own radio frequency signal propagation information (*i.e.*, coverage), Western Wireless determined the extent to which each study area is covered by Western Wireless today, and where coverage will be expanded in the future. Second, Western Wireless analyzed the percentage of the population within each study area that is covered by Western Wireless' existing network today. Western Wireless included only those study areas where its existing and future network reaches at least 85% of the population in each wire center within the study area.

(WW Ex. 2, pp. 17-18; *see also* WW Ex. 3).[19] And in many cases, Western Wireless' signal coverage extends to 90% or 100% of the population of the study areas. (TR, pp. 69-71).[20]

Mr. Blundell also explained that Western Wireless currently has 111 cell sites and extenders in its South Dakota network that today substantially cover its requested ETC service areas. (WW Ex. 3, pp. 4-5). In addition, the Company is planning the construction of seventeen additional cell sites during 2004 if designated as an ETC in its requested service areas. (*Id.*; *see also* CTR, pp. 74-75; 110-11 & TR 131-33). As demonstrated on Confidential Exhibit JHB-1 to WW Ex. 3, Western Wireless' propagated radio-frequency ("RF") coverage substantially covers it requested ETC service areas today. With the additional projected construction, Western Wireless will provide virtually complete coverage of the study areas. (WW Ex. 3, pp. 4-5).

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[19] Western Wireless' signal propagation was analyzed using a -104 dBm threshold, which is the same standard used by the FCC in determining a CMRS provider's cellular geographic service area ("CGSA"). (TR, p. 107). Western Wireless' analysis of the population served is based on the projected signal coverage after the build-out of 17 additional cell towers. (TR, pp. 126-27; WW Ex. 3 – Confidential Ex. JHB-1).

[20] Western Wireless currently offers both analog and digital services. The CDMA coverage with booster technology approximates the -104 dBm threshold, which was used in analyzing the 85% population covered analysis. (TR, pp. 107-08).

Western Wireless is, therefore, confident that it can meet requests for service within the requested ETC service areas consistent with its obligation as an ETC. (*Id.*)

4. The Commission Must Reject SDTA's Faulty Service Area Arguments

Relying on Mr. Brown's faulty "rule of thumb" analysis, and subsequent signal propagation maps, SDTA nevertheless complains that Western Wireless should be denied ETC designation where it does not – today – ubiquitously serve the entire geographic area of the requested study areas. As discussed below, the Commission must reject these arguments.

a. Western Wireless' Coverage Of At Least 85% Of The Population Is The Most Meaningful Predictor Of Its Ability To Meet Requests For Service

In determining where it can meet the obligations of a competitive ETC, Western Wireless carefully analyzed its current and anticipated signal coverage to determine where it could serve at least 85% of the population, as opposed to geography, of a study area. As Mr. Blundell explained, this population analysis more accurately reflects the Company's ability to meet requests for service. (TR, p 140). Conversely, Mr. Brown's arbitrary assumption that an applicant for ETC designation must provide ubiquitous geographic coverage must be rejected. (*See* Inter. Ex. 1, pp. 38-40).

Indeed, Mr. Brown's faulty assumption, if true, would be equally damaging to SDTA's member companies, who themselves do not have facilities in place to serve every square inch of their respective study areas.[21] Rather, as the Rural LEC witnesses admit, they rely on service requests from customers to dictate where and to what extent their networks are extended over time. Thus, each of the Rural LEC witnesses concede that geographic coverage is irrelevant and

[21] As Mr. Wood explained, wireline networks are capable of serving only a tiny fraction of the ILEC's actual service area, typically less than 5%. (WW Ex. 6, p. 8.) The ability to make a call on a wireline network is very limited geographically. (TR, pp. 330-32).

that, rather, a carrier satisfies the technical requirements to be designated an ETC by assuming the obligation to provide service upon request:

> The issue of the total land mass served is irrelevant. It is my understanding that the existing rules for federal universal service support pay support to carriers based on the consumer's location. This indicates that the universal service support system is designed to fund service at the consumer's location or premise. [Rural LEC], as indicated to Western Wireless in response to discovery requests, provides service to all customers at their premise upon request, subject to the company's line extension and/or deposit policies that may apply depending on specific circumstances. Therefore, the rural ILECs are complying with existing requirements to receive universal service support.

(*See* Inter. Ex. 6, p. 4; Inter. Ex. 8, pp. 1-2; Inter. Ex. 10, pp. 1-2) (emphasis added). The Commission must, therefore, reject SDTA's anticompetitive suggestion that a higher standard should be imposed on Western Wireless.

b. The Evidence Fully Demonstrates Western Wireless' Current And Projected Signal Coverage In South Dakota

Western Wireless' current and projected signal coverage is fully demonstrated in Confidential Exhibit JHB-1 to WW Ex. 3. Western Wireless uses a very sophisticated computerized RF propagation model to analyze its signal coverage and relies on this type of modeling to operate its business. (WW Ex. 4, pp. 12-13). This software model employs high-resolution topographical data, adjusts for "clutter" (*i.e.*, environmental features such as bodies of water, dense vegetation, etc.) and allows the Company's technicians to field test the signal coverage by driving the areas and then updating the model with the field-measured data. (*Id.*) In contrast, SDTA witness Brown's rudimentary analysis is, at best, admittedly only an "estimation" or "approximation." (TR, p. 429)

c. SDTA's Signal Coverage Maps Are Inherently Unreliable

Further, Mr. Brown's various maps of Western Wireless' signal coverage are inherently unreliable and should be rejected by the Commission. Mr. Brown himself concedes his initial

"rule of thumb" proximity analysis (Inter. Ex. 1, pp. 39-40 - Ex. GHB-4) is not a reliable predictor of actual signal coverage and that an RF propagation analysis is the more appropriate method of evaluating signal coverage. (TR, pp. 376-77). Yet, Mr. Brown's subsequent map purporting to reflect Western Wireless' signal coverage (Inter. Ex. 2 - Ex. GHB-8) is equally flawed.

As Mr. Blundell thoroughly addressed in prefiled testimony, instead of considering the actual network data supplied by Western Wireless in discovery, Mr. Brown instead relied on data relating to tower location, antenna height and effective radiated power ("ERP") from the FCC's ULS database and only "compared" this data to "some of the actual data" provided by Western Wireless. (WW Ex. 4, p. 9; TR, pp. 379-383). This resulted in several inaccuracies supporting the Commission's rejection of Brown's map.

For example, although the information contained in the FCC's ULS database is supplied by Western Wireless, it is only a partial representation of the Company's actual network facilities. (WW Ex. 4, p. 10). Federal rules require a wireless carrier to supply data on cell sites that define the exterior boundaries of its Cellular Geographic Service Area ("CGSA"). (*Id.*) If a cell site does not impact the exterior boundaries of its CGSA, the carrier is not required to supply that information, and the FCC does not make it available in the ULS database. (*Id.*) In addition, the data in the FCC's ULS database is limited to Western Wireless' analog or "AMPS" technology. (WW Ex. 4, pp. 10-11; TR, pp. 384-86). The information relating to antenna height and ERP therefore does not include Western Wireless' "CDMA" network information. (*Id.*) Because there is substantially greater cell site sectorization and antenna gain in the CDMA network, it has much greater ERP and resulting signal coverage. (*Id.*)

In addition, in his preparation of the map (Inter. Ex. 2 - Ex. GHB-8), Mr. Brown failed to

consider cell sites that serve South Dakota but are physically located outside the State (WW Ex. 4, p. 11; TR, p. 386); failed to consider the seventeen additional cell sites to be constructed by Western Wireless in 2004 (WW Ex. 4, p. 11; TR, p. 387); and failed to validate any of his assumptions by drive testing the results. (WW Ex. 4, pp. 12-13; TR, pp. 387-88).[22] Likewise, Mr. Brown's -75 dBm assumed signal strength to provide what he described as "urban quality service" is meaningless. As Mr. Brown admits, there is no industry standard – and thus no foundation – for his fabricated "urban quality service" standard. (TR, p. 430).

Mr. Brown's last minute Exhibit 18 (Inter. Confidential Ex. 18) suffers from similar infirmities. Indeed, Exhibit 18 does not even purport to analyze Western Wireless' signal coverage, but is instead supposed to show just the location of Western Wireless' South Dakota cell sites. (TR, p. 420). Yet, Mr. Brown concedes that Exhibit 18 is again not reflective of all of Western Wireless' towers in South Dakota. (TR, pp. 421-22). In fact, Mr. Brown was aware of other Western Wireless towers based on his review of the ULS database which are not included in Exhibit 18. (TR, p. 422). Accordingly, Mr. Brown's flawed maps fall far short of even providing – as he claims – an "estimation" or "approximation" of Western Wireless' signal coverage and should be rejected by this Commission. (TR, p. 429).[23]

d. Western Wireless Will Meet Reasonable Requests For Service In Areas Outside Its Current Signal Coverage

In any event, the evidence makes clear Western Wireless can and will meet reasonable requests for service throughout its requested ETC service areas, including the minority of areas where it does not currently serve 100% of the population. Mr. Blundell explained the numerous

[22] Unlike Western Wireless, Mr. Brown acknowledges that he does not validate, or "drive test," his analyses. (TR, pp. 387-88).

[23] Even though Mr. Brown's maps dramatically shortchange Western Wireless' current signal coverage, they still depict substantial existing coverage and demonstrate that the Company is more than equipped to meet reasonable requests for service anywhere within its requested ETC service areas.

ways Western Wireless will satisfy a request for service in an area outside its existing cellular signal coverage. (*See* WW Ex. 2, p. 14; WW Ex. 3, pp. 6-7; WW Ex. 4, p. 12; TR, pp. 144-147, 211).

First, Western Wireless will ensure that the customer's equipment is working properly and the appropriate equipment for the customer's location and usage. (*Id.*) Second, enhancements can be made at the customer's premises to enhance receipt of the signal, including the addition of a high-powered antenna or the reconfiguration of the customer's equipment. (*Id.*) Third, new technology is now available that can be added to the customer's equipment to boost the signal. (*Id.*)[24] Fourth, the wireless network in the customer's service area can be enhanced by adjusting power levels, signal strength and directional transmission of cell sites and by deploying network signal boosting technology. (*Id.*) And, finally, it is possible to enhance a customer's signal coverage by network expansion, such as the construction of cell site extenders and cell sites. (*Id.*)

Significantly, not one of the intervening parties offered <u>any</u> evidence to dispute Western Wireless' commitment or ability to meet requests for service through the above steps. In fact, Western Wireless has never been subject to a complaint suggesting any failure to respond to reasonable requests for service in its existing ETC service areas. (TR, pp. 223-24). Moreover, in its recent *Virginia Cellular* decision, the FCC specifically endorsed a wireless carrier's similar commitments to use roof-mounted antennas, additional customer equipment or other methods to meet service requests from potential customers within its licensed service area but outside its existing network signal coverage.[25] Thus, the Commission should find that through one or more

[24] For example, at least one brand of signal enhancer, SignalReach™, is available directly from Western Wireless. (WW Ex. 3, p. 7).

[25] *Virginia Cellular Order*, ¶ 15.

of these options, and its proven track record, Western Wireless will meet reasonable requests for service throughout its requested designated ETC service areas.

5. Western Wireless is Incentivized To Satisfy All Reasonable Requests For Service

The Commission should further recognize that not only does federal law require Western Wireless to respond to reasonable requests for service, but also there are natural business incentives for the Company to meet this standard. As Mr. Blundell explained:

> Western Wireless is in the business of providing service to customers, not preventing customers from receiving service. There is a business incentive to enhance and provide service in areas currently outside the Company's current signal coverage because there are potential subscribers there. Furthermore, it is a general principle of universal service that encourages the extension of telecommunications service to those currently unserved or only partially served areas. Western Wireless is applying for ETC designation with this very principle in mind and with the hope that the Commission will help it fulfill this principle by designating Western Wireless as an additional ETC in the proposed areas and by allowing the Company access to universal service support to help facilitate such expansion in rural areas of South Dakota.

(WW Ex. 3, pp. 8-9; *see also* TR, p. 129).

Indeed, when asked at hearing if Western Wireless is committed to a continuous program of construction and system upgrade based upon reasonable requests to extend service throughout its designated ETC service areas, Mr. Blundell unequivocally confirmed the Company's commitment as follows:

> That's exactly what we're in the business of doing. Western Wireless wants to be a service provider, wants to be in a position to be able to attract customers in our network and to provide them service. We do not want to be in the position of denying service to potential customers. That's what universal service is all about is providing support to enable a carrier to do just exactly that.

(TR, pp. 131-32).

And, of course, the universal service support mechanisms are designed to reward the ETC that provides such service. Because funding amounts to a competitive ETC are tied to

providing service, Western Wireless is incentivized to extend its network and expend universal service support to serve higher cost areas and to gain additional customers in those areas. Moreover, as the FCC has recognized, under the current funding mechanisms "only an eligible carrier that succeeds in attracting and/or maintaining a customer base to who it provides universal service will receive universal service support." (*Universal Service Order*, ¶ 138).

6. Western Wireless Is Not Required To Submit "Build Out" Plans For Areas Where It May Not Yet Have Coverage

As a result of Western Wireless' demonstrated, and substantial, existing signal coverage in South Dakota, and its unrefuted ability and commitment to meet requests for service through one or more of the steps described above, the Commission should reject SDTA's suggestion that the Company be required to submit "build out" plans as a "quid pro quo" of ETC designation. (TR, pp. 443-44). Nowhere in federal or State law does it require an ETC applicant to submit build out plans as a condition of ETC designation. Rather, the FCC has made clear that a carrier may demonstrate its ability and commitment to satisfy reasonable requests for service in any number of ways:

> A new entrant can make a reasonable demonstration to the state commission of its capability and commitment to provide universal service without the actual provision of the proposed service. There are several possible methods for doing so, including, but not limited to: (1) a description of the proposed service technology, as supported by appropriate submissions; (2) a demonstration of the extent to which the carrier may otherwise be providing telecommunications services within the state; (3) a description of the extent to which the carrier has entered into interconnection and resale agreements; or, (4) a sworn affidavit signed by a representative of the carrier to ensure compliance with the obligation to offer and advertise the supported services. We caution that a demonstration of the capability and commitment to provide service must encompass something more than a vague assertion of intent on the part of a carrier to provide service. The carrier must reasonably demonstrate to the state commission its ability and willingness to provide service upon designation.[26]

[26] *South Dakota Preemption Order*, ¶ 24.

Here, Western Wireless has more than satisfied the requirement to reasonably demonstrate its ability and commitment to meet all reasonable requests for service. Through its Verified Application, testimony and exhibits, Western Wireless has fully described its service technology; demonstrated the extent to which it is already providing service throughout the State of South Dakota (including those areas where it already serves as an ETC); assumed the obligation to offer and advertise the Supported Service throughout its requested ETC service areas; and articulated how it will satisfy requests for service to potential customers who may reside outside its current signal coverage.

Thus, the Commission should reject SDTA's suggestion that *Virginia Cellular* has somehow created a new requirement for a formal build out plan. (See Inter. Ex. 2, p. 9). Unlike the situation in *Virginia Cellular*, Western Wireless has offered more than a vague assertion that it will be able satisfy its obligations as an ETC. In *Virginia Cellular*, the applicant – unlike Western Wireless – sought designation as an ETC throughout a large geographic area where the company had no network facilities. (TR, pp. 345-48). Thus, it was necessary for that company to commit to constructing eleven new cell sites in the first year and a half following designation just to meet the threshold of demonstrating that it could meet any requests for service in its requested areas. (*Id.*)[27] In the subsequent *Highland Cellular* proceeding, the applicant had a much more mature network and was not required to make such a commitment. (TR, pp. 348-49).

Accordingly, the Commission should reject SDTA's suggestion that Western Wireless be required to submit a build out plan and find that the Company has identified appropriate service areas in which it can meet the obligations of an ETC.

[27] *See also Virginia Cellular Order*, ¶ 16.

IV. WESTERN WIRELESS' DESIGNATION AS A COMPETITIVE ETC IS IN THE PUBLIC INTEREST

The final requirement for ETC designation relates to the public interest. Section 214(e)(2) and S.D. Codified Laws §49-31-78 require the Commission to find, before designating a competitive ETC in an area served by a rural telephone company, that the designation is in the public interest. The Commission has already determined it is in the public interest to designate Western Wireless as a competitive ETC throughout the study areas of several rural telephone companies in South Dakota. (*See Western Wireless ETC Order*, Conclusions of Law, ¶ 6). This case presents the same public interest balance of proven consumer benefits outweighing speculative consumer harms. Accordingly, the Commission should find based on the record evidence in this proceeding that designating Western Wireless as a competitive ETC throughout its requested service areas will serve the public interest.

A. The Commission's Public Interest Analysis Should Balance Western Wireless' Demonstrated Consumer Benefits Against Any Proven Consumer Harms

The public interest determination required under Section 214(e)(2) first depends on whether the proposed designation will promote competition and, if so, whether consumers will ultimately realize benefits related to competition and the new services provided. The express purposes of the Act in this regard are as follows:

> To promote competition and reduce regulation in order to secure lower prices and higher quality services for American telecommunications consumers and encourage the rapid deployment of new telecommunications technologies.

(Pub. L. No. 104-104, 110 Stat. 56 (1996) (emphasis added)). The public interest standard under Section 214(e)(2) emphasizes competition and consumer benefits, not incumbent protection. As explained by Senator Dorgan, who offered the amendment to the Senate bill inserting the public interest requirement in Section 214(e)(2): "The best interests of rural consumers are paramount."

(141 Cong. Rec. S7951 (June 8, 1995)).

Consistent with the Act, this Commission has previously determined that the public interest analysis should seek to balance the proven consumer benefits of increased competition and deployment of new technologies against any demonstrable impacts to the preservation and advancement of universal service:

> The question of whether it is in the public interest to designate an additional ETC in an area served by a rural telephone company necessarily requires a two-part analysis. The first part of the analysis is whether consumers will realize benefits from increased competition. The fact that the area in question involves a rural area leads to the second part of the public interest analysis: whether the rural area is capable of supporting competition. Or, in other words, will the introduction of competition in rural telephone company areas have detrimental effects on the provisioning of universal service by the incumbent carriers.

(*Western Wireless ETC Order*, Findings of Fact, ¶ 9). In applying this analysis, the Commission has made clear that it will not consider speculative arguments of harm – like those raised by the Intervenors here – including future uncertainties related to the level of universal support available to the incumbent rural LECs. (*Id.*, Finding of Fact, ¶ 13).

Similarly, in designating competitive ETCs in certain rural service areas, the FCC has expressly recognized the public benefits of designating a wireless carrier as a competitive ETC. Like this Commission, the FCC weighs the benefits against any demonstrable harm to the provision of universal service that may result from designating a competitive ETC.[28] Therefore, this Commission's analysis is perfectly consistent with the FCC's approach.

B. Designating Western Wireless As A Competitive ETC Will Generally Benefit South Dakota Rural Consumers

The designation of Western Wireless as a competitive ETC will benefit South Dakota consumers in rural and high cost areas. As Mr. Wood explained, consumers will benefit in the

[28] *Virginia Cellular Order*, ¶ 28; *see also Highland Cellular Order*, ¶ 22).

short term from having a choice of suppliers, technologies, services, features and pricing that best meet their individual needs. (*See* WW Ex. 5, pp. 22-23). Over the longer term, consumers will benefit as competitive market forces act to make all providers, including the Rural LECs, more efficient and responsive to customer needs. (*Id.*; TR, p. 336). As the FCC likewise has observed:

> [C]ompetition will result not only in the deployment of new facilities and technologies, but will also provide an incentive to the incumbent rural telephone companies to improve their existing network to remain competitive[29]

Indeed, these competitive market forces alone "provide incentives to the incumbent to implement new operating efficiencies, lower prices, and offer better service to its customers."[30] This fact was amply demonstrated by the Intervenors in this proceeding. Indeed, each of the Rural LEC witnesses agreed that their companies would not be adversely affected by Western Wireless' designation, but rather would be incentivized to compete "very hard" against Western Wireless.

For example, James Valley will try to reduce its expenses and operate more efficiently if Western Wireless is designated as an ETC in its study area, including developing new services, new revenue streams and improving customer service and responsiveness. (TR, p. 521). James Valley may also consider lowering rates or expanding its local calling areas to respond to competition from Western Wireless — all to the benefit of its customers. (*Id.*, pp. 521-22). Likewise, Golden West and Vivian will "do [their] best" to reduce expenses and operate more efficiently if Western Wireless is designated. (TR, p. 543). Golden West has also developed alternative lines of business in an effort to deploy new services and generate new revenue

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[29] *In the Matter of the Federal-State Joint Board on Universal Service, Western Wireless Corporation Petition for Designation as an Eligible Telecommunications Carrier in the State of Wyoming,* CC Docket No. 96-45, *Memorandum Opinion and Order*, DA 00-2896 ¶ 17 (rel. Dec. 26, 2000).

[30] *Id.*, ¶ 22.

streams, including recent acquisitions designed to "lower overall expenses" and "increase operating efficiency." (TR, p. 543). Mr. Strandell also committed Golden West and Vivian to improving customer service and responsiveness in response to Western Wireless' designation. (TR, p. 544). Similarly, Venture competes with Western Wireless today and will continue to compete if the Company is designated in its study area, including redoubled efforts to attract new customers and retain existing customers, as well as try to reduce expenses and operate more efficiently. (TR, p. 562).

As Mr. Wood also addressed in his expert testimony, the existence of competitive alternatives, particularly the availability of wireless services, is of paramount importance to economic development and health and safety concerns in rural areas. (WW Ex. 5, pp. 24-25). Likewise, the FCC recently recognized that the mobility of wireless service is especially beneficial to the economic well-being, health and safety of rural consumers:

> Also, the mobility of Virginia Cellular's wireless service will provide other benefits to consumers. For example, the mobility of telecommunications assists consumers in rural areas who often must drive significant distances to places of employment, stores, schools, and other critical community locations. In addition, the availability of a wireless universal service offering provides access to emergency services that can mitigate the unique risks of geographic isolation associated with living in rural communities. . . .[31]

Indeed, even Mr. Brown agrees that the mobility of service, including the mobility of 911 service, greatly benefits consumers. (TR, pp. 396-97).

C. Designating Western Wireless As A Competitive ETC Will Specifically Benefit South Dakota Consumers

The record evidence equally demonstrates that designating Western Wireless as a competitive ETC will also provide specific benefits South Dakota's rural consumers. The

[31] *Virginia Cellular Order*, ¶ 29; *see also* TR, p. 282 (Mobility is a benefit that needs to be recognized as part of the public interest); TR, p. 317 (The health and safety issues associated with the mobility of Western Wireless' service clearly provide consumer benefits. Wireless service will be available in the event of a farming accident or a breakdown on the side of the road).

designation of a particular competitive carrier can provide consumers with the specific benefits of that carrier's unique service offerings. (*Virginia Cellular Order*, ¶ 28). In this case, no party disputes that Western Wireless has made significant commitments to the provision of universal service throughout its requested service areas having already been designated as an ETC in 14 States, including rural and high cost areas in South Dakota and on the Pine Ridge Reservation. In these areas, Western Wireless is a key provider of services to low-income consumers and consumers in high-cost areas.

In this case, Western Wireless will provide a variety of calling plans throughout its requested ETC service areas comparable to those available from national carriers operating in more urban areas. (WW Ex. 3, p. 23-24; WW Ex. 4, p. 15). This fact alone satisfies one of the primary objectives of the universal service program.[32] Where it has already been designated as an ETC in South Dakota, Western Wireless offers a wireless local loop service, which simulates dial-tone and allows customers to plug in fax machines, answering machines, or other peripheral devices, and allows residential customers a choice not otherwise available. (WW Ex. 2, pp. 13-14; WW Ex. 4, p.15). The Company will similarly offer this same service throughout its requested ETC service areas in this case. (*Id.*) As the Sixth Judicial Circuit Court has recognized, Western Wireless' wireless local loop offering provides consumers with benefits different than other wireless customer equipment.[33]

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[32] 47 U.S.C. § 254(b)(3) ("Consumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.")

[33] *The Filing by GCC License Corporation for Designation as an Eligible Telecommunications Carrier*, Civ. 99-235, *Findings of Fact, Conclusions of Law and Order*, Findings of Fact, ¶¶ 8-9 (6th Jud. Dist. Mar. 22, 2000). This finding, among others, was later affirmed by the South Dakota Supreme Court and expressly adopted by the Commission on October 18, 2001. *The Filing by GCC License Corporation for*

Western Wireless will also provide expanded local calling areas, which will benefit rural consumers who currently pay toll charges to reach government offices, health care providers, business and family located outside of a restricted landline local calling area. (WW Ex. 2, p. 20; WW Ex. 3, pp. 23-24; WW Ex. 4, p. 15). Both the FCC and this Commission have previously recognized the enhanced benefit of an expanded local calling area for rural consumers.[34]

Western Wireless can offer service in unserved or underserved areas and signal coverage over a much broader area than a wireline provider. (WW Ex. 1, p. 13; WW Ex. 4, p. 15). Wireline networks are capable of serving only a tiny fraction of the Rural LECs' actual service areas, typically less than 5%. (WW Ex. 6, p. 8). Whereas the ability to make a call on a wireline network is very limited geographically (TR, p. 331), Western Wireless' wireless technology serves a much larger area. The Company can also offer consumers faster and cheaper service activation with the elimination of potential line extension charges. (WW Ex. 4, p. 15).

Customers of Western Wireless will also benefit from its deployment of the 1XRTT technology, which should be completed in South Dakota by the end of 2004. (TR, p. 105). This technology allows for high-speed data access of up to 140 kbps with the wireless local loop unit. (TR, pp. 50-51).

Finally, Western Wireless is a signatory to the Cellular Telecommunications and Internet Association Consumer Code for Wireless Service ("CTIA Consumer Code"). (WW Ex. 3, pp. 18-19 – Ex. JHB-4; WW Ex. 4, p. 16). Under the CTIA Consumer Code, Western Wireless has agreed to: (1) disclose rates and terms of service to customers; (2) make available maps showing where service is generally available; (3) provide contract terms to customers and

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Designation as an Eligible Telecommunications Carrier, 2001 SD 32, 623 N.W.2d 474 (S.D. Mar. 14, 2001), *reh'g denied* (April 30, 2001).

[34] *Virginia Cellular Order*, ¶ 29; *Western Wireless Order*, Finding of Fact, ¶ 10

confirm changes in service; (4) allow a 14-day trial period for new service; (5) provide specific disclosures in advertising; (6) separately identify carrier charges from taxes on billing statements; (7) provide customers the right to terminate service for changes to contract terms; (8) provide ready access to customer service; (9) promptly respond to consumer inquiries and complaints received from government agencies; and (10) abide by policies for protection of consumer privacy. (*See id.*). The FCC has specifically recognized the adoption of the CTIA Consumer Code demonstrates a carrier's commitment to high-quality service and mitigates any concerns regarding the absence of service quality regulation of a wireless carrier. (*Virginia Cellular Order*, ¶ 30 & n. 94).

Accordingly, the Commission should find that the designation of Western Wireless as a competitive ETC will provide South Dakota rural consumers with specific, tangible consumer benefits that are different from what is currently provided by the Rural LECs.

D. No Party Has Demonstrated That Western Wireless' Designation As A Competitive ETC Will Detrimentally Affect The Provision Of Universal Service Within Its Requested ETC Service Areas

The second prong in the Commission's public interest analysis considers whether the introduction of competition in rural LEC service areas will detrimentally affect the provisioning of universal service by the incumbent carriers.[35] In weighing the Rural LECs' arguments against the designation of a competitive ETC, this Commission has made clear that it will not consider claims based on speculative funding concerns:

> As stated above, the second part of the public interest analysis is whether the introduction of competition in these rural areas will ultimately prove detrimental

[35] *Western Wireless ETC Order*, Finding of Fact, ¶ 9. Although the Commission has previously addressed this factor in the context of what harm may befall a rural LEC if it is required to compete, Western Wireless respectfully suggests that the more appropriate focus of this second prong should be on consumers, rather than on the Rural LECs themselves. As the Fifth Circuit has previously observed, the Act does not guarantee that all carriers will profit in a competitive market. *Alenco Communications, Inc. v. FCC*, 201 F.3d 608, 620 (5th Cir. 2000).

> to universal service. SDITC's witness' testimony as to whether designation was in the public interest focused on the uncertainties with respect to the level of universal support for rural telephone companies. Exhibit 6 at 10-11. He did not offer evidence that the rural telephone companies would be unable to continue to provide universal service to its customers if another carrier were granted ETC designation.

(*Western Wireless ETC Order*, Finding of Fact, ¶ 13) (emphasis added).

Nor will the Commission delay its decision due to a lack of finality in the FCC's formation of universal service funding policies:

> In a similar argument, SDITC points out that the FCC is currently addressing the issues of interstate access reform for rate-of return carriers and is considering further changes in the universal service support for rural telephone companies. SDITC states that the outcome of these proceedings will have a "significant impact on whether designating GCC as an additional ETC would be in the public interest." SDITC Supplemental Rebuttal Brief at 32. Again, the Commission does not believe that it can delay, or indefinitely postpone, the designation of additional ETCs due to the lack of finality or the fact that future changes could affect universal service funding.

(*Western Wireless ETC Order*, Finding of Fact, ¶ 15) (emphasis added).

Accordingly, the Commission should summarily reject the Intervenors' primary argument against the public interest in this proceeding. In short, the rural LECs contend Western Wireless should be denied designation as a competitive ETC because the Federal-State Joint Board on Universal Service's ("Joint Board") recent primary-line funding proposal[36] to the FCC could, at some undefined time, have some undetermined affect on the amount of federal universal service support the rural LECs may receive. (TR, pp. 515-16, 539-40, 558-59, 591-92). The Intervenors' speculative arguments of harm should be rejected by the Commission since nobody knows whether, when or how the FCC might change its existing funding rules.

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[36] *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Recommended Decision*, FCC 04J-1 (rel. Feb. 27, 2004) ("*Joint Board Recommendation*").

1. The Joint Board Recommendations Have No Immediate Legal Effect

First, the *Joint Board Recommendation* has no immediate legal effect and, therefore, need not be considered by the Commission in this proceeding. As the legislative history makes clear, until the FCC acts to adopt or decline a recommended decision of the Joint Board, the recommendations are merely advisory:

> Consistent with all Joint Boards established under section 410(c), the recommendations of the Joint Board are advisory in nature, and the FCC is not required to adopt the recommendations. However, the Committee [on Commerce, Science and Transportation] intends that the FCC shall give substantial weight to the Joint Board recommendations.

Senate Report No. 104-23, p. 25 (March 30, 1995) (emphasis added). Moreover, pursuant to 47 U.S.C. § 254(a)(2), the FCC has up to one year in which to act on the Joint Board's recommendations.[37] Indeed, all parties to this proceeding agree that the FCC's response to the Joint Board's primary line funding proposal is uncertain. (TR, pp. 519, 540-41, 558-59, 585-88, 601). Thus, it is certainly premature for the Commission or any party to begin speculating when, whether and how the FCC will respond to the Joint Board's recommendations.

2. It Is Equally Likely That The Joint Board's "Primary Line" Funding Proposal Will Be Rejected By The FCC

Second, the Intervenors' unsupported assumption that the FCC will inevitably adopt the Joint Board's "primary line" funding proposal (*i.e.*, to limit the funding of universal service customers to a single "primary line") is misplaced. Indeed, the FCC has already rejected an earlier Joint Board recommendation to fund only single lines. (*Universal Service Order*, ¶¶ 95-96). Thus, it is equally likely that the FCC will again reject the Joint Board's primary line funding recommendation this time around.

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[37] The FCC only issued its Notice of Proposed Rulemaking last week. *In the Matter of the Federal-State Joint Board on Universal Service*, CC Docket 96-45, *Notice of Proposed Rulemaking*, FCC 04-127 (rel. June 8, 2004).

3. The Intervenors Simply Ignore The Joint Board's "Hold Harmless" Provisions Designed to Protect Incumbent Rural Carriers

Third, the Commission should reject the Intervenors' speculative claims of harm because they inexplicably ignore the Joint Board's "hold harmless" recommendations designed to insulate rural telephone companies from any immediate harm resulting from any potential change to the universal service funding mechanisms. (TR, pp. 515-16, 540-41, 559, 588-89).

Indeed, recognizing that a change in the federal universal service funding mechanisms will affect both incumbent and competitive ETCs alike, the Joint Board made its primary line funding recommendation expressly contingent on the FCC receiving further comments and conducting a rulemaking proceeding to develop competitively neutral rules and procedures for the determination of what is meant by a customer's "primary line." (*Joint Board Recommendation*, ¶ 57). The Joint Board also took great pains to encourage the FCC to adopt some type of "hold harmless" mechanism to ameliorate any negative effect the primary line funding rule may have on rural telephone companies. (*Id.*, ¶ 72-76). Yet the Intervenors admit that they ignored the "hold harmless" recommendations entirely and failed to tell the whole story in their testimony. (TR, pp. 515-16, 540-41, 559, 588-89).

In any event, as Ms. Vanicek acknowledged in her testimony, it is entirely unclear what, if any, effect a primary line funding rule will have on any of the Rural LECs in South Dakota at this time, or in the future:

> Q. Now in addition to the primary connection proposal, the Joint Board also recommended to the FCC consideration of these other measures to avoid or mitigate reductions in the amount of high-cost support flowing to rural carriers as a result of any implementation of a primary line restriction, didn't they?
>
> * * *
>
> A. Okay.

Q. Subject to check. But these additional proposals that the Joint Board has recommended, one relates to restating the total current support paid to the rural carriers in terms of first lines, right?

A. That's one of the proposals. I'm not sure they would have characterized that as a mitigation. I'm not sure I believe it offers a lot of mitigation.

Q. And you don't know if the FCC is going it adopt it, do you?

A. Not with 100 percent certainty, no.

Q. And they also recommended or suggested providing supplemental lump sum payments to avoid any effects on rural carriers; right?

A. That is one option.

Q. And another option was described as the hold harmless proposal to freeze the per line support available to competitive ETCs?

A. That was another option.

Q. But, in any event, you acknowledge in your surrebuttal testimony that it is unclear exactly how these proposals would function; right?

A. I don't believe any of them have great specificity. Obviously, we don't know exactly how the computations are going to be made. We don't know -- say, for example, if they decide to do a lump sum payment, what period of time it's going to be, a year, two years, six months? Who knows.

Q. Nobody knows; right?

A. Not with 100 percent certainty, no.

(TR, pp. 588-90).

Consequently, the Commission need not (and should not) speculate about how any changes in the FCC's universal service funding mechanism may impact the Intervenors in this proceeding. Indeed, the FCC itself has deferred consideration of any such funding issues as part of the ETC designation process and has continued to designate competitive ETCs pending the outcome of its separate rulemaking.[38] And, as Ms. Vanicek agrees, it would be inappropriate for

[38] *See, e.g., Virginia Cellular Order*, ¶ 31 ("[T]he Commission has asked the Joint Board to examine, among other things, the Commission's rules relating to high-cost universal service support in service

the Commission in this proceeding to prejudge what the FCC might ultimately do. (TR, pp. 602-63). Thus, consistent with its prior decision to reject such speculative funding claims, the Commission should do the same in this proceeding.

4. Under The Current Funding Mechanisms, The Rural LECs Will Not Lose Universal Service Support Even If They Lose Customers

Furthermore, it is undisputed that under the FCC's current funding mechanisms, the Rural LECs will not lose any universal service support even if they lose customers to Western Wireless. As the FCC recently reiterated:

> . . .The high-cost universal service mechanisms support all lines served by ETCs in rural areas. Under the Commission's rules, receipt of high-cost support by Virginia Cellular will not affect the total amount of high-cost support that the incumbent rural telephone company receives. Therefore, to the extent that Virginia Cellular or any future competitive ETC captures incumbent rural telephone company lines, provides new lines to currently unserved customers, or provides second lines to existing wireline subscribers, it will have no impact on the amount of universal service support available to the incumbent rural telephone companies for those lines they continue to serve . . ..

(*Virginia Cellular Order*, 43) (internal footnotes omitted). Thus, any loss of customers to Western Wireless in the immediate future will not result in any reduction in the Rural LECs' total universal service support. (TR, p. 322-23).

E. The Record Evidence Demonstrates The Rural Telephone Companies Are Well Positioned To Compete With Western Wireless

In addition to rejecting the Intervenors' speculative claims of public interest harm related to potential funding changes, the Commission should also find that the Rural LECs in this proceeding are well suited for competition from Western Wireless. The Rural LECs have failed to introduce any evidence suggesting that their respective study areas differ in any material way

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areas in which a competitive ETC is providing service, as well as the Commission's rules regarding support for second lines. We note that the outcome of the Commission's pending proceeding examining the rules relating to high-cost support in competitive areas could potentially impact, among other things, the support that Virginia Cellular and other competitive ETCs may receive in the future.")

from those rural service areas where the Commission previously found it was in the public interest to designate Western Wireless as a competitive ETC. Nor have they produced any evidence to suggest their service areas are so exceptional as to deny consumers in those areas the benefits of competition.

As discussed above, each of the Rural LEC witnesses confirmed that his represented company (or companies) intends to compete with Western Wireless tooth-and-nail if it is designated as a competitive ETC. (*See* Section IV(B), *supra*). Moreover, the evidence produced in prefiled testimony undisputedly demonstrates that these companies are more than equipped to compete with Western Wireless. For example, Golden West (including its subsidiary Vivian Telephone Co.) – South Dakota's "largest independent telecommunications company" – is thoroughly diversified in telephone, cable, Internet, paging, cellular telephone licenses and other services and revenue generating enterprises. (WW Ex. 3, pp. 13-14 – Ex. JHB-2). James Valley has also expanded its services to include "cable television, direct broadcast satellite service, Web TV, Internet access [and the sale of] telecommunication equipment including pre-paid phone cards, travel cards, telephones, cordless phones, answering machines, caller ID boxes, multiple line phones, novelty phones and headsets." (*Id.*) Likewise, Venture Communication provides telephone, Internet and cable services. (*Id.*). And West River – the "second largest independent telephone company" in North Dakota – provides telephone, Internet and cellular services. (*Id.*)

Likewise, each of the Rural LEC witnesses admit that Western Wireless' designation will have no affect on his company's ability to remain an ETC. (TR, pp. 520, 542, 561). None of the companies will go out of business or relinquish its ETC designation in response to competition from Western Wireless. (*Id.*)[39]

[39] In fact, there is no evidence that the designation of competitive ETCs is driving incumbent LECs out of business. Western Wireless has been designated as an ETC in 14 different States for almost four years

Finally, the record demonstrates that each of the companies is a profitable business and will continue to be so even if it were to lose customers to Western Wireless. (TR, pp. 519, 542, 562-63). As Mr. Blundell explained:

> [B]ased on the revenue and cost estimates provided in the Rural ILECs' filed testimony, it is clear that each of these carriers (*i.e.*, Golden West, Vivian, James Valley and Venture) would remain very profitable even assuming a 20% loss of federal universal service support. And as the remaining Rural ILECs affected by this proceeding submitted no company-specific data, there is no evidence whatsoever to believe they would be compromised by Western Wireless' ETC designation.

(WW Ex. 3, p. 15 - Ex. JHB-3). Relying on the Rural LECs' own financial data provided in their prefiled testimony, Mr. Blundell determined that even if a Rural LEC lost one-in-five "primary line" customers to Western Wireless, it would only result in an approximately 4% loss of revenue. (*See* Ex. 3, pp. 15-16 – Ex. JHB-3). As a result, even if the FCC were to ultimately adopt a primary line funding limitation without any further "hold harmless" protections, it would still have only a negligible impact on the Rural LECs in this proceeding.

F. The Commission Should Reject The Intervenors' "Impact On The Fund" Arguments

The Commission must similarly reject the Intervenors' arguments regarding the potential impact of Western Wireless' designation on the federal universal service fund. (*See* Inter. Ex. 3, pp. 16-17, Inter. Ex. 4, pp. 15-16; TR, p. 584). Although the FCC has indicated that this issue may become relevant in the future, it has appropriately deferred consideration of the issue pending the outcome of future rulemaking in the Portability Proceeding. (*See Virginia Cellular Order*, ¶ 31; *Highland Cellular Order*, ¶ 25.) The FCC has also observed that even under the current universal service funding mechanisms, the impact of any one competitive ETC on the

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now. (WW Ex. 3, p. 14). During that time, not one single ILEC has sought to relinquish its ETC designation and forego the receipt of federal universal support. (*Id.*)

universal service fund is, at best, "inconclusive." (*Virginia Cellular Order*, ¶ 31 n. 96; *Highland Cellular Order* ¶ 25 n. 73.)

In addition, even if it were appropriate to consider the impact of Western Wireless' designation on the federal universal service fund in the proceeding, the Commission should find that such designation will be inconsequential. As Mr. Blundell explained:

> Using Mr. Brown's own projections set forth in Exhibit GHB-1, he estimates Western Wireless would receive $6,898,815 per year, or $1,724,703 per quarter, if designated as an ETC in this proceeding. If the high-cost universal service fund is (as estimated by USAC) $910,181,029 for the 2nd Quarter of 2004, then Western Wireless would only receive approximately .002 percent of the total high-cost support available to all ETCs. This negligible impact is far less than the increases the FCC found unpersuasive in both *Virginia Cellular* and *Highland Cellular*. (*See Virginia Cellular Order*, ¶ 31 n. 96 (finding 0.105% increase in high-cost universal service fund is inconsequential); *Highland Cellular Order*, ¶ 25 n. 73 (0.04% increase inconsequential).[40]

(WW Ex. 4, p. 22). Consequently, the Commission should reject the Intervenors' argument that designating Western Wireless will substantially impact the federal universal service fund.

G. The Commission Should Reject Intervenors' "Affordability" Arguments

Lastly, the Commission should reject Ms. Vanicek's suggestion that the Commission consider the affordability of Western Wireless service as part of its public interest analysis. (TR, p. 593; Inter. Ex. 4, p. 11).

First, as Ms. Vanicek admits, she relies solely on 47 U.S.C. § 254(b)(1) as the basis for her "affordability" argument. (TR, p. 593). Section 254(b) is not, however, a directive to the State commissions to consider in designating ETCs. Rather, it is a directive to the FCC and Joint Board to guide their consideration of larger universal service policies. Thus, the affordability factor has already been addressed by the FCC and Joint Board in the way in which they defined

[40] This example is purely illustrative as Mr. Brown himself admits his estimate of the amount of universal service support Western Wireless would receive is unreliable. (TR, pp. 405-08).

the specific "core" services to be supported by the universal service funding mechanisms and in other adopted polices.

And, second, nowhere in the federal or State ETC criteria is an affordability finding required. Indeed, the FCC has never considered the affordability of any ETC applicant's service offering when considering an application brought under 47 U.S.C. § 214(e)(6). In fact, the FCC has rejected the claim that an ETC applicant be required to provide a detailed description of its service offerings prior to designation, including any scrutiny of its rates:

> Contrary to the arguments of the Alabama Rural LECs, [an ETC applicant] is not required to provide detailed description of its planned universal service offerings beyond its commitment to provide, or statement that it is now providing, all of the services supported by the universal service mechanism.[41]

In addition, as recently as January 2003, this Commission acknowledged that no other eligibility criteria, including an affordability standard, exists under State or federal law and, therefore, approved Western Wireless' Compliance Filing in Docket TC98-146 over SDTA's objection that the Commission reopen the record to consider, among other things, the affordability of the Company's rates.[42]

Accordingly, the Commission should again reject the Intervenors' efforts to impose an affordability requirement where none exists at law and find that Western Wireless' designation as a competitive ETC throughout its requested ETC service areas is consistent with the public interest.

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[41] *In the Matter of Federal State Joint Board on Universal Service, Petition of RCC Holdings for Designation as an ETC in Alabama*, CC Docket No. 96-45, *Memorandum Opinion and Order*, DA 02-3181, ¶ 19 (rel. Nov. 27, 2002) ("*RCC Order*").

[42] *In the Matter of the Filing by GCC License Corporation For Designation As An Eligible Telecommunications Carrier*, Docket No. TC98-146, *Order Designating Western Wireless as and ETC for Areas Served by Certain Rural Telephone Companies* (Jan. 6, 2003).

V. CONCLUSION

The Act and the Commission's past decisions establish consistent, clear and competitively neutral mechanisms for allowing carriers, including a CMRS provider like Western Wireless, to be designated as a competitive ETC. Consistent with applicable law, Western Wireless has demonstrated that it satisfies each of the prerequisites for designation as a competitive ETC in this proceeding. Moreover, Western Wireless has demonstrated that its designation will bring competitive choices, new technologies and services, and better service to South Dakota consumers and so is clearly in the public interest. Western Wireless therefore respectfully requests that the Commission adhere to the directives and principles of the Act and State law and grant its Application for designation as a competitive ETC.

Respectfully submitted,

Dated: June 14, 2004

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CERTIFICATE OF SERVICE

The undersigned certifies that on the 14 day of June, 2004, I served a true and correct copy of the foregoing Post-Hearing Brief of WWC License, LLC by Next Day Delivery and email to:

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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE FILING BY WWC LICENSE, LLC D/B/A CELLULARONE FOR DESIGNATION AS AN ELIGIBLE TELECOMMUNICATIONS CARRIER IN OTHER RURAL AREAS	)))))	**STAFF'S BRIEF** **TC03-191**

I. PROCEDURAL HISTORY

On November 5, 2003, the Public Utilities Commission (Commission) received a filing by WWC Holding Co., Inc. d/b/a CellularOne (Western Wireless) petitioning for approval as an eligible telecommunications carrier (ETC) in the study areas of the following rural telephone companies: Golden West Telecommunications Cooperative, Inc., James Valley Cooperative Telephone Company, Splitrock Properties, Inc., Venture Communications Cooperative f/k/a Sully Buttes Telephone Cooperative, Inc., Tri-County Telcom, Inc., Vivian Telephone Company, West River Telecommunications Cooperative (Mobridge) - SD, and West River Telecommunications Cooperative - SD. On November 6, 2003, the Commission electronically transmitted notice of the filing and the intervention deadline of November 21, 2003, to interested individuals and entities. On November 21, 2003, Petitions to Intervene were filed by James Valley Cooperative Telephone Company, South Dakota Telecommunications Association, Alliance Communications Cooperative, Inc., Splitrock Properties, Inc., West River Telecommunications Cooperative, Golden West Telecommunications Cooperative, Inc., Vivian Telephone Company, Venture Communications Cooperative, and Tri-County Telcom, Inc. Western Wireless objected to the intervention of South Dakota Telecommunications Association. At its regularly scheduled meeting of December 2, 2003, the Commission granted the above Petitions to Intervene. On January 2, 2004, Western Wireless filed a Motion to Amend Petition to substitute as petitioner WWC License, LLC as the correct party.

At its regularly scheduled meeting of January 20, 2004, the Commission granted the Motion to Amend Petition. The hearing was held on this matter as scheduled on May 4-6, 2004, in Room 412, State Capitol Building, Pierre, South Dakota.

II. JURISDICTIONAL STATEMENT

The Commission has jurisdiction over this matter pursuant to SDCL Chapters 1-26 and 49-31, including 1-26-18, 1-26-19, 49-31-3, 49-31-7, 49-31-7.1, 49-31-11, 49-31-78, 49-31-81; ARSD 20:10:32:42 through 20:10:32:46, inclusive; and 47 U.S.C. § 214(e)(1) through (5).

III, ARGUMENT

A. Universal Service Criteria

Commission Staff agrees with Petitioner that it has met its burden of demonstrating its capability to provide the nine categories of services and functionalities required by the FCC in 47 C.F.R. § 54.101(a) for receipt of universal service funds and therefore for designation as an eligible telecommunications carrier ("ETC") to receive such support pursuant to 47 U.S.C. § 214(e). In its Findings of Fact, Conclusions of Law and Order in Docket No. TC98-146, in which the Commission designated Petitioner as an ETC in certain specified other rural service areas in South Dakota, the Commission stated these services and functionalities to be:

> (1) voice grade access to the public switched network; (2) local usage; (3) dual tone multi-frequency signaling or its functional equal; (4) single party service or its functional equivalent; (5) access to emergency services; (6) access to operator services; (7) access to interexchange service; (8) access to directory assistance; and (9) toll limitation for qualifying low-income consumers. Conclusion of Law 4.

Staff concurs with Petitioner that the record amply demonstrates that Petitioner does in its current service area and will have the capability in these service areas to provide the required universal services. See specific record citations in Post Hearing Brief of WWC License LLC, III.D. pp. 6-12.

B. Public Interest

Because the areas for which Petitioner seeks ETC designation are rural areas, the Commission is also required to find that the designation is in the public interest. 47 U.S.C. § 214(e)(2). In *Federal-State Joint Board on Universal Service, Virginia Cellular, LLC Petition for Designation as an Eligible Telecommunications Carrier for the State of Virginia*, CC Docket No. 96-45, Memorandum Opinion and Order, FCC 03-338, para. 4 (rel. Jan. 22, 2004) ("*Virginia Cellular Order*") and in *Federal-State Joint Board on Universal Service, Highland Cellular, Inc. Petition for Designation as an Eligible Telecommunications Carrier in the Commonwealth of Virginia*, CC Docket No. 96-45, Memorandum Opinion and Order, FCC 04-37 (rel. April 12, 2004) ("*Highland Cellular Order*"), the FCC laid out some specific factors to be considered in making the public interest determination, stating them as follows in *Highland Cellular*, para. 4:

> [I]n determining whether designation of a competitive ETC in a rural telephone company's service area is in the public interest, we weigh numerous factors, including the benefits of increased competitive choice, the impact of multiple designations on the universal service fund, the unique advantages and disadvantages of the competitor's service offering, any commitments made regarding quality of telephone service provided by competing providers, and the competitive ETC's ability to provide the supported services throughout the designated service area within a reasonable time frame. (emphasis supplied).

In Docket No. 98-146, the Commission found in Finding of Fact 11:

> 11. GCC also cites as a benefit a mobility component to its universal service offering that it intends to offer in the future. According to its testimony, GCC would not introduce a mobility component right away but intended to, over time, "expand its universal service offering to introduce a mobility component." GCC Exhibit 4 at 8. The Commission finds that a mobility component to local telephone service is also a benefit to the public.

The evidence presented at the hearing, including the testimony of Intervenors' own witnesses, clearly justifies a similar, and perhaps even stronger finding on the unique advantages of Petitioner's proposed wireless offering in rural areas. See specific record citations in Post Hearing Brief of WWC

License LLC, III.D. pp. 6-12. Staff also agrees with Petitioner that the evidence in the record is not sufficient to demonstrate that its designation as an ETC in the proposed service areas will have a demonstrable detrimental effect on the provision of universal service within those service areas. Staff is unable to offer a basis in the record for this Commission to make findings with respect to how Petitioner's particular designation, or any particular designation, would affect the universal service fund generally.

In Staff's view, the only real issue in this case involves Petitioner's commitment to provide these required services and functionalities "throughout the service area for which the designation is received" within a reasonable time frame. The FCC has made it clear in its recent decisions that an applicant for ETC status need not be actually providing the required services throughout the entirety of the service area prior to receiving designation. As the FCC stated in the *Virginia Cellular Order*, para. 17:

> Initially, we note that the Commission has held that to require a carrier to actually provide the supported services before it is designated an ETC has the effect of prohibiting the ability of prospective entrants from providing telecommunications service. Instead, "a new entrant can make a reasonable demonstration . . . of its capability and commitment to provide universal service without the actual provision of the proposed service." (footnotes omitted).

Petitioner in this case presented evidence that it would construct 17 additional towers in the service area if the Commission were to grant it ETC designation. Upon such construction, Petitioner would then provide coverage capable of serving approximately 85% of the population of the service area. TR 128. Petitioner made no specific build-out commitments beyond the construction of these 17 towers; however, Petitioner's witness did testify that its build-out would continue beyond the 17 towers. TR 132.

Two issues are nevertheless raised by Petitioner's commitments. The first involves whether Petitioner should be simply trusted to live up to its commitments involving service area build-outs,

service quality, response to requests for service and providing the basic universal service services and facilities. The second involves whether the commitment to build out to serve 85% of the population of the service area, together with the commitment to provide service in special situations via higher powered antennae, hand sets, etc., meets the "throughout the service area" requirement of 47 U.S.C. § 214(e)(1).

The FCC made clear in the *Virginia Cellular* and *Highland Cellular Orders* that it believed that the commitments made by an applicant for ETC status should be given binding legal effect through conditions attached to the designation. *Virginia Cellular*, para. 4 and 46; *Highland Cellular*, para. 4 and 43. Comments were made by Commissioners during the hearing in this case to the effect that Petitioner's progress toward meeting its commitments could be reviewed in the annual certification process under 47 C.F.R. § 54.314. Because the certification under 47 C.F.R. § 54.314 involves merely a certification that universal service funds are in fact being spent on the provision, maintenance and upgrading of facilities for which support is intended, however, the Staff has concerns about whether the annual certification process really provides a self-executing process for review of Petitioner's compliance with its commitments and, particularly, progress toward achieving the statutorily mandated objective of service "throughout the service area for which it is designated."

In its recent decisions, the FCC indicated that it shares the view that the annual certification review does not adequately provide the means for the agency to enforce the ETC designee's commitments and obligations to provide universal service throughout the service area. In its *Virginia Cellular* and *Highland Cellular Orders*, the FCC did not point to denial of the annual certification as its means of enforcement, but rather to its "authority to revoke its ETC designation." In order to give unambiguous legal significance to the "commitments" made by petitioner in *Virginia Cellular*, the FCC stated in para. 46:

> We adopt the commitments that Virginia Cellular has made as conditions on our approval of its ETC designation for the Commonwealth of Virginia.

This is consistent with the Commission's treatment of Petitioner's commitments in Docket No. 98-146, which the Commission included as conditions to the order granting the ETC designation as Findings of Fact 19-24. See also ARSD 20:10:32:49, "Revocation of eligible telecommunications carrier status."

As to the issue of whether service to 85% of the population of Petitioner's designated service area, coupled with the special-case service methods, meets the statutory requirement of service "throughout the service area," Staff's position is that decisions concerning compliance with service area coverage can best be addressed in the context of the specific circumstances presented at such time as that issue is raised. Factors such as additional facility cost, relationship to the capital budget and overall build-out plan, then current operation and maintenance costs, number of persons to be benefited and the provision of service to arterial highways and other public service issues can be weighed by the Commission at such time. Suffice it to say for now that a condition of granting Petitioner ETC designation in the proposed service area should be that Petitioner continue to advance toward the statutory objective of service offering "throughout the service area for which the designation is received."

C. Staff's Proposed Conditions

Staff would accordingly propose that the Commission impose the following as conditions upon its designation of Petitioner as an ETC in the service areas proposed in the Petition:

1. The conditions set forth in Findings of Fact 20 through 24 of the Findings of Fact, Conclusions of Law and Order in Docket No. TC98-146 shall apply to the designation granted in Docket No. TC03-191. This includes the condition in Finding of Fact 23 stating that Petitioner is subject to SDCL chapter 49-13 which allows consumers to file complaints with the Commission and

that Petitioner's service agreement will state that any disputes or claims arising under the service agreement may be subject to the Commission's jurisdiction.

2. While it continues to receive universal service funds, Petitioner will continue to build out facilities and extend service to meet the statutory objective of offering service "throughout the service area for which the designation is received."

3. In conjunction with, but separate from and in addition to its annual certification filings under 47 C.F.R. §§ 54.313 and 54.314, Petitioner shall submit records and documentation on an annual basis detailing its progress towards meeting the statutory objective of offering service "throughout the service area for which the designation is received." At a minimum, such information shall detail the capital expenditures made by Petitioner within the service area during the preceding annual period and shall include its proposed capital budget for the service area for the ensuing year.

4. Petitioner shall abide by the terms of the Cellular Telecommunications Industry Associates Consumer Code for Wireless Service as it is amended from time to time.

5. Petitioner will provide a report detailing the consumer complaints that it has received during the previous one year period.

6. Petitioner will provide a report itemizing requests for service from potential customers within the service area that went unfulfilled during the previous year, including the reason such request went unfulfilled.

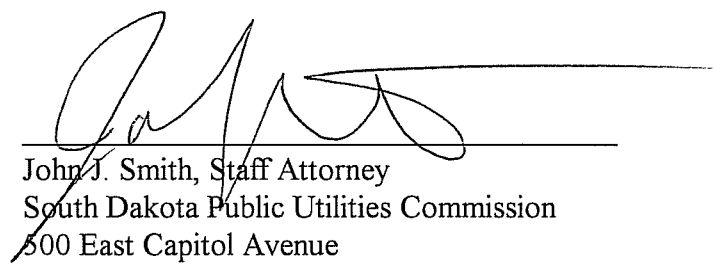
IV. CONCLUSION

The ETC designation sought by Petitioner in the rural service areas described in the Petition should be granted. The additional investment in rural wireless coverage and services that will occur as a result of Petitioner's receipt of additional universal service funds will enhance public safety and public convenience in the service areas and is in the general public interest of South Dakota and of

the service areas to be served. The detriment that might potentially occur to existing designees in these areas has not been sufficiently demonstrated to offset the benefits from these additional investments. The Commission should, however, through appropriate conditions backed up by adequate enforcement mechanisms, ensure that the public funds received by Petitioner in fact are devoted to a continuing program of investment to meet the objective of providing the universal service offerings throughout Petitioner's service area, including those locations where such service would not be justified in the absence of such public funds.

Dated at Pierre, South Dakota, this 13th day of July, 2004.

Respectfully submitted by



John J. Smith, Staff Attorney
South Dakota Public Utilities Commission
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fax (605) 773-3809
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Attorney for Commission Staff

CERTIFICATE OF SERVICE

The undersigned certifies that on the 13th day of July, 2004, I served a true and correct copy of the foregoing Staff's Brief by email and first class mail to:

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SDTA
Rural roots, global connections

South Dakota Telecommunications Association
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July 14, 2004

RECEIVED
JUL 14 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Ms. Pamela Bonrud, Executive Director
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol Ave.
Pierre, SD 57709-8045

RE: In the Matter of WWC's Petition for Designation as an ETC, Docket TC03-191

Dear Ms. Bonrud:

In regards to above referenced matter and the briefing scheduled established earlier at hearing, the parties, counsel for each of the Intervenors and counsel for Western Wireless, have agreed to a slight alteration of the schedule. Intervenors brief will be filed on or before this Friday, July 16th. The rebuttal brief of Western Wireless will be filed no later than August 9, 2004.

I have spoken to Rolayne Ailts Wiest about this change and she has indicated that it is acceptable.

If anything further needs to be done, please advise immediately.

Sincerely,

Richard D. Coit

SDTA Executive Director and General Counsel

CC: Talbot Wieczorek, Mark Ayotte, Darla Rogers, Jim Cremer

Bantz, Gosch & Cremer, L.L.C.

♦ Attorneys at Law ♦

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July 15, 2004

RECEIVED
JUL 16 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

08416-003
Ms. Pamela Bonrud
Executive Director
S.D. Public Utilities Commission
500 E. Capitol Ave.
Pierre, SD 57501

Re: Docket Number TC03-191

Dear Ms. Bonrud:

Enclosed is an original and ten copies of a Post Hearing Brief of James Valley Cooperative Telephone Company in TC03-191 on behalf of James Valley Cooperative Telephone.

By copy of this letter, I am also serving those parties named in the Certificate of Service.

Sincerely,

JAMES M. CREMER

JMC:mm
\jvt\wwc\bonrud3

Enclosures

pc James Groft
Talbot Wieczorek
Mark Ayotte
Darla Pollman Rogers
Richard D. Coit

RECEIVED
JUL 16 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Filing by	)	
WWC Holding Co., Inc, d/b/a	)	
Cellular One® for Designation as	)	Docket No.TC03-191
An Eligible Telecommunications	)	
Carrier in Other Rural Areas	)	

Post-Hearing Brief of James Valley Cooperative Telephone Company

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JULY 15, 2004

BANTZ, GOSCH & CREMER
James M. Cremer
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I. PRELIMINARY STATEMENT

James Valley Cooperative Telephone Company ("James Valley"), intervened in this docket whereby WWC License, LLC dba Cellular One® ("Western Wireless") seeks to be designated as an eligible telecommunication carrier (ETC) in James Valley's service area. James Valley joins in the post-hearing brief filed by the other intervenors, Golden West Telecommunications Cooperative, Inc. ("Golden West"), Vivian Telephone Company ("Vivian"), Tri-County Telecom, Inc. ("Tri-County"), Venture Communications Cooperative ("Venture"), and the South Dakota Telecommunications Association ("SDTA") (collectively, "Intervenors").

For reasons stated herein, James Valley submits this separate post-hearing brief in opposition to Western Wireless' application.

II. ISSUE

Is it in the public interest to designate Western Wireless as an ETC in James Valley's service area?

III. FACTS

The facts that are not in dispute concerning Western Wireless' application as it affects the James Valley service area. Those facts are as follows:

1. Western Wireless towers in James Valley service area. There is only one Western Wireless tower in the James Valley service area. It is located in Groton, SD. (TR120, JHB-1, GBH-3).

2. Quality of service. Although Western Wireless claims they provide service throughout the James Valley service area (JHB-1), the propagation analysis of Glen Brown (GHB-8), and the personal experience and testimony of James Valley's General Manager, James Groft, which was undisputed, contradicts Western Wireless' assertion.

Glen Brown created an exhibit (GHB-8), which is a propagation analysis of Western Wireless' service quality in South Dakota. That map discloses that good quality, five bar cell phone service (sometimes referred to as urban quality service) is only available in three of James Valley's 13 exchanges, Groton, Andover and Conde. This is consistent with the testimony of James Groft. Groft testified that he lives in the Mellette exchange, which is south of Aberdeen. Groft drives daily to Groton. Groft is a Western Wireless customer. He testified that the Western Wireless service is "very, very, very poor with static, dropped calls or [it] does not work at all.". (TR509)

3. USF money. If Western Wireless receives ETC designation in the James Valley service area, it will receive, on an annual basis, $868,032. (TR123, GHB-1)

4. No new towers. James Blundell, Executive Director for External Affairs for Western Wireless, confirmed that Western Wireless has no plans to build any new cell towers in the James Valley service area (TR125, JHB-1)

IV ARGUMENT AND LEGAL AUTHORITIES

It is not in public interest to designate Western Wireless as an eligible telecommunication carrier (ETC) in the James Valley service area.

Western Wireless concedes that the "final requirement" for ETC designation relates to the "public interest." Western Wireless brief page 25. The public interest test derives from Section 214(e)(2) and SDCL 49-31-78. Western Wireless further concedes that:

> the public interest determination required under section 214(e)(2) depends upon whether the proposed designation will promote competition and, if so, whether consumers will ultimately realize benefits related to competition and the new services provided. . . . . The public interest standard under Section 214(e)(2) emphasizes competition and consumer benefits, not incumbent protection. (emphasis added)

Western Wireless brief page 25.

Western Wireless' designation in the James Valley service area does not meet the public interest standard because there will be no consumer benefit in the James Valley service area. There will be no consumer benefit because Western Wireless does not propose to enhance coverage or service because it does not intend to build any new towers in the James Valley service area. This is in spite of the fact that if designated, it would receive $868,032 a year in USF funds. The average cost of a cell tower, according to Western Wireless, is only $300,000 (TR112, line 7). Since Western Wireless will not be building any new cell towers, it won't be benefiting consumers.

V CONCLUSION

The Act requires that an ETC designation be in the public interest. The public interest standard requires that consumers benefit. Since Western Wireless is not

proposing to use any of the USF money to construct new towers in the James Valley service area, service will not improve. Without improved service, there is no consumer benefit. Therefore, the ETC designation should be denied.

Dated: July 15th, 2004

Respectfully submitted,

BANTZ, GOSCH & CREMER

By: _____

James M. Cremer
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BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF SOUTH DAKOTA

RECEIVED
JUL 16 2004
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

In the Matter of the Application of WWC Holding Co., Inc., d/b/a CellularOne© for Designation as an Eligible Telecommunications Carrier	Docket No. TC03-191 CERTIFICATE OF SERVICE

James M. Cremer, of Bantz, Gosch & Cremer, L.L.C., hereby certifies that on the 15th day of July, 2004, he mailed by United States mail, first class postage thereon prepaid, a true and correct copy of the foregoing **Post-Hearing Brief of James Valley Cooperative Telephone Company** in the above-captioned action to the following at their last known addresses, to-wit:

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Richard D. Coit
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Dated this 15th day of July, 2004

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July 16, 2004

RECEIVED
JUL 19 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Brief Elec. Filed 7/16/04

Pamela Bonrud, Executive Director
S. D. Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501

Re: Docket Number TC03-191

Dear Ms. Bonrud:

Please find enclosed herein an original and ten copies of REPLY BRIEF for filing in TC03-191 on behalf of all Intervenors.

By copy of this letter, I am also serving those parties named on the Service List attached to the Brief.

Sincerely yours,

Darla Pollman Rogers

Darla Pollman Rogers
Attorney at Law

DPR/ph

Enclosures

CC: Service List

Elec.
Received JUL 16 2004

RECEIVED
JUL 19 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Filing by WWC License, LLC d/b/a Cellular One ® for Designation as an Eligible Telecommunications Carrier in Other Rural Service Areas	))))	DOCKET TC03-191 REPLY BRIEF

REPLY BRIEF OF INTERVENORS

JULY 16, 2004

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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Filing by WWC License, LLC d/b/a Cellular One ® for Designation as an Eligible Telecommunications Carrier in Other Rural Service Areas	))))	**DOCKET TC03-191** **REPLY BRIEF**

REPLY BRIEF OF INTERVENORS

This Reply Brief is filed on behalf of all intervening parties in the above captioned Commission proceeding, including the South Dakota Telecommunications Association ("SDTA") and the following South Dakota rural local exchange carriers ("RLECs") whose rural service areas are subject to the Petition for Eligible Telecommunications Carrier ("ETC") Designation filed by WWC License, LLC ("WWC" or "Western Wireless"): Golden West Telecommunications Cooperative, Inc., Vivian Telephone Company, James Valley Cooperative Telephone Company, Venture Communications Cooperative, Inc., and Tri-County Telcom, Inc. In addition to joining in the arguments set forth in this brief, counsel for James Valley Cooperative Telephone Company will be submitting in a separate reply brief additional arguments concerning the Western Wireless Petition as it relates to James Valley's service area.

Throughout this Reply Brief, references to testimony provided at the hearing in this matter held May 4-6 will be designated "TR" with additional reference to the appropriate page number or numbers of the hearing transcript. All references to prefiled testimony or exhibits admitted into evidence at the hearing will be designated either "WW EXH" or "Intervenor's EXH" with additional reference to the appropriate page

number or numbers. References to any portion of the transcript that contain information identified as confidential will be designated "CTR."

PROCEDURAL BACKGROUND

On or about November 5, 2003, this Commission received a Petition from WWC Holding Co., Inc. d/b/a Cellular One, requesting that an order be issued designating the company as an eligible telecommunications carrier ("ETC") in the study areas of the following rural telephone companies operating in South Dakota: Golden West Telecommunications Cooperative, Inc. ("Golden West"), James Valley Cooperative Telephone Company ("James Valley"), Splitrock Properties, Inc. ("Splitrock"); Venture Communications Cooperative f/k/a Sully Buttes Telephone Cooperative, Inc. ("Venture"), Tri-County Telcom, Inc. ("Tri-County"), Vivian Telephone Company ("Vivian"), and West River Telecommunications Cooperative ("West River"). (WWC EXH 1). On or about January 2, 2004, Western Wireless filed with the Commission a "Motion to Amend Petition" asking that its Petition be corrected to replace WWC Holding Company, Inc., as the petitioning party, with WWC License, LLC ("WWC" or "Western Wireless"). The Motion to Amend Petition was granted by the Commission Order dated January 28, 2004.

Subsequent to its receipt of the Petition for ETC Designation from WWC, this Commission publicly noticed the filing and established a period for intervention by interested parties. In response to that notice, the Commission received petitions to intervene from SDTA, as well as from each of the individual rural telephone companies affected by the WWC filing. By Order dated December 17, 2003, the Commission

granted all petitions to intervene, extending party status to SDTA and each of the rural telephone companies affected.[1]

By Orders dated February 13, 2004, and March 25, 2004, the Commission established a timeline for discovery, a schedule for the presentation of prefiled testimony by the parties, and dates for an administrative hearing. On May 4-6, 2004, pursuant to that schedule, a hearing before this Commission was held for the purpose of taking evidence and hearing argument on the Western Wireless Petition for ETC Designation.

At that hearing, Intervenors presented testimony through the following witnesses: Glenn Brown, a Telecommunications consultant specializing in universal service issues with the firm of McLean and Brown (Intervenors EXHs 1, 2; TR 351-507); Sue Vanicek, an economist and consultant with TELEC Consulting Resources (Intervenors EXHs 3, 4; TR 577-635); James Groft, General Manager James Valley Cooperative Telephone Company (Intervenors EXHs 5, 6; TR 508-532); George Strandell, General Manager Golden West Telecommunications Cooperative and Vivian Telephone Company (Intervenor's EXHs 7, 8; TR 532-553); and Randy Houdek, General Manager Venture Communications Cooperative (Intervenor's EXHs 9, 10; TR 553-577). Western Wireless presented its case through two witnesses James Blundell, Executive Director of External Affairs (WW EXHs 2, 3, 4; TR 28-258; and Don Wood, a consultant with the firm of Wood & Wood, an economic and financial consulting firm (WW EXHs 5, 6; TR 258-350).

[1] After the Commission's Order Granting Intervention was issued, Splitrock and West River each filed a motion with the Commission asking that their petitions to intervene be withdrawn. These petitions were based on unique factual situations faced by each of the companies and each company indicated in their motion that they would continue to support the efforts of SDTA opposing the Western Wireless request for ETC designation, but not as a named party in the proceeding.

SUMMARY

WWC has filed its Petition for ETC Designation pursuant to both federal and state statute, under 47 U.S.C. §214(e) and South Dakota Codified Laws §49-31-78. Specific statutory provisions applying to the designation of common carriers as ETCs are contained in 47 U.S.C. §214(e). SDCL §49-31-17, more generally, provides this Commission with sufficient state authority to properly implement the federal provisions. In addition to the federal and state statutes, both federal and state administrative rules applying to ETC designation have also been adopted. The federal rules are found in 47 C.F.R. §§ 54.201 through 54.207 and the state administrative rules are contained within ARSD §§ 20:10:32:42 through 20:10:32:47.

The requirements for ETC designation as established under federal and state law can be summarized to require: (1) that to be eligible for ETC status, a carrier must offer services that are supported by Federal universal service support mechanisms (the FCC rules currently identify nine supported services) throughout the service area for which the designation is received, and advertise the availability of such services in media of general distribution (47 U.S.C. § 214(e)(1)); and (2) in rural service areas, in order for a State commission to designate more than one ETC, it must first find that the designation is in the public interest (47 U.S.C. § 214(e)(2)). More specifically, the provisions of 47 U.S.C. § 214(e)(2) state:

> Upon request and consistent with the public interest, convenience, and necessity, the State commission may, in the case of an area served by a rural telephone company, and shall, in the case of all other areas, designate more than one common carriers and eligible Telecommunications carrier for a service area designated by the State commission, so long as each additional requesting carrier meets the requirements of paragraph [214(e)] (1). Before designating an additional eligible Telecommunications carrier

> for an area served by a rural telephone company, the State commission shall find that the designation is in the public interest. *(Emphasis added).*

With regard to the above referenced ETC requirements and as to the question of whether WWC's current Petition for ETC Designation meets these requirements, WWC suggests that the answer is very clear. First, WWC argues that it provides the supported services in the RLEC service areas. Second, according to WWC, this Commission, consistent with its earlier decision in Docket TC98-146 (In the Matter of the Filing by GCC License Corporation for Designation as an Eligible Telecommunications Carrier) granting WWC ETC status in certain other rural service areas in South Dakota, has no real discretion concerning the public interest requirement and must grant the pending Petition.[2] In the introduction to its Post-Hearing Brief, WWC states that

> [t]he fundamental question presented in this proceeding is whether the Public Utilities Commission . . . will continue to adhere to the requirements of the Communications Act of 1934, as amended, . . . and promote competitive Telecommunications markets in which new entrants, including a commercial mobile radio service (CMRS) provider, can become eligible to receive federal universal service support to meet the Telecommunications needs of South Dakota's rural consumers. *(Emphasis added).*

It is also stated that this Commission "should designate WWC . . . as a competitive ETC . . . throughout its requested service areas and reject attempts to protect the interests of monopoly local exchange carriers . . ." *(Emphasis added).* In the conclusion to its Post-Hearing Brief, WWC argues that

> [t]he Act and the Commission's past decisions establish consistent, clear and competitively neutral mechanisms for allowing carriers, including a CMRS provider like Western Wireless, to be designated a competitive ETC. . . . Moreover, consistent with applicable law, Western Wireless has demonstrated that its designation will bring competitive choices,

[2] See Findings *of Fact and Conclusion of Law, Notice of Entry of Order, TC98-146*, issued October 18, 2001.

> new technologies and services, and better service to South Dakota consumers so [it] is clearly in the public interest. (*Emphasis added).*

All of these statements are consistent with the general theme pushed by WWC in this proceeding – that granting its requested designation will increase competition and that, as a result, its requested designation must be in the public interest. WWC, throughout its testimony and argument in this proceeding, makes generalized statements concerning the benefits of increased competition and how these benefits are consistent with the public interest. When it comes to providing specific information, however, that would permit any of these claimed benefits to be quantified as they relate to specific rural service areas named in its Petition, the company turns tail. There are claims that 17 additional cell sites or towers will be constructed in South Dakota in 2004, but it appears that much of this additional construction is conditioned by WWC on its ETC designation, and is otherwise deemed subject to change at any time. (TR 110, 111). Further, when asked at hearing specifically which of the additional 17 cell sites are contingent upon the company receiving ETC designation, WWC witness James Blundell would not give an answer. (TR 111). Mr. Blundell also would not indicate the company's agreement to file any build out plan with the Commission providing more specific information. (TR 125-137, 168, 174, 180-181, 195, 238-241). In addition, absolutely no information was provided concerning any additional cell site construction that may occur this next year, during calendar year 2005. (TR 185-186). This is despite the fact, that if WWC does receive ETC status in the additional rural service areas named in its pending Petition for ETC designation, it will receive annually, at minimum, an additional $6 million in federal universal service funding. (TR 404, Intervenor's EXH 1, GHB-1).

In addition to being non-cooperative in identifying the additional network build-out that would occur if WWC receives ETC designation (in the rural service areas subject to the Petition), WWC also failed to address in any meaningful way the very real universal service concerns presented by multiple ETC designations in low density, high cost rural areas. The company expressed a complete lack of regard for the potential that granting multiple ETC designations in certain high-cost rural areas may actually cause hardship and render it difficult for any service provider to continue facilities investment and provide a quality service. Mr. Blundell indicated in his testimony that he did not believe WWC carried the burden of proof with respect to the consideration of harm under the established "public interest" test. (TR 82). He also testified that there should never be a limit on the number of ETCs to be designated in rural service areas. (TR 235). Throughout WWC's case, all matters relating to the harms that may be caused by granting ETC designation were conveniently dismissed by WWC as pure speculation.

In sum, WWC has failed to meet is burden in two respects: (1) it has not demonstrated a "capability and commitment" to provide the supported services throughout the designated service areas within a reasonable time frame; and (2) it has not sufficiently demonstrated that its designation would bring additional service benefits to each of the identified rural service areas that would support a finding that the benefits of designation outweigh the costs and would be in the public interest. Thus, WWC has failed to meet its burden of proof that its request for ETC designation meets the requirements of Section 214(e)(1) or (2) and, therefore, its Petition should be denied.

ARGUMENT

I. Western Wireless has failed to meet its burden of proof that it is committed to provide all of the supported services throughout the service areas of each of the RLECs within a reasonable time frame.

47 U.S.C. § 214(e)(1) provides that a common carrier designated as an ETC must offer all the services that are supported by the federal universal service support mechanisms "throughout the service area for which the designation is received." Thus, before WWC can be designated an ETC eligible for support it must demonstrate that it can provide the supported services throughout the relevant service areas. In this proceeding, that means WWC must be able to provide service throughout each of the South Dakota RLEC service areas for which it seeks ETC status within a reasonable period of time.

In its Recommended Decision, the Joint Board concluded that State commissions should require ETC applicants to "demonstrate their capability and commitment to provide service throughout the designated service area to all customers who make a reasonable request for service."[3] *(Emphasis added).* The Joint Board also found that states may choose to implement this requirement by requiring a "formal build-out plan for areas where facilities are not yet built out at the time the ETC application is considered" and that "states should examine compliance with build-out plans" as part of the annual ETC certification process.[4]

WWC makes several statements in its Post-Hearing Brief suggesting that Intervenors do not dispute WWC's satisfaction of the ETC service provisioning requirements, including the above-described requirement mandating an offering of all

[3] Recommended Decision at par. 23.
[4] *Id.* at pars. 24, 47.

supported services throughout the designated service area(s). (WWC Post-Hearing Brief pp. 6, 13, 21). The statement is made on page 21 of WWC's Post-Hearing Brief, for example, that "not one of the intervening parties offered any evidence to dispute Western Wireless' commitment or ability to meet requests for service . . ." Intervenors take exception to this statement as well as other WWC statements that are apparently intended to create the perception that Intervenors agree that WWC meets the service requirements imposed on ETCs under federal and state law. Not only are these statements inaccurate, they also appear intended to distort or shift the burden of proof in this process. There should be no doubt from the evidence presented by Intervenors concerning the poor quality of existing WWC signal coverage in the RLEC service areas and WWC's unwillingness to provide specific or reliable information on planned future infrastructure investments in South Dakota that Intervenors are contesting WWC's claims that it is willing to provide its services throughout all of the RLEC service areas. On the contrary, Intervenors dispute WWC's "capability and commitment" to provide service throughout the service areas of each of the RLECs named in its ETC Petition.

Moreover, as made clear by the FCC's recent *Virginia Cellular* and *Highland Cellular* decisions, it is WWC's burden of proof in this case to show that its designation fulfills all of the ETC designation criteria. Thus, even if Intervenors did not dispute a particular criteria relevant to designation, this would not relieve WWC of its burden to present affirmative evidence on each of those criteria. Thus, this Commission does not start in this proceeding with a presumption that WWC should be granted designation. Rather, it is WWC's burden as the petitioning party to affirmatively establish that its request for ETC designation is consistent with all of the ETC designation criteria and that

it should be granted. Affirmative evidence must be presented showing that designation is appropriate and WWC bears the burden to provide such evidence.

With regard to the requirement that the ETC applicant provide its services throughout the designated service areas, it is Intervenors' position that this Commission should find that WWC has not demonstrated that it is able to provide the supported Telecommunications services throughout the affected rural service areas within a reasonable time frame. WWC has failed in its burden of proof on this requirement for the following reasons: (1) WWC has not demonstrated by its past actions in the rural service areas where it has already received ETC designation that it has been committed to extending its service to all parts of those service areas, including the sparsely populated, highest-cost areas; (2) WWC has failed to provide accurate and reliable information concerning its current cellular signal coverage in the affected rural service areas further calling into question its "commitment" and "capability" to provide service within a reasonable time frame; and (3) WWC has refused to provide specific information concerning what additional facility investments are to be made in the affected rural service areas and when these investments will be made.

A. WWC's past actions do not demonstrate that it is truly committed to providing service throughout the affected rural service areas.

Considerable evidence exists in the record indicating that since receiving ETC designation in other rural service areas in South Dakota in 2001, WWC has done little to improve its cellular signal coverage in those areas. WWC received its ETC designation in October of 2001 and started receiving federal high-cost support beginning in January of 2003 (after this Commission's approval of its compliance filing in Docket TC98-146). Since becoming eligible to receive federal universal service funds for these rural areas,

the evidence indicates that WWC has received an amount in excess of $12 million from the federal fund. Very clearly, however, little of this money has been used by WWC to extend its wireless coverage to the more sparsely populated portions of these rural service areas. (Intervenors EXH 1, p. 13).

Intervenors EXH 1, GHB-6, provided with the testimony of Mr. Brown, is a map of the State of South Dakota showing the WWC tower locations that existed as of October 18, 2001, the date WWC received its ETC designation from this Commission, and the tower locations that either exist today or for which licenses have been applied for by WWC as of January 26, 2004. Mr. Brown obtained the tower construction information from the Universal Licensing System ("ULS") database. This map shows that 12 towers have been added in South Dakota since October of 2001 and that among those towers very few are located in the remote rural areas served by South Dakota's rural telephone companies. Instead, most of the new towers have been constructed in more densely populated areas, in and around Sioux Falls and Rapid City, and along the major interstate highways. (Intervenors EXH 1, pp. 41, 42).

The absence of any significant cell site construction by WWC in the sparsely populated rural service areas in South Dakota is cause for serious concern, especially given the substantial amount of federal high-cost funding that WWC has already received. A number of estimates of the costs of constructing a single cell site were provided at the hearing. The amount ranged from $200,000 to $500,000. WWC witness, Mr. Blundell indicated that on average the cost is $300,000 (CTR p. 112; TR 45; Intervenors EXH 2, p. 8). Comparing this cost to the amount of universal service funding already received, it would be reasonable to expect more towers constructed in the rural

service areas for which WWC already has been designated an ETC and receives support. While Intervenors recognize that not all universal service funds received must be directed toward the build-out of towers or other new construction of facilities, until a carrier designated as an ETC is providing service throughout the designated service area, undertaking the construction necessary to meet that obligation should be the first priority. (TR 410). Regulators also should ensure that moneys received for a particular service area are targeted to improving service in that area. Indeed, the Communications Act requires recipients of federal universal service support to use such support "only for the provision, maintenance, and upgrading of facilities and services for which the support is intended." 47 U.S.C Section 254(e).

It is quite apparent that, to date, WWC has not used federal universal service funding for the construction of new facilities in South Dakota's sparsely populated, highest-cost rural areas. The evidence presented demonstrating a lack of construction in rural service areas since the Commission's designation of WWC in 2001, is relevant to the current review process and strongly suggests that WWC is not committed to providing service throughout the specific rural service areas named in its current Petition.

WWC suggests that Intervenors are contending that WWC must provide "ubiquitous geographic coverage" in the rural service areas subject to its Petition prior to ETC designation and that, in this respect, Intervenors are arguing for a result that is inconsistent with the FCC's *South Dakota Preemption Order*[5] This is not the case. Rather, Intervenors have provided evidence of WWC's lack of performance to date in South Dakota as an indication of whether WWC is "capable and committed" to providing

[5] *In the Matter of Federal-State Joint Board on Universal Service Western Wireless Corporation Petition for Preemption of an Order of the South Dakota Public Utilities Commission,* CC Docket 96-45, *Declaratory Ruling*, FCC 00-248, released August 10, 2000.

all of the supported services throughout the affected rural service areas within a reasonable time frame. There are many things that the Commission could appropriately consider as a means of gauging WWC's commitment to actually provide its services throughout the rural areas in question, but certainly reviewing WWC's actions to date in South Dakota should be viewed as essential.

Another strong indicator of the lack of a commitment by WWC to build the necessary facilities and eventually make its services available throughout the rural service areas subject to its Petition is WWC's position with respect to assuming carrier of last resort obligations. Despite recent comments made by FCC Commissioners in separate statements to the *Virginia Cellular Order* indicating that State commissions and the FCC must require that ETC applicants including wireless carriers must be ready, willing and able to serve as carriers of last resort to support universal service goals, WWC refuses to accept any such obligations.[6] Mr. Blundell was specifically asked at the hearing whether he agreed that competitive ETCs should meet carrier of last resort obligations, and his response was no. (TR 65, 146).

B. WWC has failed to provide accurate and reliable information concerning its current cellular signal coverage indicating further that the company is not committed to provide ubiquitous service within a reasonable time frame.

WWC claims in this proceeding that to ensure it can meet the obligations of a competitive ETC in its requested service areas, it has "carefully analyzed its ability to provide the supported services and to respond to reasonable requests for service

[6] Chairman Michael K. Powell in his separate statement to the Virginia Cellular Order stated that "we reinforce the requirement that wireless networks be ready, willing and able to serve as carriers of last resort to support our universal service goals. Commissioner Kathleen Q. Abernathy made a similar statement, noting that "State commissions exercising their authority under section 214(e)(2), and this Commission acting pursuant to section 214(e)(6), therefore should make certain that an applicant for ETC status is ready, willing, and able to serve as a carrier of last resort and is otherwise prepared to fulfill the goals set forth in section 254 of the Act.

throughout the requested study areas." The statement is made that "Western Wireless included in its ETC application only those rural LEC study areas where the company can meet these obligations today." (WWC Post-Hearing Brief p. 15). As noted in Mr. Brown's testimony, WWC was asked in an interrogatory from SDTA when its network would be capable of serving throughout the requested ETC service areas. In response, the following answer was given:

> An ETC applicant must commit to meeting reasonable request for service. Western Wireless meets this standard today. Western Wireless enjoys extensive network coverage in South Dakota and has requested ETC designation only in study areas where it can currently provide service to at least 85% of the population in each wire center within the study area. Western Wireless cannot identify at this time where additional requests will come from, and whether those requests will be reasonable. (Intervenors EXH 1, pp. 11, 12).

Mr. Blundell in his prefiled rebuttal testimony confirmed the above response. He stated that he "personally reviewed Western Wireless' service areas to determine where we could commit to provide service as an ETC. After conducting that analysis we excluded any areas where we reached fewer than 85% percent of all consumers today." *(Emphasis added)*. (WWC EXH 3, p. 5) He further made the claim that "[g]iven the Company's current ability to serve 85% of all residents, and our commitment to provide service to any requesting customer in these areas upon reasonable request, our ability to meet the obligation of an ETC in these areas is beyond question." (WWC EXH 3, p. 5). Mr. Blundell made similar statements at the hearing regarding the company's current ability to serve 85% of the population of each wire center, and indicated that in many of the wire centers covered by its current application the percentage of coverage was 90 to 100. (TR 69-71, 129). Many questions were asked of Mr. Blundell regarding this

analysis of its current network coverage, and his answers give good reason to doubt the validity of WWC's 85% coverage claims.

First, Mr. Blundell himself, in responding to questions at the hearing, provided answers contradicting his earlier statements claiming that the ETC Petition includes only those service areas where there is currently an 85% coverage level. Mr. Blundell, in response to questioning from Commission Staff, backed away from the above-referenced statements and indicated that the 85% coverage number would, for some of the service areas or wire centers, only be achieved after the completion of its plan to build an additional 17 cell sites in South Dakota. (TR 127-129, 202). He stated specifically that "in some[,] the plan to build is necessary, and in others it is not necessary to meet our internal requirement of 85 percent." (TR 128). No additional evidence was provided, however, to indicate specifically which of the rural service areas named in its ETC petition would require additional cell site construction to achieve 85% coverage.

Given these contrary statements concerning the current level of signal coverage in the areas subject to WWC's Petition, this Commission should question whether WWC can provide its services throughout the identified rural service areas.

WWC, as support for its claims of 85% coverage in the affected rural service areas, offered signal propagation maps purporting to show WWC's "AMPS" and "CDMA" signal coverage as it would exist throughout South Dakota after its planned construction of 17 additional towers. (WWC EXH 3, JHB-1; WWC EXH 7A; WWC EXH 7B). According to Mr. Blundell these maps were generated by WWC through the use of a "very sophisticated computerized RF propagation model." (WWC EXH 4, p. 12). With regard to these maps, however, the evidence at hearing revealed that they are

simply not very useful in gaining an accurate picture of the true extent to which WWC actually is providing sufficient signal to permit a functional use of its wireless product in rural service areas of the State. The maps are lauded as being the product of a sophisticated model, but they provide what amounts to a one-dimensional view of the purported signal coverage. As Commissioner Burg noted, although WWC provided a series of maps that were intended to show different levels of coverage, with and without additional cell sites, it is difficult to find any difference in the three maps. (WWC EXH 7A; CTR pp. 248). In fact, it appears that the second two maps which were supposed to show the result of upgrades to the current WWC network show less coverage than the first map which did not reflect the upgrades. (CTR pp. 248, 249). None of the maps provided by WWC provide sufficient signal coverage detail to permit any meaningful comparison by this Commission of the actual comparability of WWC's signal coverage between the more urban areas of South Dakota and the more sparsely populated rural areas. This being the case, it also is not possible to determine, based on the limited coverage information provided by WWC, the extent to which further deployments are necessary to provide an acceptable level of coverage in the rural service areas.

This fundamental flaw may be explained, at least in part, by the standard of service that WWC utilized and viewed as acceptable in preparing its maps. As Mr. Brown indicated, the propagation analysis offered by Mr. Blundell,

> showed a negative 104 dB propagation profile as the perimeter of the service area. When you get to that level, as I state in my testimony, you need to have roof mounted antennas. You need to have high power equipment. . . . And for the most part that's not what rural consumers want. They want to be able to use a handheld cellular unit just like an urban customer and indeed the purpose of universal service is that consumers in all parts of the country can have service comparable to

urban areas. So that's the first issue is just generally the standard. (TR p. 353).[7]

The use of this standard was confirmed by Mr. Blundell. He specifically stated in response to questioning that "[t]he analysis was based on a negative dBm threshold, which is the same threshold that we use and that the FCC uses in determining the CGSA, which is the original analog amps." (TR 107, 108). Clearly, the use of this particular standard by WWC resulted in a very generous depiction of the area covered by WWC's service, but fails to demonstrate that the service provided is functional or of a high quality. In other words, WWC has failed to provide evidence that its service meets an acceptable standard for the purpose of providing high quality voice communications in the areas for which WWC claims to provide service.

The inadequacies of WWC's propagation analysis are perhaps best illustrated by the fact that WWC contends that the coverage threshold it has established for itself (of 85% coverage) is already met in the James Valley service area today, without any additional cell site construction. Yet, the maps and testimony provided by WWC indicate that throughout the entirety of the James Valley service area, covering a territory of over

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[7] As Mr. Brown further noted in his testimony, "as described in the testimony of Mr. Blundell, Western Wireless justifies its ability to serve throughout the rural service areas upon the use of high-powered customer equipment and external antennas. Western Wireless initially built its network in cities and towns and along major highways where customer density is high, and costs are low. As Mr. Wood points out in his testimony this made absolutely perfect sense, and for this network Western Wireless neither needed nor received high-cost support. The rules change, however, when a carrier seeks public money through an ETC designation. When Western Wireless began to apply for high-cost support, there were two ways in which they could have chosen to serve "throughout the service area" as required by both prior and current FCC rules. The first way would have been to construct towers throughout the service area so that consumers statewide could enjoy expanded mobile calling areas, and consumers in rural areas could enjoy wireless coverage comparable to their more urban neighbors. The second way, which Western Wireless has apparently chosen, is to meet the technical requirements to "serve" throughout the area" by offering consumers the opportunity to obtain high-powered customer equipment and external antennas that would allow them to pick up weak signals from their existing tower network. While this may be sufficient to provide some level of the nine supported services, it would not provide the same level of public benefits as an offset to the public costs that it would create. It also would not be consistent with the concepts of universal service articulated in the 1996 Act.

2,300 square miles, the company has only one cell tower site. (TR 119, 120; Intervenors EXH 5, p. 2). It is obvious that WWC in its propagation analysis has not used a standard of service in measuring signal coverage that is sufficient to meet the realities of current customer expectations. Both James Groft, General Manager for James Valley, and Randy Houdek, General Manager for Venture, offered testimony based on personal experience concerning the level of signal coverage in their service areas and both of them dispute the level of signal coverage that is depicted by the WWC propagation maps. (Intervenors EXH 6, pp. 2-4; Intervenors EXH 10, p. 3).

WWC criticizes at length in its brief the propagation analysis conducted and offered by Mr. Brown, yet even a cursory review of the propagation map resulting from his analysis suggests that Mr. Brown's map more closely tracks the realities experienced by rural area customers with their wireless service, and that it is much more useful in determining the extent to which additional cell sites would have to be constructed to provide an urban-quality service throughout the Intervenors' service areas. (Intervenors EXH 2, GHB-8). As explained by Mr. Brown, his map (GHB-8) shows not only signal coverage that is available using high-power customer premises equipment (computed at a level of -100 dBm, which is listed as the minimal operating signal strength in the Technical Manual for WWC's wireless local loop equipment), it also shows what can be referred to as "an urban quality" signal (computed at a level of -75 dBm). (Intervenors EXH 2, pp. 15, 16). Looking at these two different levels of coverage, as depicted on GHB-8, Mr. Brown determined that there are many wire centers within the rural service areas subject to WWC's ETC Petition, "where significant areas do not have signal coverage even at the -100 dBm level, and an even larger number of wire centers that have

significant areas where there is no coverage at the -75 dBm level or better." (Intervenors EXH 2, p. 16). He concluded that "it would appear that a large number of additional towers would be needed to provide urban quality signal coverage throughout these study areas." (Intervenors EXH 2, p. 16).

In addition to providing an actual propagation analysis, Mr. Brown also conducted a "proximity analysis" intended to provide a rough approximation of the signal coverage provided by WWC in the affected rural service areas. (Intervenors EXH 1, GHB-4). Based on WWC's tower locations identified in the ULS database and actual exchange boundary information obtained from the RLECs, information was compiled showing the portion of each rural telephone company's land area and population falling within a 5 mile, 10 mile and 25 mile radius of a WWC tower location. (Intervenors EXH 1, pp. 38, 39). These particular radius ranges were utilized based on assumptions that generally " a radius of 5 miles from the tower often approximates the area where solid "5-bars" coverage can be achieved using a 0.6 watt handset. . . [A] 10 mile radius can often predict good performance with a 3 watt phone, and a 25 mile radius a 3 watt phone with a roof mounted antenna." The purpose of the "proximity analysis" was to provide a basic framework to analyze the existing WWC network, and to identify what type of additional tower facilities may be necessary to expand coverage to currently unserved or underserved areas. (Intervenors EXH 1, p. 39). The data resulting from this analysis is consistent with Mr. Brown's propagation analysis and confirms that WWC's claims of having current coverage of 85% within each wire center existing within the affected rural service areas are not credible. The data shows

> that only in 16 of the 95 wire centers are over half of the households within 5 miles of an existing Western Wireless tower. In 51 of these

> wire centers, none of the households are within 5 miles of a tower. In only 34 of these 95 wire centers are over half of these households within a 10 mile radius of a tower, and in 28 of these wire centers none of the housing units are within 10 miles of a tower. In 13 of the 95 wire centers less than half of the population is within even 25 miles of an existing Western Wireless tower. (Intervenors EXH 1, pp. 39, 40).

This information indicates, contrary to what WWC would have this Commission believe, that substantial additional tower construction will be necessary in order for WWC to provide an urban-quality level of service throughout the rural service areas.

WWC contends that Mr. Brown's "maps of 'Western Wireless' signal coverage are inherently unreliable and should be rejected by the Commission." (WWC Post-Hearing Brief, p. 18). In response to the criticisms of Mr. Brown's propagation analysis, Intervenors offer the following:

- WWC first criticizes the analysis for its use of ULS tower site data instead of actual network data supplied by WWC in discovery. With respect to this criticism, however, Mr. Brown indicated that he utilized the ULS data because it was publicly available information. Further he noted that what he found was that any missing towers were for the most part in Rapid City, Pierre, and Sioux Falls. He stated that when he took the 111 towers reported by WWC and geocoded those and then took the ULS towers and geocoded those that they lined up exactly in the rural areas. "There are no major gaps there." (TR 383). He stated that "empirically [he] was able to satisfy himself that the ULS data "picks up the towers in the areas we're talking about." (TR 383).
- WWC specifically argues that the ULS database information is deficient because it only contains "cell sites that define the exterior boundaries of its Cellular Geographic Service Area ("CGSA")." (WWC Post-Hearing Brief p. 19). With regard to this claim, Mr. Brown disagreed indicating that he found towers that are within the CGSA outer perimeter in the ULS database. (TR 384). Further, he noted again that he had validated the ULS data by comparing it with the WWC data and found that for the study areas subject to this proceeding, the correlation of towers was "just about one for one. Maybe there was one tower missing and that was about it." (TR 478).[8]

[8] Mr. Brown was also questioned concerning Intervenors EXH 18, which was a late-filed Exhibit showing the 111 tower locations identified, by WWC in response to Intervenor discovery. He was criticized by WWC's counsel for excluding from the map certain tower sites that do show up in the ULS database. With regard to these particular sites, Mr. Brown clearly explained that he did not include them on Intervenors EXH 18 because they were not provided by WWC in its discovery responses. The towers shown on EXH 18 are intended to be only those that WWC provided in response to discovery. Mr. Brown could only speculate as to why WWC did not include them with the discovery information. He noted that one possible

- The propagation analysis was also challenged because the ULS database is limited to WWC's analog or "AMPS" technology (it does not include WWC's CDMA network information). In response, Mr. Brown admitted that the ULS data is limited to AMPS technology, but he further explained that "in that respect I've given Western Wireless the benefit of the doubt on GHB 8. It is a larger profile than if I had tried to construct a CDMA number." (TR 384).

- Finally, WWC argues that Mr. Brown's propagation analysis is deficient because it fails to consider the seventeen additional cell sites to be constructed by WWC. As to why these were not included, Mr. Brown indicated a good reason for not including them – WWC did not provide him with information on the exact location of the towers or any of the other parameters. (TR 386, 387).

Furthermore, it must be remembered that WWC, as the party with the burden of proof in this proceeding and as the party in possession of the information concerning its service quality, bears the burden of providing such information to refute Intervenors' countervailing claims. Because WWC has not done so, the Commission should accept Intervenors' analysis and find that WWC has not demonstrated its capability and commitment to provide the supported services throughout the Intervenors' service areas as required by Section 214(e)(1) of the Act.

C. WWC refuses to provide specific information concerning the additional facility investments it will make in the affected rural service areas and when these investments will be made.

WWC's reluctance to commit to a specific build-out plan for the construction that is necessary to provide service is further evidence of its lack of commitment to providing service throughout the designated rural service areas. Mr. Blundell was given many opportunities during his testimony to agree to the filing of a build-out plan similar to that

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explanation might be that they were planned by WWC, but never constructed. (TR p. 479). This explanation would be consistent with information revealed later in the hearing indicating that WWC's own signal coverage maps showed no propagation information related to these "missing" towers.

filed in the *Virginia Cellular* case. His testimony, however, clearly indicates that WWC is not willing to make such a filing. This refusal plainly demonstrates a lack of commitment on the part of WWC and should be considered in evaluating whether WWC meets the Section 214(e) ETC criteria.

As testified by Mr. Brown:

> If a carrier can gain access to high-cost funds for serving its current predominantly low-cost customer base without making any enforceable commitment to serve the entire area, then there is a significant risk that the remote facilities will never be built, and the most rural customers will remain unserved by the wireless ETC. The reason is simple, once the carrier has the funding in hand, it faces a very different set of business incentives regarding investments in remote areas. Construction of these facilities will generate substantial cost, yet yield relatively little incremental revenue. In essence, the carrier is back where it started, with no incentive to make investments that make no business sense. Unless the Commission either requires the prospective ETC applicant to serve throughout the area prior to granting ETC status, or requires specific build-out plans and firm and enforceable commitments for such investment as a precondition to granting ETC status, then it is highly likely that the carrier will not build facilities to serve the remote customers, and that scarce high-cost funds will provide a windfall to carriers serving predominantly low-cost markets. The losers in this scenario would be rural consumers who could face the prospect of having no carrier willing or able to make the necessary investments necessary to function as carrier of last resort. It would also be difficult, if not impossible, for carries to invest to bring rural consumers access to advanced services, including broadband services. (Intervenors EXH 1, p.48).

In light of the above, WWC has not met its burden to demonstrate compliance with Section 214(e)(1) of the Act and, therefore, its ETC Petition should be denied. If the Petition is not denied, then, based on Intervenors' evidence which raises serious questions about WWC's commitment to using federal universal service funds to provide or improve service in the relevant services areas, any ETC designation should be conditioned on WWC meeting specific service requirements in the RLEC service areas. Such conditions

should include a requirement that WWC build the 17 additional towers it relies on to support its coverage claims and mandatory compliance with the CTIA Consumer Code. (WWC states that its voluntary compliance with the Code demonstrates its commitment to high-quality service. *WWC Post-Hearing Brief* at 31 While Intervenors believe that compliance with the Code is an indication of consumer protection, not service quality, compliance on a discretionary basis is no protection at all).

In addition, WWC should be required to make the following annual filings with the Commission:

1. WWC should be required to file the annual amount of federal universal service support it receives for each of the RLEC's service areas.
2. WWC should be required to provide detailed information on the annual investments made in each of the RLEC's service areas.
3. If the federal universal service support received by WWC exceeds the investment made in an RLEC's service area, WWC should explain how the remaining support was used to provide, maintain and upgrade facilities and services for which the support is intended, as required by the Act.

II. WWC has failed to meet its burden of proof that its designation as a competitive ETC is in the public interest.

While significant differences exist between Intervenors and WWC in their respective application of the appropriate standards for ETC designation to the facts in this docket, the differences are the most dramatic in the application of the public interest test. Prior to analyzing those differences, however, it is import to point out a few general introductory points.

First, it is important to note that the per-line USF support received by South Dakota rural ILECs is among the highest in the United States. For that reason, plus others, the Joint Board has found that the level of support should be considered as part of the public interest analysis, since designating multiple ETCs in such areas could put a strain on the fund (Intervenor's EXH 3, p. 4; *Joint Board Recommended Decision* ¶43). Second, the Joint Board Recommended Decisions introduces a substantial likelihood that some form of primary line requirement will apply to ETCs' USF receipts. This will make USF a zero sum gain for rural ILECs with a great potential harm for rural ILEC customers (Intervenor's EXH 3, pp. 10-11). Accordingly, the stakes are enormously high for South Dakota rural consumers. Third, the record shows that WWC treats USF receipts in South Dakota as a "piggy bank" to help WWC's bottom line. (TR 267, 268).

Therefore, the Commission should reject WWC's public interest approach, which misrepresents the FCC decisions on public interest, conceals critical facts as to how WWC has spent its USF funds in the past, or even how they will be spent in the future, and seeks to distract the Commission with false claims that the rural ILECs do not want competition.

A. The public interest standard requires more than considering competition.

Section 214(e) of the Communications Act of 1934, as amended (47 U.S.C. Section 214(e)), contains a statutory public interest finding that this Commission must make prior to granting WWC's ETC designation requests here. It reads, in pertinent part, as follows:

> Before designation of an additional eligible Telecommunications carrier for an area served by a rural telephone company, the state commission shall find that the designation is in the public interest.

SDCL §49-31-78 and ARSD 20:10:32:42 contain similar requirements:

> The Commission may not, in an area served by a rural telephone company, designate more than one eligible Telecommunications carrier absent a finding that the additional designation is in the public interest. ARSD 20:10:32:42

WWC's Brief suggests that this Commission's prior public interest findings, in which it granted WWC's initial ETC designation, "apply equally" to WWC's application in this case. (WWC Post-Hearing Brief pp. 4, 25). It is understandable that WWC would treat the quoted public interest standard with such cavalier disregard, particularly given its woeful failure as to its burden of proof on this standard. WWC's public interest assertion that the same standards apply equally in the current case is flatly inconsistent with intervening regulatory and factual reality. The Commission can redefine its views to reflect its current view of public policy. In re West River Elec. Ass'n Inc 2004 SD 11, 675 NW2d 222, 229-230. "An agency's view of what is in the public interest may change, either with or without a change of circumstances." Yellow Robe v. Board of Trustees of South Dakota Retirement Systems, 2003 SD 37, 664 NW2d 517 citing Interstate Telephone Cooperative, Inc. v. Public Utilities Commission of the State of South Dakota, 518 NW2d 749, 752-753 (SD 1994).

It should be noted that WWC's earlier ETC designation emerged from a public interest analysis that focused almost exclusively on the benefits of competition, and on a record that is now stale. (See *Findings of Fact and Conclusions of Law, Notice of Entry of Order,* TC98-146, issued October 18, 2001, *Findings of Fact No.'s* 10-11). In its

petition in this docket, filed November 4, 2003, and throughout its Brief, WWC characterized this Commission's earlier public interest finding in these terms.[9]

Since the Commission's October 18, 2001, Order, a sea of change has occurred concerning the interpretation of federal law and policy on the question of ETC designation. As this Commission is now aware, the FCC itself has abandoned such a narrow view of public interest in favor of "a more stringent public interest analysis for ETC designations in rural service areas." (*Highland Cellular* at ¶4). Drawing from its earlier *Virginia Cellular* decision, the FCC went on to spell out a more expansive framework for the public interest analysis under §214:

> We conclude that the value of increased competition by itself is not sufficient to satisfy the public interest test in rural areas. Instead, in determining whether designation of a competitive ETC in a rural telephone company's service area is in the public interest, we weigh numerous factors, including the benefits of increased competitive choice, the impact of multiple designations on the Universal Service Fund, the unique advantages and disadvantages of the competitor's service offering, any commitments regarding quality of telephone service provided by competing providers, and the competitive ETC's ability to provide the supported services throughout the designated service area within a reasonable timeframe.[10]

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[9] The context of the prior ruling of this Commission was pursuant to a reversal and remand by the Supreme Court of South Dakota in which an earlier ruling denying WWC ETC status on non-public interest grounds was before the Court. In disagreeing with the Commission's interpretation of a federal statute, the Court essentially instructed the Commission on remand to proceed with WWC's ETC designation, knowing that some time had elapsed between the initiation of the case before the Commission and the Court's ruling. The record on remand was the same record upon which ETC status was denied earlier based upon the Commission's interpretation of the federal law governing ETC status. In keeping with the Court's admonition against further delay, the record was not reopened to take additional evidence as to the public interest.

[10] WWC urged in its petition initiating this case, that this Commission should follow FCC pronouncements: "Congress gave the FCC responsibility to create rules and policies for the preservation and advancement of universal service." 47 U.S.C. §254(b). *States must respect and defer to those FCC determinations. States cannot use a public interest standard to effect a result contrary to FCC directives".* (Verified Petition for Designation as an Eligible Telecommunications Carrier, November 4, 2003, ¶17, (*emphasis added*). Now that *Virginia Cellular* and *Highland Cellular* have been decided, however (these decisions did not exist as of the time WWC filed its instant ETC designation petition), WWC runs from them. They are too close to the bone.

The FCC also has initiated a proceeding intended to reform its rules concerning distribution of high cost support to competitive ETCs and its rules surrounding the ETC designation process.[11] The specific purpose of this examination of reforms relating to ETC designation is to ensure that the ETC designation process fulfills the "dual goals" under the Federal Communications Act of "preserving universal service and fostering competition."[12] This proceeding was referred to the Federal-State Joint Board on Universal Service ("Joint Board") and the Joint Board on February 27, 2004, released its Recommended Decision.[13]

WWC argues that this Commission should give absolutely no consideration to the Joint Board's Recommended Decision because it is of no immediate legal effect. Although the recommendations of the Joint Board are at this stage only proposals for the FCC's consideration, the specific recommendations made are now the starting point for the FCC's reform process. Contrary to what WWC argues, this Commission should consider the Joint Board's Recommended Decision and the specific proposals made therein in this process and this Commission in its evaluation of the public interest should use the additional standards proposed by the Joint Board. For example, the Joint Board found, as the FCC did in the *Virginia Cellular* and *Highland Cellular* cases, that competition, by itself, is not sufficient to justify that a particular ETC designation is in the public interest.[14] The Joint Board expressed strong support for the application of a "rigorous" ETC designation process and a "fact-intensive" inquiry into the public

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[11] *Federal State Joint Board on Universal Service*, Order, CC Docket No. 96-45, 17 FCC Rcd 22642 (2002).
[12] *Id.*, 17 FCC Rcd 22642, at par. 1.
[13] *In the Matter of the Federal-State Joint Board on Universal Service*, CC Docket 96-45, Recommended Decision, FCC 04J-1.
[14] Recommended Decision at par. 38.

interest.[15] The Joint Board gave recognition to the fact that "rural service areas often have low customer densities and high per-customer costs" and that "[s]ubsidies flowing from federal and state universal service funds are often substantial." These circumstances, according to the Joint Board, support the "belief that state commissions should apply a particularly rigorous standard to the minimum qualifications of applicants seeking ETC designation in rural carrier service areas." *(Emphasis added.)*

The Joint Board also proposed to the FCC: (1) certain guidelines that would identify minimum qualifications for ETC designations; and (2) a number of factors to assist State commissions in making public interest determinations. The list of "minimum qualifications" for ETC status recommended by the Joint Board (which would be in addition to the existing ETC designation requirements) included the following:

- An ETC applicant should demonstrate that it has "the financial resources and ability to provide quality services throughout the designated service area."[16]
- ETC applicants should "demonstrate their capability and commitment to provide service throughout the designated service area to all customers who make a reasonable request for service."[17]
- Competitive ETCs should also be required, as a condition of ETC designation, to provide equal access if all other ETCs in that service area exercise their rights to relinquish their designations pursuant to section 214(e)(4).[18]
- ETCs should be required to demonstrate that they have the "ability to remain functional in emergency situations.[19]

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[15] *Id.* at pars. 9 and 12.
[16] With respect to this requirement, the Joint Board stated "that it would neither be prudent nor serve the public interest if a financially unsound carrier is designated an ETC, receives universal service support and yet is still unable to achieve long-term viability that is sufficient to sustain its operations." *Id.* at par. 22.
[17] The Joint Board in recommending this requirement further stated that "States should require a demonstration of capability and commitment because this will help them ensure that an ETC applicant is willing and able to provide the supported services throughout the designated service area and to be the sole ETC in a service area if the incumbent LEC relinquishes its designation." *Id.* at par. 23. In addition, the Joint Board specifically noted that States may choose to implement this requirement "by requiring a formal build-out plan for areas where facilities are not yet built out at the time the ETC application is considered." *Id.* at par. 23.
[18] *Id.* at par. 28.
[19] *Id.* at par. 30.

- State commissions may properly impose consumer protection requirements as part of the ETC designation process.[20]
- States may consider how much local usage ETCs should offer as a condition of receiving federal universal service support.[21]

The Joint Board also specifically pointed out that States, in making public interest determinations, "may properly consider the level of federal high-cost per-line support to be received by ETCs."[22]

Thus, in contrast to the situation faced by this Commission at the time WWC was granted designation in other rural service areas in South Dakota, citing generalized benefits of competition in support of a filed ETC application is no longer sufficient to satisfy the public interest test. Therefore, it is not appropriate for this Commission merely to rely on the fact that WWC has already received designation in other rural service areas in South Dakota as proof that WWC has met its public interest burden. Nor is it sufficient simply to assume that increased competition will provide additional benefits to consumers. As indicated by the FCC, the analysis must be "fact specific" and this requires an analysis of both benefits and harms specific to each of the rural service areas identified in the ETC Petition.

B. Cost vs. Benefit Analysis.

In considering the public interest test in light of the recent FCC decisions of *Virginia Cellular* and *Highland Cellular*, it is important to review who has the burden of proof. In paragraph 26 of the *Virginia Cellular Order*, the FCC clearly articulates that the applicant for ETC status has the burden of proof. "In determining whether the public

[20] *Id.* at par. 31.
[21] *Id.* at par. 35.
[22] *Id.* at par. 43.

interest is served, the Commission places the burden of proof upon the ETC applicant." In the creation of "a more stringent public interest analysis," the FCC also addressed the cost vs. benefit test to measure public interest:

> In considering whether designation of Virginia Cellular as an ETC will serve the public interest, we have considered whether the benefits of an additional ETC in the wire centers for which Virginia Cellular seeks designation outweigh any potential harms. We note that this balancing of benefits and costs is a fact specific exercise. (*Virginia Cellular*, ¶28)

Despite these clear and unmistakable new requirements, however, in its Brief as in its testimony, WWC relies exclusively on the hypothetical benefits of competition to support the public interest aspects of its designation. In fact, WWC makes only passing reference to Virginia Cellular and Highland Cellular in a footnote (Post Hearing Brief, p. 26).

(1) Actual wireless coverage received by rural South Dakotans.

Probably the most accurate measure of WWC's commitment to provide additional benefits to rural South Dakotans is to examine its past practices. WWC claims to provide wireless coverage to virtually 100% of its current service areas, and to 85% of the areas applied for in this docket. (WW EXH 2, p.9). The evidence presented through Glenn Brown, managers, and in fact, this Commission's own experiences belie WWC's claims. The actual wireless coverage rural South Dakotans experience should be a key factor in the cost/benefit analysis that lies at the heart of the public interest evaluation process. That coverage should be more widely available and affordable in remote areas, after receipt of support.

> The key factor becomes, what benefits will consumers in South Dakota experience in terms of expanded ability to use their mobile service over wider areas in return for the increased universal service fund

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assessments that this will cost? (Intervenors' EXH 1, p. 35.[23]fn

Intervenors presented evidence through managers James Groft and Randy Houdek of poor wireless service within their service areas:

> In many cases I had staticky service. Calls were dropped. I couldn't get .....couldn't complete the call. (TR. 574, (Houdek)).
>
> [WWC service is] very, very, very poor with static, dropped calls or [it] does not work at all. (TR 509, (Groff)).

While significantly thwarted by WWC's refusal to submit data requested by Intervenors, Glenn Brown was also able to conduct a propagation analysis of WWC's service quality in South Dakota. That evidence is found in Intervenors' EXH 1,GHB-4 and GHB-8, but in a nutshell, can be summarized as follows:

> [O]nly in 16 of the 95 wire centers are over half of the households within 5 miles of an existing WWC tower. In 51 of these wire centers, none of the households are within 5 miles of a tower. In only 34 of these 95 wire centers are over half of these households within a 10-mile radius of a tower, and in 28 of these wire centers none of the housing units are within 10 miles of a tower. In 13 of the 95 wire centers less than half the population is within even 25 miles of an existing WWC tower. (Intervenors' EXH 1, pp. 39-40).

Mr. Brown presented further evidence of development of a "rule of thumb" concerning wireless service that indicates the lack of coverage and poor quality of service supplied by WWC. A radius of 5 miles from a tower often results in five bar coverage using a 0.6 watt handset. A 10 mile radius from a tower can result in good performance with a 3 watt (bag) phone, and a 25 mile radius from a tower would require a 3 watt phone with a roof mounted antenna.

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[23] There have been innuendos that USF funds are "free money" to South Dakota. It is important to remember that USF is assessed against South Dakota consumers. In light of the dollars involved, this makes scrutiny of the benefits crucial to consumers.

This leads to the inescapable conclusion that for the vast majority of South Dakota customers, non-existent and poor quality service is the standard, which is not a benefit to consumers. Providing a list of general and specific service offerings of WWC (WWC Post-Hearing Brief pp. 26-31) is futile if consumers do not have access to wireless service.

(2) Expenditure of past funds.

Another logical examination for a regulatory inquiry about how scarce funds will be spent as a result of the current designation and to measure the commitment of a competitive ETC to provide wider availability of wireless service to rural customers is to look at its past conduct. WWC asks the Commission to consider "its proven track record" of provision of service throughout its service area (WWC Brief, Page 17). The relevant question is, how did WWC spend the money it has already received in South Dakota? So far, WWC has refused to divulge this information, other than a brief annual certification, summary in nature, that it spent the money in accordance with the rules. As discussed hereinafter, WWC has also refused to submit a build-out plan, even having the arrogance to refuse to answer direct questions from the Commissioners and their staff, based on such gambits as it did not matter what WWC's position was as to whether it would submit a build-out plan (as opposed to answering "yes" or "no") and ultimately, that its company witness, drawn from management, had no authority to answer that question. (TR 241).

Despite WWC's attempts to obscure the past and future use of its USF monies in South Dakota, Intervenors were able to quantify, with enough particularity to make the point, WWC's investments made to date using USF monies. In his direct testimony, Mr.

Brown presented data (Intervenors' EXH 1, GHB-5) indicating that since WWC first received ETC status on October 1, 2001, it has received approximately $12 million in federal high-cost support, and a map (Intervenors' EXH 1, GHB-6) indicating that since that time, WWC has constructed few, if any, towers to expand its signal coverage in rural areas of South Dakota (Intervenors' EXH 1, pp 41-42). While it is unclear where that money went, it is clear that it did not go toward improving signal coverage in the rural areas of South Dakota. In fact, WWC does not even dispute this evidence:

> The witnesses do not dispute that, as documented in my direct testimony (Exhibit GHB-5), since WWC was approved as an ETC in South Dakota on October 1, 2001 through the second quarter of 2004, USAC reports indicate that WWC will have received over $16 million in federal high-cost support.
>
> The witnesses likewise do not dispute that over this same time period, as documented in my direct testimony (Exhibit GHB-6), WWC has added few, if any, new towers to improve the quality of its signal coverage in rural areas of South Dakota. (Intervenors' 2, p 3).

One admission occurred during the proceeding, which corroborates the conclusion that WWC has not properly spent its USF monies to date. In this respect, WWC witness Blundell testified that the company's own propagation analysis predicted reliable cellular coverage only to the street (as opposed to in-building coverage). (CTR p. 116). Since it obviously takes more signal strength to penetrate a building, the Commission may conclude that WWC has only demonstrated the fixed equivalent of outside service, i.e. payphones. This item of evidence is yet another telltale admission, along with WWC's repeated attempts to hide the ball, which suggest that Intervenors' evidence that WWC has misused the public's money, is entirely correct.

The consumers of rural South Dakota have the right, and this Commission in protecting their interests has the duty, to question what benefits the consumers of rural

South Dakota have received in the form of improved wireless coverage in return for the $12 million of their money that WWC has received. If there are no additional facilities to offer additional services and competition in rural areas beyond what existed prior to the designation, there can be no "increased competitive choice" to rural consumers as a result of that designation. In the cost/benefit calculus, consumers have incurred a cost of $12 million with few, if any, benefits.

(3) Commitment to Future Expansion of Services.

Even more striking is the attitude that WWC has taken in this proceeding regarding its obligation to provide additional public benefit in return for additional ETC designations in the instant proceeding. Despite the FCC's clear statement that an important element of the public interest test is a carrier's ability to "provide the supported services throughout the designated service area within a reasonable timeframe," WWC provides no indication of any build-out plan to indicate how it plans to satisfy this requirement.[24] In response to a direct question as to what build-out commitments WWC would be willing to make in return for these additional ETC designations, Mr. Blundell repeatedly stated that WWC does not believe commitment to a build-out plan is required, and ultimately refused to so commit:

> Are the specific conditions included in Highland, is the company comfortable with those? Not 100 percent. (TR 137).
>
> I don't think that there is a requirement that an ETC file build-out plans. (TR 168).
>
> . . . I mean, build-out plans are not required. (TR 174).
>
> (Question by Chr. Sahr: So is it inappropriate for me to think that this at

[24] Indeed, at Page 23 of its Brief, WWC argues that it "is not required to submit build-out plans for areas where it may not yet have coverage," citing as its authority the superseded South Dakota Preemption Order issued October of 2001.

> least for 2004 is a proposed build-out plan?) There's been a lot of discussion about build-out plans and what qualifies as one or not. . . We don't call it that. It's simply, you know - - and, you know, I would also add that I don't think build-out plans are required. (TR 195).
>
> (Question by Ms. Rogers: And is it your position that you, WWC, are willing to commit to (submit records and documentation on an annual basis detailing your progress towards meeting a build-out plan)?) . . . we would be willing to show the Commission our progress on, you know, meeting our obligations under ETC requirements.
> (Question by Ms. Rogers: So you are not willing to commit to that condition?) My willingness or unwillingness is irrelevant in this case. (TR 238).
>
> (Question by Ms. Rogers: If this Commission would impose on WWC the condition that you commit to submit records and documentation on an annual basis detailing progress towards meeting a build-out plan, if the Commission imposed that condition upon WWC, would you be willing to commit to that?) I don't have the authority to answer that question. (TR 240-241).

It would be hard to find a clearer indication of unwillingness to commit to a build-out plan that Mr. Blundell's evasive tactics to the above questions.

As testified by Mr. Brown (Intervenors' EXH 1, GHB-5), if WWC's requests in this proceeding are granted, WWC will receive an additional amount of over $6 million in federal high-cost support per year, in addition to the $12 million they are currently receiving. The public interest question becomes, what increased competitive choice can rural South Dakota consumers expect for their $18 million? Despite the clear statements of the FCC in the *Virginia Cellular* and *Highland Cellular* decisions, WWC's Brief frames the issue as to whether it could be required to provide "ubiquitous signal coverage" prior to ETC designation (WWC Post-Hearing Brief, p. 14), then advocates an 85% standard (without any legal citation) which allegedly represents current and planned coverage of study area wire centers. WWC then concludes that it does not have to submit

build-out plans to demonstrate how it will use the additional USF money requested in this proceeding (WWC Post-Hearing Brief, pp. 23-24).

The shortcomings of WWC's signal coverage in rural South Dakota and the lengths to which it will go to conceal its future construction plans, are a matter of record in this proceeding, a well-known fact capable of common observation, and are discussed elsewhere in this Brief. Its incorrect representation of the law is a critical point of departure, however, since a weak public interest standard is necessary to excuse its considerable shortcomings.

WWC's Brief first urges on this score the FCC's South Dakota Preemption Order issued in August, 2000, for the proposition that neither federal nor state law "require an ETC applicant to submit build-out plans as a condition of ETC designation." (WWC Post-Hearing Brief, p. 23.) As this Commission no doubt recalls, that case resulted from this Commission's initial interpretation of Section 214(e) as requiring WWC to have been offering the supported services before ETC designation. The case did not involve, as WWC would have the Commission believe from its Brief, any requirement that WWC submit its future construction plans. Rather, the FCC held that the states may look to several forms of proof, all exceeding "more than a vague assertion of intent on the part of a carrier to provide service." (*South Dakota Preemptive Order* ¶24).

Having watched the Universal Service Fund grow in terms called "dramatic" by the Joint Board (*Recommended Decision*, ¶67), the FCC has indeed adopted "a more stringent public interest analysis" in its *Virginia Cellular* and *Highland Cellular* decisions, as discussed above. A critical component of the analysis in both cases was the

FCC's decision to condition the wireless ETCs' designations based upon the submission of build-out plans.

WWC's attempts to distinguish these two cases are unavailing. For instance, WWC argues that Virginia Cellular sought ETC designation "throughout a large area where the company had no facilities." (WWC Post-Hearing Brief, p. 24). WWC contrasts this with its own circumstances in South Dakota. WWC distinguishes *Highland Cellular* based on the assertion that the company there "had a much more mature network and was not required to make such a commitment," citing to the transcript of the proceeding of this case.

WWC's distinctions do not hold up to scrutiny. First, when the actual *Highland Cellular* decision is examined (as opposed to the interpretation found in WWC's Brief), it is facially evident that WWC has mischaracterized the decision. Conditions of the ETC designation in that proceeding were certain commitments made by the applicant, Highland Cellular (*Highland Cellular* at ¶4). At ¶43, the FCC makes the following statement about one of those commitments:

> Separate and in addition to its annual certification filing under Sections 54-313 and 54-314 of our rules, Highland Cellular has committed to submit records and documentation on an annual basis detailing its progress toward meeting its build-out plans.

The FCC went on to find that the company's compliance with these reporting requirements would help ensure compliance with its obligation under Section 214(e) to provide supported service throughout its designated service area.

WWC's attempt to distance itself from *Virginia Cellular* fares no better. There, the FCC found that Virginia Cellular's service area was subject to "dropped calls and poor coverage." (*Virginia Cellular* at ¶30) The record here is rife with evidence that

dropped calls and entire communities without signal coverage are characteristic of WWC's operations in the state. (See Intervenors' EXH 9 (Houdek) and EXH 5 (Groft). This Commission could and should conclude that WWC should have submitted a build-out plan or at the very least committed to do so on the numerous occasions when it was invited by Commissioners and Staff to file such plans. (TR 125-137, 168, 174, 180-181, 195, 238-241).

In sum, this Commission may hold that WWC has failed in its burden of proof by withholding the build-out plans that would demonstrate, once and for all, how WWC intends to use (or not) its USF monies within the State of South Dakota. Federal law clearly permits this Commission to require such plans in determining an ETC applicant's eligibility. (Texas Office of Public Utility Council vs. FCC, 183 F3d 393, 418 (5th Cir. 1999)). The FCC has likewise tailored its own policies in this respect to address "dramatic" growth in the fund, particularly from wireless ETCs whose services only supplement rather than replace wireline carrier service. (*Recommended Decision,* ¶67). This Commission may indeed require a build-out plan from WWC, especially in light of the fact that WWC failed to provide such a plan throughout the course of the hearing, even though presented with every opportunity to do so during the hearing.

(4) Harm to consumers

On the other side of the "scale" in the cost vs. benefit analysis is the potential harm to consumers. The evidence presented by Mr. Brown indicates that harm to consumers from an improper ETC designation can come in several forms.

> First, and most easily identified, is the cost imposed upon consumers, particularly if they do not receive equal or greater benefits in return. As I mentioned previously, if in return for ETC designation the applicant expands its network to areas that were previously unserved, and expands

> the area over which consumers can utilize mobile communications, then perhaps this could be a reasonable use of public funds. If, on the other hand, the applicant merely offers to serve outlying customers with high-powered customer premise equipment and roof-top antennas as a means of meeting minimum funding qualifications, and if the large body of its existing customers experience no tangible improvement in the service, then such funding would not be in the public interest, and the cost of the increased funding assessments would represent a harm to consumers. Another harm could occur if multiple ETCs are designated in areas that could not economically support multiple carriers. (Intervenors' EXH 1, pp. 42-43)

As further testified to by Ms. Vanicek and the managers, harm can come by "over-designation of competitive ETCs." Testimony presented by Mr. Brown, including Intervenors' EXH 1, GHB-7, provides density statistics for the study areas in which WWC has requested ETC status in this docket. Said statistics indicate that lower density areas generally cause costs of providing service to increase coverage. This evidence clearly shows that, in most of those areas subject to this proceeding, customer density is low, leading to the high monthly support levels that these companies currently receive.

As indicated in Ms. Sue Vanicek's testimony, the customer densities for Golden West, James Valley, Venture, Tri-County, and Vivian range from a low of 1.02 lines per square mile for Golden West to a high of 3.40 lines per square mile for Tri-County. (Intervenors EXH 3) all of which are significantly lower than the statewide average lines per square mile shown in this Commission's 2002 Annual Report.

Not surprisingly, the low-customer densities in these RLEC areas have led to universal service support amounts for each of the RLECs (on a per-line basis) that are quite high compared to national averages and even compared to statewide averages. Mr. Brown provided with his testimony information concerning the level of high-cost support received, on a per-line basis, by the RLECs named in the WWC Petition. (Intervenors

EXH 1, GHB-1).[25] That information indicates that for Golden West, James Valley, Venture, Tri-County and Vivian the monthly high-cost per-line support amounts range from a low of $20.53 for Vivian to a high of $36.84 per-line monthly support for Tri-County. All of these five referenced RLECs companies have monthly high-cost support levels of over $20 per-line per month, most receive monthly support levels close to $30 per-line, and one receives monthly support per-line in excess of $30. As testified by Mr. Brown,

> [t]o put this in perspective, of lines served by rural telephone companies nationwide, only 12.2% of these lines have monthly support of over $20, and only 5.9% have support of over $30. When compared to all lines, served by both rural and non-rural companies, study areas with over $20 per line of monthly support represent only 1.8% of all lines, and those with over $30 per line represent the top 0.8% of all lines nationally in terms of cost. Intervenors EXH 1, pp. 45-46).

The above data indicates clearly that the rural service areas at issue in these proceedings are at the high end of the high-cost scale. (Intervenors EXH 3, pp. 14, 15). This being the case, as noted by the Joint Board, the review in this case should be "particularly rigorous."[26]

A majority of the Joint Board on Universal Service has recently recommended that the FCC end its practice of providing support to all lines provided by all ETCs and instead provide funding to only one primary line to each customer location. (*Recommended Decision*, ¶56). The Joint Board has made clear that the primary reason for this recommendation is that the current fund is growing to an unsustainable size due to the number of ETC designations

[25] With the exception of West River Telecommunications Cooperative. It was discovered at the hearing that the monthly per-line amount referenced on Exhibit GHB-1 for "West River" was actually the amount received by "West River Cooperative Telephone Company" headquartered in Bison, SD, a non-party.
[26] Recommended Decision at par. 18.

made by state and federal regulators. While the ultimate decision of the FCC may not be acceptance of the primary line proposal, the reality is that there is a finite amount of public funding to support the rural Telecommunications infrastructure. The Joint Board also specifically pointed out that States, in making public interest determinations, "may properly consider the level of federal high-cost per-line support to be received by ETCs." The Joint Board concluded that:

> . . . one relevant factor in considering whether or not it is in the public interest to have additional ETCs designated in any area may be the level of per-line support provided to the area. If the per-line support level is high enough, the state may be justified in limiting the number of ETCs in that study area, because funding multiple ETCs in such areas could impose strains on the universal service fund. Moreover, if the Commission were to cap per-line support upon entry of a competitive ETC and impose a primary connection restriction, as discussed below, designating an excessive number of ETCs could dilute the amount of support available to each ETC to the point that each carrier's ability to provide universal service might be jeopardized. . .[27]

As indicated by the testimony of Mr. Brown, in considering the costs associated with making multiple ETC designations, this Commission should recognize that there are certain rural service areas that cannot economically support multiple carriers. (Intervenors EXH 1, pp. 18, 19, 23, 24, 26-30, 43). In these areas, while there may be some benefits associated with designating an additional ETC (provided sufficient conditions are imposed ensuring improved cellular signal coverage), there are also considerable risks. "[T]o the extent that the ETC designation dilutes the finite pool of high-cost funds to the point where no carrier can viably serve as [a] carrier of last resort, then consumers will be harmed, and the public costs will be greatly increased." (Intervenors EXH 1, p. 20). The stakes are raised if the FCC follows the recommendation of the Joint Board and determines that high-cost support should only be

[27] Recommended Decision at para. 42?43?.

directed to the customer's primary line.[28] (Intervenors EXH 1, p. 17). If this occurs and "multiple ETCs are placed in a high-cost area with a fixed amount of support, it becomes increasingly difficult for any of them to effectively serve throughout the entire study area and function as a carrier of last resort. This would carry the prospect of significant harm to consumers in the most rural parts of South Dakota." (Intervenors EXH 1, p. 47). Ms. Vanicek and the managers testified that a loss of even 20% of revenues could be potentially devastating, and could certainly have a chilling effect on continued investment and plant by the ILECs (TR 581, 631).

WWC attempts to downplay these risks by raising the issue of hold harmless provisions in the Joint Board Recommended Decision. The first two of the plans (the re-basing plan and the lump sum plan) are not designed to keep any carrier whole, but to avoid immediate harm to the ILECs. At best, these plans would keep the ILEC "whole" until primary lines get taken away. Only the third hold harmless alternative in the Joint Board recommendation would make up for support lost due to the loss of primary lines. If, however, the reason for going to primary line in the first place is because there would not be enough money in the fund, the third hold harmless could not be a viable alternative unless additional monies are found. This was pointed out in testimony submitted by Manager Houdek and Sue Vanicek (TR 589, 573).

C. It is not in the Public Interest to Grant WWC ETC Status.

As demonstrated in the foregoing arguments, the public interest standard as redefined in the *Virginia Cellular* and *Highland Cellular* cases requires more than considering competition, which WWC urges this Commission to do. Under the

[28] The Joint Board, by a vote of 5-3, that the policy of providing federal universal service support to all lines served by ETCs in high-cost areas be changed, finding that support should only be provided to one "primary line" at each customer's residence or business location. Recommended Decision, par. 56.

cost/benefit analysis, this Commission is charged with weighing potential benefits to the consumers of South Dakota versus potential harm to said consumers.

A review of the actual wireless coverage received by South Dakotans in the areas in which WWC has already been designated as an ETC demonstrates that coverage is either non-existent or of very poor quality for the vast majority of South Dakotans. In reviewing WWC's expenditure of funds in the past, there have been few, if any, towers to expand its signal coverage in the rural areas of South Dakota. (Intervenors' EXH 1, GHB-6 (12 new towers added in South Dakota since October 2001, few located in rural areas of the state). The refusal of WWC to initially even submit a build-out plan, then finally, subject to a motion to compel, producing a plan calling for 17 new tower sites, to which WWC refused to commit throughout these proceedings, indicates a lack of commitment to provide additional benefits to rural consumers in South Dakota, should this Commission grant ETC designation. Other conditions of granting ETC designation also appear to be unacceptable to WWC, which further demonstrates its lack of commitment to the rural customers of South Dakota.

Balancing this against the potential harm to consumers, it appears that South Dakotans would receive few, if any, benefits for the additional $6 million that would be gained by WWC if ETC designation is granted. Even if WWC were to commit to a build-out plan, which it steadfastly refuses to do, the cost to South Dakota consumers for potentially 17 new towers is high. Thus, applying any reasonable cost/benefit analysis would result in the Commission either (a) denying WWC's application for failure to meet the public interest standard; or (b) condition WWC's grant of ETC designation on conditions similar to those imposed in the *Highland Cellular* decision, specifically

including a build-out plan. In any event, the Commission should make clear that any grant of ETC designation is subject to review upon the FCC's final determination concerning the Joint Board's Recommended Decision. Specifically, any finding by the FCC to limit the amount of support available to ETCs in South Dakota certainly would impact the public interest analysis of designating additional ETCs. The Commission should ensure that it is able to make any changes necessary in ETC designations as a result of the FCC's future actions by conditioning any ETC designation subject to review upon the FCC's final determination on the Joint Board's Recommended Decision.

DATED this sixteenth day of July, 2004.

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that she served a copy of the foregoing **Reply Brief of Intervenors** upon the persons herein next designated, on the date below shown, by depositing a copy thereof in the United States mail at Pierre, South Dakota, postage prepaid, in an envelope addressed to said addressee, to-wit:

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RE: WWC's Petition for Designation as an ETC
TC03-191 GPGN File No. 5925.030691

Dear Ms. Bonrud:

Enclosed please find an original and ten copies of the Post-Hearing Reply Brief of WWC License, LLC. Counsel have been served by Next Day Delivery.

If you have any questions, please call me.

Sincerely,

Amy K. Schuldt for

Talbot J. Wieczorek

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Client

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Filing by WWC License, LLC d/b/a CellularOne® for Designation as an Eligible Telecommunications Carrier in Other Rural Areas	)))))	Docket No. TC03-191

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POST-HEARING REPLY BRIEF OF WWC LICENSE, LLC

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I. INTRODUCTION

Consistent with federal and State law, and based on the record evidence in this proceeding, the Commission should designate WWC License, LLC d/b/a CellularOne® ("Western Wireless") as a competitive eligible telecommunications carrier ("ETC") throughout its requested service areas. Designating Western Wireless as a competitive ETC is consistent with the statutory mandates of 47 U.S.C. § 214(e), the directives of the Federal Communications Commission ("FCC"), South Dakota law and the Commission's prior decisions.

The designation of competitive commercial mobile radio service ("CMRS") providers, such as Western Wireless, and the provision of universal service support to develop and operate wireless networks is an appropriate and necessary use of federal universal service funds. The FCC has endorsed this policy, particularly in rural, high-cost and insular areas where the benefits of wireless service are especially important to consumers:

> [T]he mobility of telecommunications assists consumers in rural areas who often must drive significant distances to places of employment, stores, schools, and other critical community locations. In addition, the availability of a wireless universal service offering provides access to emergency services that can mitigate the unique risks of geographic isolation associated with living in rural communities.[1]

---

[1] *In the Matter of Federal-State Joint Board on Universal Service, Highland Cellular, Inc. Petition for Designation as an Eligible Telecommunications Carrier in the Commonwealth of Virginia*, CC Docket No. 96-45, *Memorandum Opinion and Order*, FCC 04-37, ¶ 23 (rel. April 12, 2004) ("*Highland Cellular Order*"); *In the Matter of Federal-State Joint Board on Universal Service, Virginia Cellular, LLC Petition for Designation as an Eligible Telecommunications Carrier in the Commonwealth of Virginia*, CC Docket No. 96-45, *Memorandum Opinion and Order*, FCC 03-338, ¶ 29 (rel. January 22, 2004) ("*Virginia Cellular Order*"); *see also In the Matter of Western Wireless Corp. Petition for Designation as an Eligible Telecommunications Carrier in the State of Wyoming*, CC Docket No. 96-45, *Memorandum Opinion and Order*, DA 00-2896, ¶ 11 (rel. Dec. 26, 2000) ("In the *Universal Service Order*, the Commission concluded that universal service support mechanisms and rules should be competitively neutral. The Commission concluded that the principle of competitive neutrality includes technological neutrality. Thus, a common carrier using any technology, including CMRS, may qualify for designation so long as it complies with the section 214(e) eligibility criteria.")

Based on the record evidence presented at the evidentiary hearing in this matter, Western Wireless has fully demonstrated that it satisfies each of the applicable ETC requirements set forth in Section 214(e)(2) and S.D. Codified Laws § 49-31-78, including that its designation is in the public interest. No party to this proceeding disputes Western Wireless' satisfaction of each of the basic criteria for designation as a competitive federal ETC — *i.e.*, that the Company is a common carrier, that it can provide the nine supported services, and that it will offer and advertise the supported services throughout its designated ETC service areas. Indeed, with the exception of the Intervenors'[2] legally and factually misguided argument that Western Wireless failed to demonstrate its capability and commitment to satisfy reasonable requests for service throughout its requested ETC service areas, there are no disputed issues.

Accordingly, Western Wireless has fully demonstrated both its satisfaction of the basic ETC requirements and the tangible benefits the Company can bring to South Dakota's rural consumers as a competitive ETC. The Commission should, therefore, designate Western Wireless as a competitive ETC throughout its requested ETC service areas identified on Exhibit A to the Direct Testimony of James H. Blundell. (WW Ex. 2 – Ex. A.)[3]

II. NO PARTY DISPUTES WESTERN WIRELESS' SATISFACTION OF THE FIRST THREE ETC CRITERIA

As a threshold to designation as a competitive ETC under 47 U.S.C. § 214(e) and S.D. Codified Laws § 49-31-78, an applicant must demonstrate that: (1) it is a common carrier;

---

[2] James Valley Cooperative Telephone Company ("James Valley"), Golden West Telecommunications Cooperative, Inc. ("Golden West"), Vivian Telephone Company ("Vivian"), Tri-County Telcom, Inc. ("Tri-County"), Venture Communications Cooperative ("Venture"), and the South Dakota Telecommunications Association ("SDTA") (collectively, "Intervenors"). Each of the individual incumbent local exchange carriers ("Rural LECs") is a member of, and is also represented by, SDTA in this proceeding.

[3] The Direct Testimony of James H. Blundell was received as WW Ex. 2. Western Wireless will cite to its prefiled testimony and hearing exhibits as "WW Ex. __." Intervenor exhibits will be cited as "Inter. Ex. __." The transcript of the evidentiary hearing will be cited as "TR, p. __." Portions of the transcript which contain confidential information will be cited as "CTR, p. ___."

(2) it can provide the nine supported services and functionalities set forth in 47 C.F.R. § 54.101(a)(1)-(a)(9) (the "supported services") using its own facilities or a combination of its own facilities and the resale of another carrier's services; (3) it will advertise the availability of and charges for the supported services using media of general distribution;[4] and (4) it will provide service upon reasonable request throughout its designated ETC service areas.

With the exception of Intervenors' unpersuasive claim that Western Wireless failed to demonstrate its capability and commitment to "provide the supported services throughout the relevant service areas . . . within a reasonable period of time" (*see* Intervenor Brief, p. 8), no party otherwise disputes the Company's satisfaction of these basic criteria. (*See, e.g.*, Staff Brief, pp. 2-3 ("Staff concurs with [Western Wireless] that the record amply demonstrates that [the Company] does in its current service area and will have the capability in these service areas to provide the required universal services.")).

Accordingly, the Commission should find based on the undisputed record evidence that: (1) Western Wireless is a common carrier; (2) it can offer the nine supported services; and (3) the Company will appropriately advertise the availability of, and charges for, the supported services. For the reasons discussed below, the Commission should also reject Intervenors' erroneous claims and further find that Western Wireless is capable of, and committed to, meeting all reasonable requests for service consistent with its obligations as a competitive federal ETC.

[4] As addressed in its initial Post-Hearing Brief, Western Wireless commits to amend its Compliance Filing in Docket TC98-146 to include the areas in which it is designated as a competitive ETC in this proceeding. (*Id.*, pp. 4-5). Western Wireless will, therefore, comply with the same advertising plan previously approved by the Commission.

III. WESTERN WIRELESS CAN AND WILL SATISFY ALL REASONABLE REQUESTS FOR SERVICE THROUGHOUT ITS SERVICE AREAS

A. All Parties Agree That Western Wireless Is Not Required To Provide Ubiquitous Signal Coverage Prior To Designation As A Competitive ETC

All parties agree that an applicant for designation as a competitive ETC is not required to provide ubiquitous service throughout its requested service areas prior to designation. (*See* Intervenor Brief, pp. 8 & 12; Staff Brief, p. 5). As Staff correctly observed, "[t]he FCC has made it clear in its recent decisions that an applicant for ETC status need not be actually providing the required services throughout the entirety of the service area prior to receiving designation." (Staff Brief, p. 5). Indeed, the FCC has repeatedly held – most recently in its *Virginia Cellular Order* – that any requirement to provide ubiquitous service throughout an area would be an unlawful barrier to entry and, more importantly, would deprive consumers in rural and high cost areas of the benefits of competition:

> Initially, we note that the Commission has held that to require a carrier to actually provide the supported services before it is designated an ETC has the effect of prohibiting the ability of prospective entrants from providing telecommunications service. Instead, "a new entrant can make a reasonable demonstration . . . of its capability and commitment to provide universal service without the actual provision of the proposed service."

(*Virginia Cellular Order*, ¶ 17 (internal cites omitted)).[5]

Accordingly, the standard adopted by the FCC is that a "new entrant, once designated as an ETC, is required, as the incumbent is required, to extend its network to serve new customers upon reasonable request . . . new entrants must be allowed the same reasonable opportunity to

[5] *See also In the Matter of Federal-State Joint Board on Universal Service Western Wireless Corporation Petition for Preemption of an Order of the South Dakota Public Utilities Commission*, CC Docket 96-45, *Declaratory Ruling*, FCC 00-248, ¶ 12 (rel. Aug. 10, 2000) ("Such a requirement would deprive consumers in high-cost areas of the benefits of competition by insulating the incumbent LEC from competition.")("*South Dakota Preemption Order*").

provide service to requesting customers as the incumbent LEC, once designated as an ETC." (*South Dakota Preemption Order*, ¶ 17 (emphasis added)).

Contrary to Intervenors' erroneous claims,[6] an ETC applicant is not required to prove that it can serve an entire geographic area, but rather the applicant is required to demonstrate its capability and commitment to provide service upon reasonable request to any potential customer within its designated ETC service areas. This point was actually reinforced by the Intervenors' witnesses who concede that the issue of geographic coverage is irrelevant. Each of them testified that it is the obligation to provide service upon reasonable request that is key:

> The issue of the total land mass served is irrelevant. It is my understanding that the existing rules for federal universal service support pay support to carriers based on the consumer's location. This indicates that the universal service support system is designed to fund service at the consumer's location or premise. [Rural LEC], as indicated to Western Wireless in response to discovery requests, provides service to all customers at their premise upon request, subject to the company's line extension and/or deposit policies that may apply depending on specific circumstances. Therefore, the rural ILECs are complying with existing requirements to receive universal service support.

(*See* Inter. Ex. 6, p. 4; Inter. Ex. 8, pp. 1-2; Inter. Ex. 10, pp. 1-2) (emphasis added)).[7]

As the FCC has repeatedly acknowledged, the standard to be applied to a competitive ETC is no different: "As an ETC, the incumbent LEC is required to make service available to all consumers upon request, but the incumbent LEC may not have facilities to every possible

---

[6] Despite Intervenors' express reliance on paragraph 23 of the Joint Board's recent Recommended Decision for the proposition that "State commissions should require ETC applicants to 'demonstrate their capability and commitment to provide service throughout the designated service area to all customers who make a reasonable request for service'" (Intervenor Brief, p. 8 (emphasis in original)), they nevertheless ignore the fact that the FCC has acknowledged the construction of facilities and development of an ETC's network will be dictated by consumer demand (*see, e.g., Virginia Cellular Order*, ¶ 16) and, instead, insist that Western Wireless should be compelled to construct cell towers throughout its requested ETC service areas without knowing where, and to what extent, the Company will receive requests for service from any particular area. *See* Intervenor Brief, pp. 11-12.

[7] From the incumbent LECs' perspective, only those customers who are willing to pay the companies' line extension charges have submitted a reasonable request for service.

consumer. We believe the ETC requirements should be no different for carriers that are not incumbent LECs." (*South Dakota Preemption Order*, ¶ 17 (emphasis added)).

As discussed below, the record evidence clearly demonstrates Western Wireless' capability and commitment to meet all reasonable requests for service throughout its requested ETC service areas in this proceeding. The Commission should, therefore, reject Intervenors' contrary claims and find that Western Wireless has fully satisfied the four basic ETC criteria.

B. Western Wireless Fully Demonstrated Its Capability and Commitment To Satisfy All Reasonable Requests For Service Throughout Its Requested ETC Service Areas

1. *Western Wireless' Service Commitments In This Proceeding Are Consistent With the FCC's Endorsed Standards*

As discussed in Western Wireless' Post-Hearing Brief (*id.*, pp. 23-24), the FCC has made clear that a carrier may demonstrate its capability and commitment to satisfy reasonable requests for service in any number of ways:

> A new entrant can make a reasonable demonstration to the state commission of its capability and commitment to provide universal service without the actual provision of the proposed service. There are several possible methods for doing so, including, but not limited to: (1) a description of the proposed service technology, as supported by appropriate submissions; (2) a demonstration of the extent to which the carrier may otherwise be providing telecommunications services within the state; (3) a description of the extent to which the carrier has entered into interconnection and resale agreements; or, (4) a sworn affidavit signed by a representative of the carrier to ensure compliance with the obligation to offer and advertise the supported services. We caution that a demonstration of the capability and commitment to provide service must encompass something more than a vague assertion of intent on the part of a carrier to provide service. The carrier must reasonably demonstrate to the state commission its ability and willingness to provide service upon designation.[8]

Through its evidence at hearing, Western Wireless has more than satisfied the FCC's articulated service area standard. Through its Verified Application, testimony and exhibits, Western Wireless has (1) described its service technology; (2) demonstrated the extent to which

[8] *South Dakota Preemption Order*, ¶ 24.

it is already providing service throughout the State of South Dakota (including those areas where it already serves as an ETC); (3) specifically assumed the obligation to offer and advertise the supported services throughout its requested ETC service areas; and (4) fully explained how it will satisfy requests for service to all potential customers who reside within its designated ETC service areas, including the minority of areas where it does not currently serve 100% of the population.[9]

As Mr. Blundell explained, Western Wireless will – consistent with the graduated process endorsed by the FCC in both the *Virginia Cellular* and *Highland Cellular* proceedings[10] – satisfy a request for service in an area outside its existing cellular signal coverage as follows:

- First, Western Wireless will ensure that the customer's equipment is working properly and the appropriate equipment for the customer's location and usage. (*See* WW Ex. 2, p. 14; WW Ex. 3, pp. 6-7; WW Ex. 4, p. 12; TR, pp. 144-147 and 211).

- Second, the Company will evaluate enhancements that can be made at the customer's premises to enhance receipt of the signal, including the addition of a high-powered antenna or the reconfiguration of the customer's equipment. (*Id.*)

- Third, the Company will evaluate the use of new technology that can be added to the customer's equipment to boost the signal. (*Id.*)[11]

- Fourth, the Company will evaluate whether the wireless network in the customer's service area can be enhanced by adjusting power levels, signal strength and directional transmission of cell sites and by deploying network signal boosting technology. (*Id.*)

- And, finally, the Company will evaluate whether it is possible to enhance a customer's signal coverage by network expansion, such as the construction of cell site extenders and cell sites. (*Id.*)

---

[9] In areas where Western Wireless has existing facilities, the Company can usually initiate service in less-than 24 hours. (TR, p. 224).

[10] *Virginia Cellular Order*, ¶ 15; *Highland Cellular Order*, ¶ 16.

[11] At least one brand of signal enhancer, SignalReach™, is available directly from Western Wireless. (WW Ex. 3, p. 7).

Although Intervenors expend significant energy attacking Western Wireless' signal propagation analysis in this proceeding, not one of their witnesses offered any evidence to dispute Western Wireless' capability or commitment to meet requests for service through the above procedures. Nor do the Intervenors offer any legal argument to refute the FCC's conclusion in *Virginia Cellular* and *Highland Cellular* that an applicant's adoption of these procedures fully demonstrates its commitment to provide service upon reasonable request for purposes of ETC designation. Accordingly, the Commission should find that the record evidence and Western Wireless' specific commitments in this proceeding fully satisfy the FCC's established standards.

2. *Western Wireless' Existing Service Confirms The Company's Capability and Commitment To Satisfy Requests For Service*

Western Wireless' record as a competitive ETC in other areas of South Dakota confirms the Company's capability and commitment to satisfy reasonable requests for service in the newly designated areas. Indeed, Mr. Blundell's undisputed testimony is that Western Wireless has never been subject to a complaint suggesting any failure to respond to a reasonable request for service within its existing designated service areas. (TR, pp. 223-24). The Commission should, therefore, dismiss Intervenors' erroneous allegations regarding Western Wireless' service within its existing designated areas. (Intervenor Brief, pp. 10-13).

The Commission should also disregard Intervenors' unsubstantiated claim that Western Wireless has done little to expand its service coverage since it was first designated as a competitive ETC in South Dakota in 2001. (Intervenor Brief, pp. 10-12). To the contrary, Western Wireless has made substantial commitments and has proven to be a key provider of universal service in South Dakota since entering the market. For example, the Company constructed two new cell towers to serve the Pine Ridge Reservation within six months of being

designated there and a third cell tower within the first year of being designated in that service area. (WW Ex. 4, p. 9).

Moreover, Intervenors rely on erroneous dates and figures to suggest Western Wireless has received "in excess of $12 million" in universal service support since January 2003. (Intervenor Brief, pp. 10-11). As Western Wireless' Confidential Exhibit JHB-6 clearly reflects, the Company did not begin receiving support in its non-Pine Ridge service areas until April 2003, and the Company has actually received considerably less than Intervenors' overstated $12 million estimate. (WW Ex. 4, Confidential Exhibit JHB-6). But, more importantly, as confirmed by this Commission during the 2003 certification process, Western Wireless' expenditures in South Dakota during that time period reflect that the Company spent $9 for every $1 in universal service support it received for the provision, maintenance and upgrading of it services and facilities in South Dakota:

> Q. ... Mr. Blundell, what percentage of the total expenditures for the provision and maintenance and upgrading facilities in 2003 – what was the relative percentage of universal service support received as compared to the expenditures?
>
> A. A little less than 10 percent.

(TR, pp. 213-215). In addition, the Company's receipt and use of federal universal service support was reviewed and approved by the Commission during the 2003 certification process.[12] Accordingly, Intervenors have no basis to challenge or criticize Western Wireless' prior expenditures of universal service support.[13]

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[12] *See In the Matter of the Request of Western Wireless Corporation for Certification Regarding its use of Federal Universal Service Support*, Docket TC03-158, *Order Granting Certification* (Sept. 23, 2003).

[13] Despite Intervenors' fixation on build-out plans and use of support only to extend network facilities, Intervenors do ultimately acknowledge that federal universal service support is to be used for the provisioning, maintenance and upgrading of facilities and services under 47 U.S.C. § 254(e) and "that not all universal service funds received must be directed toward the build-out of towers or other new construction of facilities . . . ." (Intervenor Brief, p. 12). This concession renders hollow Intervenors' claims.

The Commission should similarly reject Intervenors' argument that Western Wireless failed to demonstrate its capability and commitment due to the Company's alleged "refus[al] to accept any [carrier of last resort] obligations." (Intervenor Brief, p. 13). Intervenors' argument is not only a legally indefensible "red herring," but it also plainly misrepresents the record. As Mr. Blundell testified during the hearing, neither Section 214(e) nor the FCC's Rules require a competitive ETC to assume COLR obligations. (TR, pp. 65-68, 146). In fact, the FCC has acknowledged that such obligations cannot be imposed as condition of ETC status:

> Several commenters maintain that, in order to create an equitable and sustainable federal universal service system and to prevent competitive carriers from attracting only those customers that order the most profitable services, the Commission must subject all eligible carriers to the regulatory requirements that govern ILECs, including pricing, marketing, service provisioning, and service quality requirements, as well as carrier of last resort (COLR) obligations. We reject proposals to impose these additional obligations as a condition of being designated an eligible telecommunications carrier pursuant to section 214(e) because section 214(e) does not grant the Commission authority to impose additional eligibility criteria.
>
> We emphasize that, even if we had the legal authority to impose additional obligations as a condition of being designated an eligible telecommunications carrier, we agree with the Joint Board that these additional criteria are unnecessary to protect against unreasonable practices by other carriers . . .
>
> * * *
>
> . . . Several ILECs assert that the Joint Board's recommendation not to impose additional criteria is in conflict with its recommended principle of competitive neutrality because some carriers, such as those subject to COLR obligations or service quality regulation, perform more burdensome and costly functions than other carriers that are eligible for the same amount of compensation. The statute itself, however, imposes obligations on ILECs that are greater than those imposed on other carriers, yet section 254 does not limit eligible telecommunications carrier designation only to those carriers that assume the responsibilities of ILECs. We find that the Joint Board correctly concluded that the imposition of additional eligibility criteria would "chill competitive entry into high cost areas." We agree with the Joint Board's finding and conclude that the imposition of additional criteria, to the extent that they would preclude some carriers from being designated eligible pursuant to section 214(e), would violate the principle of

competitive neutrality.[14]

Nothing in the recent *Joint Board Recommendations* or the comments of individual FCC Commissioners has changed the state of the law. Moreover, Intervenors' characterization of Mr. Blundell's testimony as a "refus[al] to accept any such obligations" is a blatant misrepresentation. (Intervenor Brief, p. 13 (citing TR, pp. 65, 146)). As is clear from Mr. Blundell's testimony, he was not asked whether Western Wireless would accept COLR obligations. Rather, he was asked generally whether the Company "agreed with the statement that competitive ETCs should meet carrier of last resort obligations." (TR, p.65). His response reflected an accurate statement of existing law – that is, "COLR obligations are not required in an ETC as an ETC criteria or requirement." (*Id.*; *see also* TR, p. 146). While Intervenors' desire to prevent competition in their service areas is understandable, their mischaracterization of Mr. Blundell's testimony is not.

Accordingly, the Commission should reject Intervenors' unreliable data and legally flawed arguments and find that Western Wireless' past record as ETC, and its substantial investments in South Dakota, amply demonstrate the Company's ability to satisfy reasonable requests for service throughout its requested ETC service areas in this proceeding.

3. *Western Wireless' Signal Propagation Analysis Confirms The Company's Capability and Commitment To Satisfy Reasonable Requests For Service*

The Intervenors' unwarranted complaints regarding the accuracy of Western Wireless' signal propagation maps[15] are similarly meritless. (Intervenor Brief, pp. 13-21). Principally, Intervenors criticize the maps because Western Wireless utilized a -104 dBm signal propagation threshold (Intervenor Brief, p. 16), which is the same standard used by the FCC in determining

[14] *Universal Service Order*, ¶¶ 142-147 (emphasis added)(internal cites omitted).

[15] WW Ex. 3 (Ex. JHB-1); Confidential WW Exhs. 7, 7A, 7B; and Confidential WW Ex. 9.

Western Wireless' cellular geographic service area ("CGSA"). (TR, p. 107). Thus, what Intervenors describe as a "fundamental flaw," the FCC has already recognized to be an appropriate standard. Indeed, in designating other CMRS providers as competitive ETCs under 47 U.S.C. § 214(e)(6), the FCC cited to its own CGSA rules as the basis for concluding that wireless applicants could satisfy requests for service within their requested ETC service areas, even though there may be areas (*i.e.*, "dead spots") in which signal strength falls below the minimum level for reliable service:

> We reject the Alabama Rural LECs' argument that Cellular South does not offer all of the services supported by the federal universal service support mechanisms as required by section 214(e)(1)(A). Specifically, the Alabama Rural LECs claim that Cellular South does not currently provide voice grade service to all areas for which it seeks ETC designation and that Cellular South fails to allege that it is currently providing local usage. In addition, the Alabama Commission states in its comments that "[t]he lack of [wireless] coverage in rural areas also raises serious concerns whether Cellular South presently has, or will acquire in a timely manner, the ability to provide emergency services in all of its rural service territories."
>
> Although the Alabama Rural LECs' claim that Cellular South should be denied ETC designation because Cellular South does not offer voice grade service to all areas for which it seeks ETC designation, we find that the existence of so-called "dead spots" in Cellular South's network does not preclude us from designating Cellular South as an ETC. For the same reasons, we dismiss the Alabama Commission's concerns regarding Cellular South's ability to provide emergency services. Cellular South has committed to provide all services supported by universal service upon its designation as an ETC. The Commission has determined that a telecommunications carrier's inability to demonstrate that it can provide ubiquitous service at the time of its request for designation as an ETC should not preclude its designation as an ETC. Moreover, Cellular South has committed to improve its network. Cellular South states that it will use any high-cost support it receives "to improve its network and enable Alabama's rural customers to have a meaningful choice of service providers."
>
> In addition, the Commission's rules acknowledge the existence of dead spots. "Dead spots" are defined as "[s]mall areas within a service area where the field strength is lower than the minimum level for reliable service." Section 22.99 of the Commission's rules states that "[s]ervice within dead spots is presumed." Additionally, the Commission's rules provide that "cellular service is considered to be provided in all areas, including dead spots . . . ." Because "dead spots" are acknowledged by the Commission's rules, we are not persuaded by the Alabama

Rural LECs that the possibility of dead spots demonstrates that Cellular South is not willing or capable of providing acceptable levels of service throughout its service area.[16]

Intervenors' reference to the James Valley service area as being the "best illustrat[ion]" of Western Wireless' supposedly insufficient coverage is equally flawed. (Intervenor Brief, pp. 17-18; James Valley Brief, pp. 1-3). In essence, Intervenors and James Valley contend that (1) there is only one Western Wireless cell tower physically sited in the James Valley service area, (2) Glen Brown's signal propagation analysis shows "urban quality" signal coverage in only 3 of James Valley's exchanges, and (3) the testimony of Groft and Houdek confirms poor service. (*See Id.*). Intervenors' reliance on each of these arguments is misplaced.

First, the fact that there is one cell tower physically located in the James Valley service area is irrelevant. As shown on Confidential WW Ex. 9, the James Valley service area is completely served by overlapping signal coverage from neighboring cell sites. (*See also* TR, pp. 150-51). This fact is ignored by Intervenors.

Second, Mr. Brown's own signal propagation map shows nearly ubiquitous signal coverage in the James Valley service area at between -75 and -100 dBm.[17] (Inter. Ex. 2 (Ex. GHB-8)). Likewise, even under Mr. Brown's "rule of thumb" proximity analysis (Inter. Ex. 1 (Ex. GHB-4)), he concludes that, with the exception of two exchanges, every customer within

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[16] *In the Matter of Federal State Joint Board on Universal Service*, CC Docket 96-45, *Cellular South License, Inc. Petition for Designation as an Eligible Telecommunications Carrier Throughout its Licensed Service Area In the State of Alabama*, DA 02-3317, ¶¶ 16-18 (rel. Dec. 4, 2002) (emphasis added; internal cites omitted); *see also In the Matter of Federal State Joint Board on Universal Service*, CC Docket 96-45, *RCC Holdings, Inc. Petition for Designation as an Eligible Telecommunications Carrier Throughout its Licensed Service Area In the State of Alabama*, DA 02-3181, ¶¶ 15-18 (rel. Nov. 27, 2002); *Virginia Cellular Order*, ¶ 23; 47 C.F.R. §§ 22.99 and 22.911.

[17] Mr. Brown contends that -100 dBm is the minimal operating signal strength for the wireless local loop unit typically used by Western Wireless customers who choose such equipment and is, therefore, apparently more appropriate than a -104 dBm standard. (Inter. Ex. 2, p. 16). As discussed above, the FCC has already acknowledged that the standard employed in calculating a CMRS provider's CGSA is the appropriate threshold. *See, supra*.

the James Valley service area is within 25 miles of a Western Wireless cell site, which Mr. Brown agrees will allow for "good performance" with a 3 watt phone and roof mounted antenna. (Inter. Ex. 1, p. 38). These facts are ignored by Intervenors.

Third, Messrs. Groft and Houdek's anecdotal testimony regarding the quality of Western Wireless' service was fully addressed during cross-examination at the hearing. Indeed, Mr. Groft (a Western Wireless customer for the past 9 or 10 years) testified that any complaints he or his company had were resolved through the use of different handsets — notably, this result is perfectly consistent with "step one" in Western Wireless graduated process to ensure quality service to requesting customers. (TR, pp. 522-23). Mr. Houdek also agreed that if his complaints were, in fact, "the rule rather than the exception," Western Wireless would lose both customers and universal service support in the Venture service area. (TR, pp. 566-67).

Lastly, Intervenors' effort to resuscitate Mr. Brown's "rule-of-thumb" proximity and signal propagation map comes too late. (*See* Intervenor Brief, pp. 18-21). In its initial Post-Hearing Brief, Western Wireless addressed at length the numerous flaws in each of Mr. Brown's maps – including his unfounded adoption of an "urban quality service" standard.[18] (WW Post-Hearing Brief, pp. 18-20). In any event, even if the Commission were to entertain Mr. Brown's maps, it is significant that while dramatically underestimating Western Wireless' current signal coverage, they still depict substantial existing coverage and serve to demonstrate that the Company is more than equipped to meet reasonable requests for service anywhere within its requested ETC service areas.

[18] Under cross- examination, Mr. Brown admitted that there is no industry standard – and thus no foundation – for his fabricated "urban quality service" standard. (TR, p. 430). Brown's -75 dBm assumed signal strength is, therefore, meaningless and irrelevant.

As discussed above, no party challenges Western Wireless' capability or commitment to adhere to the five step graduated process it has outlined to ensure its ability to meet reasonable requests for service. Nor has any party disputed the propriety of the FCC's endorsement of a similar process in the *Virginia Cellular* and *Highland Cellular* proceedings as demonstrating an applicant's commitment to satisfy service requests.[19] Indeed, Staff recommends that any questions regarding Western Wireless' "compliance with service area coverage can best be addressed in the context of the specific circumstances presented at such time as that issue is raised." (Staff Brief, p. 7). In other words, Staff contends, and Western Wireless agrees, that subsequent service extension requests, and the Company's compliance with its service obligations as an ETC, can and should be addressed on a case-by-case basis.

Accordingly, the Commission should find that Western Wireless has fully demonstrated its capability and commitment to satisfy all reasonable requests for service throughout its requested ETC service areas, consistent with standards articulated by the FCC.

C. Western Wireless Is Not Required To Submit "Build Out" Plans For Areas Where It May Not Yet Have Coverage

The Commission should also reject Intervenors' argument that Western Wireless' "reluctance to commit to a specific build-out plan for the construction that is necessary to provide service" evidences any lack of commitment. (Intervenor Brief, p. 21). First, Intervenors' characterization that Western Wireless is not committed to constructing facilities as needed to satisfy requests for service is unfounded. Mr. Blundell's uncontested testimony confirms that Western Wireless currently intends to construct up to seventeen additional cell sites within the State of South Dakota to improve and expand its signal coverage, including construction in areas in which it is seeking ETC designation in this proceeding. (TR, pp. 126-27,

[19] *Virginia Cellular Order*, ¶ 15; *Highland Cellular Order*, ¶ 16.

132). Moreover, Western Wireless is firmly committed to improving and expanding its network in South Dakota over time. (TR, pp. 131-32). When asked if Western Wireless is committed to a continuous program of construction and system upgrades based upon reasonable requests to extend service throughout its designated ETC service areas, Mr. Blundell unequivocally confirmed the Company's commitment as follows:

> That's exactly what we're in the business of doing. Western Wireless wants to be a service provider, wants to be in a position to be able to attract customers in our network and to provide them service. We do not want to be in the position of denying service to potential customers. That's what universal service is all about is providing support to enable a carrier to do just exactly that.

(TR, pp. 131-32). Indeed, Western Wireless' "networks are not stagnant. They're dynamic. [The Company] is constantly improving them, expanding them, modifying, upgrading, and so forth." (TR, p. 195). Thus, Mr. Blundell confirmed that Western Wireless' commitment extends beyond the construction of the seventeen proposed towers as necessary to meet reasonable requests for service in the future. (TR, p. 132).

Mr. Blundell also confirmed that its designation as an ETC will make it possible for the Company to extend its service into those areas where it does not currently have facilities:

> Many, if not most, of the wire centers that we analyzed are between 90 and 100 percent well covered. And, yes, in sum that number may drop down to 86 percent, 87 percent. What the ETC designation will allow Western Wireless to do is exactly what it's intended to do, to allow us to provide service into that additional 15 percent or in some cases 5 or 10 percent. We want to be able to provide service there. We're in the business of providing service, not of denying requests for service. So it's in our interest. There is incentive not only today but also following ETC designation to provide service to those additional 15, 5, 10, 15 percent of the population in those areas.

(TR, p. 129). Without universal service support, Western Wireless will obviously need to reevaluate and modify its capital expenditure decisions. As Mr. Blundell explained in his pre-filed testimony, being designated as an ETC directly impacts the Company's decisions to invest in certain markets. (WW Ex. 4, p. 9).

Second, Western Wireless' efforts to improve and expand its network cannot be discredited by its alleged failure to meet a build-out plan requirement that does not exist in federal or State law. As addressed in Western Wireless' Post-Hearing Brief, nowhere in federal or State law does it require an ETC applicant to submit a build-out plan as a condition of receiving ETC designation. (WW Post-Hearing Brief, pp. 23-24). Notably, Intervenors have cited no legal authority to support their position. Rather, they continue to erroneously rely on the voluntary commitments made by Virginia Cellular to suggest that all ETC applicants must submit build-out plans regardless of the circumstances. (*See* Intervenor Brief, pp. 21-22, 37-38). In so arguing, Intervenors misinterpret that law, as well as the facts, confronting the FCC in *Virginia Cellular*.

Indeed, contrary to Intervenors' contention that *Virginia Cellular* somehow "superceded" the service requirement articulated in the *South Dakota Preemption Order* (Intervenor Brief, p. 34, n. 24), the FCC, in fact, relied on that very Order in *Virginia Cellular* for the proposition that a carrier's inability to demonstrate that it can provide ubiquitous service at the time of its application does not preclude its designation as an ETC. (*Virginia Cellular Order*, ¶ 23, n. 59). Moreover, as Mr. Wood (who was personally involved in the *Virginia Cellular* proceeding) explained, Virginia Cellular's current coverage at the time of its application, unlike Western Wireless, was far less that 50%:

> . . . The situation there was a little different because Virginia Cellular had not built out capability in most of the area that is the subject of its application. Their current coverage was not the 85 percent type objective that Western Wireless self-imposed. I think on a comparable basis it was well less than 50 percent. What the company agreed to do is give the FCC its current plans for how it would build out and serve that area. And it created a list of 11 or 12 -- I guess it's 12 cell site locations and some budgeted amounts to say, you know -- and basically they said, look, based on what customer response we're getting today, this is the way we plan to move forward.

(TR, pp. 345-46). Thus, it was necessary for Virginia Cellular to commit to constructing new

cell sites in the first year and a half following designation just to meet the threshold of demonstrating that it could meet any requests for service in its requested areas. (*Id.*)[20] However, such a showing does not transform into a requirement for mandatory build-out plans by an ETC applicant.

As addressed in Western Wireless' Post-Hearing Brief, in the subsequent *Highland Cellular* proceeding the applicant had a much more mature network and was not required to make such a commitment. (*Id.*, p. 24; citing TR, pp. 348-49). Intervenors fault Western Wireless for "mischaracterizing" the *Highland Cellular* decision, but are wrong in doing so. (Intervenor Brief, p. 37). While it is true that Highland Cellular voluntarily agreed to annually submit records and documentation regarding its construction efforts in unserved areas, the FCC did not condition the ETC's designation upon the construction of a certain number of cell sites in any designated areas. (*Compare Virginia Cellular Order*, ¶ 48 with *Highland Cellular Order*, ¶ 45). Given that Western Wireless agreed that it would annually provide the Commission with similar information to that provided by Highland Cellular, there can be no dispute that the Company has fully demonstrated its ability and commitment to satisfy its service obligations as a competitive ETC. (TR, p. 217).

Accordingly, the Commission should reject Intervenors' suggestion that Western Wireless be required to submit a build-out plan as a condition of ETC designation in its requested service areas.

IV. WESTERN WIRELESS' DESIGNATION AS A COMPETITIVE ETC IS IN THE PUBLIC INTEREST

Intervenors' various arguments against the "public interest" should also be rejected. The Commission should find based on the record evidence that Western Wireless' designation as a

[20] *See also Virginia Cellular Order*, ¶ 16.

competitive ETC is in the public interest. Intervenors erroneously contend that Western Wireless "relies exclusively on the hypothetical benefits of competition to support the public interest aspects of its designation." (Intervenor Brief, p. 30). In so arguing, Intervenors plainly ignore the substantial record evidence demonstrating both the significant benefits to rural consumers as well as the Intervenors' own failure to introduce any evidence of either consumer harm or a detrimental effect on the rural LECs' provisioning of universal service. (*See* WW Post-Hearing Brief, pp. 25-39).

In fact, the majority of Intervenors' "public interest" arguments do nothing more than restate and attempt to inappropriately bootstrap into the public interest consideration their earlier arguments regarding Western Wireless' commitment to satisfy reasonable requests for service and build-out plans. (*See* Intervenor Brief, pp. 30 (signal coverage); 32 (prior use of USF support); 34 (build-out plans); 43 (all of the above)). Western Wireless' previous refutations of these claims applies with equal force in the public interest context. Thus, the only new public interest claim is Intervenors' unavailing "harm to consumers" argument (Intervenor Brief, p. 30), which lacks support in law or logic.

A. Designating Western Wireless As A Competitive ETC Will Benefit South Dakota Consumers In Rural And High-Cost Areas

There should be no doubt that Western Wireless does not rely "exclusively on the hypothetical benefits of competition to support the public interest aspects of its designation." (Intervenor Brief, p. 30). To the contrary, the record evidence is replete with examples of the general and specific tangible benefits that Western Wireless' ETC designation will bring to rural consumers in South Dakota, including:

- short term benefits of having a choice of suppliers, technologies, services, features and pricing that best meet individual consumer needs. (*See* WW Ex. 5, pp. 22-23).
- long term benefits of competitive market forces that act to make all providers, including the Intervenors, more efficient and responsive to customer needs. (*Id.*; TR, p. 336).
- the economic, health and safety benefits associated with the availability of wireless service in rural areas. (WW Ex. 5, pp. 24-25).
- the benefits of mobile telecommunications services and access to emergency services (TR, pp. 396-97; *Virginia Cellular Order*, ¶ 29).[21]
- the availability of wireless and enhanced telecommunications services in rural and high-cost areas at costs comparable to those available from national carriers operating in urban areas. (WW Ex. 3, p. 23-24; WW Ex. 4, p. 15).[22]
- flexible bundled service offerings. (WW Ex. 4, p. 15).
- the availability of wireless local loop service, which simulates dial-tone and allows customers to plug in fax machines, answering machines, or other peripheral devices. (WW Ex. 2, pp. 13-14; WW Ex. 4, p.15).[23]

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[21] *See also* TR, p. 282 (Mobility is a benefit that needs to be recognized as part of the public interest); TR, p. 317 (The health and safety issues associated with the mobility of Western Wireless' service clearly provide consumer benefits. Wireless service will be available in the event of a farming accident or a breakdown on the side of the road).

[22] The FCC recently determined that a wireless carriers' provision of enhanced services comparable to those offered in rural areas is in the public interest. *In the Matter of Federal-State Joint Board on Universal Service Guam Cellular and Paging, Inc. d/b/a Saipancell Petition for Designation as an Eligible Telecommunications Carrier*, CC Docket 96-45, *Order*, DA 04-2268, ¶ 16 (rel. July 23, 2004) ("Saipancell states that it will provide CNMI residents with new services comparable to those provided in urban areas, including mobility, basic voicemail, voice message notification, numeric paging, call forwarding, three-way calling, call waiting, premium voice mail, voice dial, and two-way Short Message Service.") ("*Saipancell Order*").

- expanded local calling areas, which will benefit rural consumers who currently pay toll charges to reach government offices, health care providers, business and family located outside of a restricted landline local calling area. (WW Ex. 2, p. 20; WW Ex. 3, pp. 23-24; WW Ex. 4, p. 15).[24]
- the availability of service in currently unserved or underserved areas and signal coverage over a much broader area than a wireline provider. (WW Ex. 1, p. 13; WW Ex. 4, p. 15).
- the availability of faster and cheaper service activation with the elimination of potential line extension charges. (WW Ex. 4, p. 15).
- 24-hour customer service, technical and operational support. (WW Ex. 4, p. 15).
- the availability of advanced wireless data services such as 1XRTT technology. (TR, pp. 50-51).
- The availability of state-of-the-art network technology and customer equipment. (Ex. 4, p. 15).
- the benefits of Western Wireless' quality of service commitments under the Cellular Telecommunications and Internet Association Consumer Code for

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[23] The Sixth Judicial Circuit Court has recognized that Western Wireless' wireless local loop offering provides consumers with benefits different than other wireless customer equipment. *The Filing by GCC License Corporation for Designation as an Eligible Telecommunications Carrier*, Civ. 99-235, *Findings of Fact, Conclusions of Law and Order*, Findings of Fact, ¶¶ 8-9 (6th Jud. Dist. Mar. 22, 2000). This finding, among others, was later affirmed by the South Dakota Supreme Court and expressly adopted by the Commission on October 18, 2001. *The Filing by GCC License Corporation for Designation as an Eligible Telecommunications Carrier*, 2001 SD 32, 623 N.W.2d 474 (S.D. Mar. 14, 2001), *reh'g denied* (April 30, 2001).

[24] Both the FCC and this Commission have previously recognized the consumer benefits associated with an expanded local calling area. *Virginia Cellular Order*, ¶ 29; *Western Wireless Order*, Finding of Fact, ¶ 10.

Wireless Service ("CTIA Consumer Code"). (WW Ex. 3, pp. 18-19 – Ex. JHB-4; WW Ex. 4, p. 16).[25]

Indeed, after reviewing this ample record evidence of the public interest benefits, Staff correctly concludes:

> The evidence presented at the hearing, including the testimony of Intervenors' own witnesses, clearly justifies a similar, and perhaps even stronger finding on the unique advantages of Petitioner's proposed wireless offering in rural areas.

(Staff Brief, p. 5(emphasis added)). The Commission should, therefore, reject Intervenors' patently false suggestion that Western Wireless failed to demonstrate the consumer benefits of its designation as a competitive ETC in the requested service areas consistent with the public interest.

B. Designating Western Wireless As A Competitive ETC Will Not Detrimentally Affect The Provision Of Universal Service Within Its Requested ETC Service Areas

On the other side of the "scale," Intervenors erroneously suggest that Western Wireless' designation as a competitive ETC will potentially harm consumers within its requested ETC service areas. (Intervenor Brief, pp. 38-42). To support this claim, Intervenors rail against the dangers of "over-designation of competitive ETCs" and suggest that "this Commission should recognize that there are certain rural service areas that cannot economically support multiple carriers." (Intervenor Brief, pp. 40-41). Yet, Intervenors offer little more than speculative rhetoric since they provided no record evidence. As Staff correctly observed, Intervenors failed to introduce any evidence to support a finding that their particular service areas are incapable of supporting competition:

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[25] The FCC has specifically recognized the adoption of the CTIA Consumer Code demonstrates a carrier's commitment to high-quality service and mitigates any concerns regarding the absence of service quality regulation of a wireless carrier. (*Virginia Cellular Order*, ¶ 30 & n. 94).

> Staff also agrees with Petitioner that the evidence in the record is not sufficient to demonstrate that its designation as an ETC in the proposed service areas will have a demonstrable detrimental effect on the provision of universal service within those service areas.

(Staff Brief, p. 5).

Indeed, Intervenors ignore that within their respective service areas, each of them is the monopoly ETC.[26] Thus, the Commission need not be concerned at this time about the "over-designation" of ETCs because Western Wireless, if designated, will become the sole competitive ETC in each of these service areas. Likewise, despite claiming that they serve "low customer density" areas, and thus receive high per-line support (Intervenor Brief, p. 39), Intervenors failed to introduce any evidence suggesting that their respective study areas differ in any material way from those rural service areas where the Commission previously found it was in the public interest to designate Western Wireless as a competitive ETC. Nor have they produced any evidence to suggest their service areas are so exceptional as to deny consumers in those areas the benefits of competition.

Rather, Intervenors continue to rely on the speculative assertion that the Joint Board's primary-line funding proposal could, at some undefined time, have some undetermined affect on the amount of federal universal service support received by incumbent and competitive ETCs alike. (Intervenor Brief, p. 40-42). This Commission has already made clear it will not consider such claims based on speculative funding concerns:

> As stated above, the second part of the public interest analysis is whether the introduction of competition in these rural areas will ultimately prove detrimental to universal service. SDITC's witness' testimony as to whether designation was in the public interest focused on the uncertainties with respect to the level of universal support for rural telephone companies. Exhibit 6 at 10-11. He did not offer evidence that the rural telephone companies would be unable to continue to

[26] *See* http://www.universalservice.org/overview/filings/2004/Q3/HC01 and http://www.universalservice.org/overview/filings/2004/Q3/HC01

provide universal service to its customers if another carrier were granted ETC designation.

(*Western Wireless ETC Order*, Finding of Fact, ¶ 13) (emphasis added). Likewise, in its most recent Order designating a wireless carrier as a competitive ETC, the FCC rejected the argument that it should stay all ETC applications pending completion of its consideration of the *Joint Board Recommendations*. (*See Saipancell Order*, ¶ 17).

As with the earlier Western Wireless ETC proceeding, Intervenors have again failed to demonstrate that they would be unable to continue to provide universal service to their customers if another carrier were granted ETC designation. The Intervenors do not and cannot dispute that Western Wireless' designation as a competitive ETC will not result in an reduction or loss of federal universal service support under the current funding rules. (*See Virginia Cellular Order*, ¶ 43 ("Under the Commission's rules, receipt of high-cost support by Virginia Cellular will not affect the total amount of high-cost support that the incumbent rural telephone company receives. Therefore, to the extent that Virginia Cellular or any future competitive ETC captures incumbent rural telephone company lines, provides new lines to currently unserved customers, or provides second lines to existing wireline subscribers, it will have no impact on the amount of universal service support available to the incumbent rural telephone companies for those lines they continue to serve.")).

At best, Intervenors contend, "Ms. Vanicek and the managers testified that a loss of even 20% of revenues could be potentially devastating, and could certainly have a chilling effect on continued investment and plant by the ILECs." (Intervenor Brief, p. 42 (citing TR, pp. 581 & 631)). However, neither Ms. Vanicek nor any Company witness testified at hearing as the Intervenors represent. (*See* TR, pp. 581 & 631). To the contrary, Intervenors' own income figures belie their unsupported claims that the incumbents would be harmed by competitive entry

from Western Wireless. As Mr. Blundell's pre-filed testimony clearly demonstrates, even assuming a loss of 20% of their customers to a competitive ETC, each of the Intervenor companies would remain very profitable. (WW Ex. 3, pp. 15-17). And this assumes that none of the Intervenor companies is able to reduce expenses, operate more efficiently or continue to develop new sources of revenues, which they certainly are capable of doing. (*Id.*)

Intervenors also ignore the compelling testimony of their own company witnesses, who each confirmed that competitive entry by Western Wireless would have the opposite of a "chilling effect." For example, James Valley will try to reduce its expenses and operate more efficiently, including developing new services, new revenue streams and improving customer service and responsiveness. (TR, p. 521). James Valley may also consider lowering rates or expanding its local calling areas to respond to competition from Western Wireless. (TR, pp. 521-22). Likewise, Golden West and Vivian will "do [their] best" to reduce expenses and operate more efficiently. (TR, p. 543). Golden West and Vivian will also improve customer service and responsiveness. (TR, p. 544). Similarly, Venture will redouble its efforts to attract new customers and retain existing customers, as well as try to reduce expenses and operate more efficiently. (TR, p. 562). With all this room for improvement, South Dakota consumers would certainly benefit from Western Wireless' competitive entry.

Finally, Intervenors attempt to distinguish the Joint Board's "hold harmless" recommendations is to no avail. (Intervenor Brief, p. 42). As Intervenors concede, the outcome of the FCC's consideration of the *Joint Board Recommendations* is currently unknown, and, at best, uncertain. What is clear is that federal universal service funding polices are not before this Commission and are currently being addressed by the FCC in the proper forum. Thus, as Ms. Vanicek agrees, it would be inappropriate for the Commission in this proceeding to prejudge

what the FCC might ultimately do. (TR, pp. 602-63). The Commission should, therefore, reject Intervenors' speculative funding claims and find there is no record evidence to support a finding that Western Wireless' designation as a competitive ETC will detrimentally affect the provision of universal service within its requested service areas.

V. STAFF'S PROPOSED CONDITIONS

Staff correctly recommends that the Commission grant Western Wireless' request for ETC designation for the rural service areas in this proceeding. (Staff Brief, p. 9). The only item of comment relates to Staff's proposed conditions upon the designation. Set forth below is a listing of Staff's proposed conditions and Western Wireless' response.

> 1. The conditions set forth in Findings of Fact 20 through 24 of the Findings of Fact, Conclusions of Law and Order in Docket No. TC98-146 shall apply to the designation granted in Docket No. TC03-191. This includes the condition in Finding of Fact 23 stating that Petitioner is subject to SDCL chapter 49-13 which allows consumers to file complaints with the Commission and that Petitioner's service agreement will state that any disputes or claims arising under the service agreement may be subject to the Commission's jurisdiction.

Western Wireless does not oppose Staff's first recommendation but does not believe that it is necessary. The Company has already agreed to effectively meet such a requirement. Mr. Blundell testified that upon the granting of its present Application, Western Wireless will amend its Compliance Filing in Docket TC98-146 to add the newly designated areas and to use the same service agreements and procedures in the requested service areas as previously filed with the Commission. (WW Ex. 2, p. 22). Such a filing to add the newly designated areas to the previously approved Compliance Filing will effectively incorporate the requirements of Findings of Fact Nos. 20-24 from Order No. TC98-146 to the new areas, without the necessity of another compliance proceeding.

> 2. While it continues to receive universal service funds, Petitioner will continue to build out facilities and extend service to meet the statutory objective

of offering service "throughout the service area for which the designation is received."

Staff's proposed second condition merely restates the federal requirement acknowledged by Western Wireless and applicable to all designated ETCs. The standard requires any ETC to satisfy reasonable requests for service from customers within its designated service area. Moreover, the receipt of federal universal service support is conditioned on an ETC using those funds only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. (47 U.S.C. § 254(e)). Thus, while Western Wireless does not oppose this requirement, to the extent the Commission intends to adopt Staff's recommendation, the condition must be clarified to reflect the FCC's articulated standard which is that an ETC's deployment of facilities be guided by consumer demand for service in order to provide service upon reasonable request.

> 3. In conjunction with, but separate from and in addition to its annual certification filings under 47 C.F.R.. 54.313 and 54.314, Petitioner shall submit records and documentation on an annual basis detailing its progress towards meeting the statutory objective of offering service "throughout the service area for which the designation is received." At a minimum, such information shall detail the capital expenditures made by Petitioner within the service area during the preceding annual period and shall include its proposed capital budget for the service area for the ensuing year.

Western Wireless does not oppose Staff's third recommendation. Western Wireless has already committed to filing records and documentation on an annual basis demonstrating its capital expenditures consistent with this recommendation. (TR, p. 217).

> 4. Petitioner shall abide by the terms of the Cellular Telecommunications Industry Associates Consumer Code for Wireless Service as it is amended from time to time.

Western Wireless does not oppose Staff's fourth recommendation. Western Wireless is already a signatory to the CTIA Consumer Code and has, therefore, agreed to meet such a requirement. (TR, p. 217). Accordingly, Staff's proposed condition is unnecessary.

5. Petitioner will provide a report detailing the consumer complaints that it has received during the previous one year period.

Western Wireless does not oppose Staff's fifth recommendation. Western Wireless has committed to providing to the Commission with the number of consumer complaints per 1,000 mobile handsets on an annual basis. (TR, pp. 217-218).

6. Petitioner will provide a report itemizing requests for service from potential customers within the service area that went unfulfilled during the previous year, including the reason such request went unfulfilled.

Western Wireless does not believe that Staff's proposed requirement to annually submit information detailing unfilled service requests from potential customers is necessary. The Commission already has jurisdiction to hear consumer complaints and its existing ETC designation does not impose such a requirement. (TR, p. 218).

VI. CONCLUSION

Western Wireless has demonstrated that it satisfies each of the prerequisites for designation as a competitive ETC in this proceeding. Western Wireless also has demonstrated that its designation will bring competitive choices, new technologies and services, and better service to South Dakota consumers consistent with the public interest. Western Wireless, therefore, respectfully requests that the Commission grant its Application for designation as a competitive ETC without delay.

Respectfully submitted,

Dated: August 4, 2004

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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of WWC License LLC, d/b/a CellularOne© for Designation as an Eligible Telecommunications Carrier	)))))	DOCKET NO. TC03-191

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 4th day of August, 2004, I served a true and correct copy of Western Wireless Corporation's Post-Hearing Reply Brief by Next Day delivery, prepaid, to:

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE FILING BY WWC LICENSE, LLC D/B/A CELLULARONE FOR DESIGNATION AS AN ELIGIBLE TELECOMMUNICATIONS CARRIER IN OTHER RURAL AREAS	)	ORDER DESIGNATING WESTERN WIRELESS AS AN ELIGIBLE TELECOMMUNICATIONS CARRIER; FINDINGS OF FACT AND CONCLUSIONS OF LAW; AND NOTICE OF ENTRY OF ORDER TC03-191

On November 5, 2003, the Public Utilities Commission (Commission) received a filing by WWC Holding Co., Inc. d/b/a CellularOne (Western Wireless) petitioning for approval of it as an eligible telecommunications carrier (ETC) in the study areas of the following rural telephone companies: Golden West Telecommunications Cooperative, Inc., James Valley Cooperative Telephone Company, Splitrock Properties, Inc., Venture Communications Cooperative f/k/a Sully Buttes Telephone Cooperative, Inc., Tri-County Telcom, Inc., Vivian Telephone Company, West River Telecommunications Cooperative (Mobridge) - SD, and West River Telecommunications Cooperative - SD.

On November 6, 2003, the Commission electronically transmitted notice of the filing and the intervention deadline of November 21, 2003, to interested individuals and entities. On November 21, 2003, Petitions to Intervene were filed by James Valley Cooperative Telephone Company, South Dakota Telecommunications Association, Alliance Communications Cooperative, Inc., Splitrock Properties, Inc., West River Telecommunications Cooperative, Golden West Telecommunications Cooperative, Inc., Vivian Telephone Company, Venture Communications Cooperative, and Tri-County Telcom, Inc. Western Wireless objected to the intervention of South Dakota Telecommunications Association. At its regularly scheduled meeting of December 2, 2003, the Commission granted the above Petitions to Intervene. On January 2, 2004, Western Wireless filed a Motion to Amend Petition to substitute as petitioner WWC License, LLC as the correct party. At its regularly scheduled meeting of January 20, 2004, the Commission granted the Motion to Amend Petition. By order dated February 13, 2004, the Commission scheduled the hearing for May 4 through May 6, 2004.

On March 11, 2004, the Commission received a Motion to Withdraw Petition to Intervene of Alliance and Splitrock. At its March 23, 2004, meeting, the Commission considered this motion. No party objected to granting the Motion to Withdraw Petition to Intervene of Alliance and Splitrock. An Order Granting Motion to Withdraw Petition to Intervene of Alliance and Splitrock was issued on March 25, 2004.

On March 22, 2004, the Commission received a Motion to Withdraw Petition of West River Telecommunications Cooperative (West River). At its April 6, 2004, meeting, the Commission considered this motion. No party objected to granting the Motion to Withdraw Petition of West River. An Order Granting Motion to Withdraw Petition of West River was issued on April 19, 2004.

The hearing was held as scheduled, beginning on May 4, 2004. Following the hearing, the parties submitted briefs. At its August 17, 2004, meeting, the Commission considered this matter. The Commission voted unanimously to grant Western Wireless designation as an ETC in the requested areas, subject to conditions.

Having reviewed the evidence of record, the briefs of the parties, and applicable law, the Commission makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. On November 5, 2003, the Commission received a filing by Western Wireless petitioning for approval of it as an ETC in the study areas of the following rural telephone companies: Golden West Telecommunications Cooperative, Inc., James Valley Cooperative Telephone Company, Splitrock Properties, Inc., Venture Communications Cooperative f/k/a Sully Buttes Telephone Cooperative, Inc., Tri-County Telcom, Inc., Vivian Telephone Company, West River Telecommunications Cooperative (Mobridge) - SD and West River Telecommunications Cooperative - SD. WWC Exh. 1.

2. The Commission granted intervention to James Valley Cooperative Telephone Company, South Dakota Telecommunications Association, Alliance Communications Cooperative, Inc., Splitrock Properties, Inc., West River Telecommunications Cooperative, Golden West Telecommunications Cooperative, Inc., Vivian Telephone Company, Venture Communications Cooperative, and Tri-County Telcom, Inc. Subsequently, Splitrock, Alliance, and West River filed petitions to withdraw as intervenors. The petitions to withdraw were granted by the Commission.

3. On January 2, 2004, Western Wireless filed a Motion to Amend Petition to substitute as petitioner WWC License, LLC as the correct party. At its regularly scheduled meeting of January 20, 2004, The Commission granted the Motion to Amend Petition.

4. Western Wireless is a common carrier and is authorized to provide CMRS in its licensed cellular market areas in South Dakota. WWC Exh.1 at 2.

5. In order to be designated an ETC, a carrier must offer supported services throughout the service area for which the designation is received and advertise the availability of, and the charges for, those services throughout the service area. 47 U.S.C. § 214(e). The Federal Communications Commission (FCC) has designated the following services or functionalities as those supported by federal universal service support mechanisms: (1) voice grade access to the public switched network; (2) local usage; (3) dual tone multi-frequency signaling or its functional equal; (4) single party service or its functional equivalent; (5) access to emergency services; (6) access to operator services; (7) access to interexchange service; (8) access to directory assistance; and (9) toll limitation for qualifying low-income consumers. 47 C.F.R. § 54.101(a).

6. Voice grade access is defined as "a functionality that enables a user of telecommunications services to transmit voice communications, including signaling the network that the caller wishes to place a call, and to receive voice communications, including receiving a signal indicating there is an incoming call." 47 C. F. R. § 54.101(a)(1). The FCC has defined the minimum bandwidth for voice grade access at 300 to 3,000 Hertz. *Id.* Western Wireless' customers will be able to make and receive calls on the public switched network within this specified bandwidth. WWC Exh. 2 at 9. The Commission finds Western Wireless will provide voice grade access to the public switched network.

7. Local usage is defined as "an amount of minutes of use of exchange service, prescribed by the [FCC], provided free of charge to end users[.]" 47 C. F. R. § 54.101(a)(2). Western Wireless will meet this requirement by including local usage as part of all of its universal service offerings, and "unlimited local usage as part of at least one of its universal service offerings." WWC Exh. 2 at 10. The Commission finds Western Wireless will provide local usage.

8. DTMF is defined as "a method of signaling that facilitates the transportation of signaling through the network, shortening call set-up time[.]" 47 C. F. R. § 54.101(a)(3). Western Wireless will provide the functional equivalent to DTMF by using "out-of-band digital signaling and in-band multi-frequency

signaling. WWC Exh. at 10. The Commission finds Western Wireless will provide dual tone multi-frequency (DTMF) signaling or its functional equivalent.

9. Single party service provided by wireless carriers is defined as a service which uses "spectrum shared among users to provide service, a dedicated message path for the length of a user's particular transmission[.]" 47 C. F. R. § 54.101(a)(4). Western Wireless will provide a dedicated path for each customer's calls. WWC Exh. 2 at 10. The Commission finds Western Wireless will provide single party service or its functional equivalent.

10. Access to emergency services is defined as "access to services, such as 911 and enhanced 911, provided by local governments or other public safety organizations." 47 C. F. R. § 54.101(a)(5). Access to these services are required "to the extent the local government in an eligible carrier's service area has implemented 911 or enhanced 911[.]" *Id.* Western Wireless provides its customers with access to 911 and will provide E911 service to its customers once a PSAP submits a compliant request. WWC Exh. 2 at 11. Western Wireless stated that it "will continue to work with PSAPs within its designated service areas to make E911 service available to its customers." *Id.* The Commission finds Western Wireless will provide access to emergency services.

11. Access to operator services is defined as "access to any automatic or live assistance to a consumer to arrange for billing or completion, or both, of a telephone call[.]" 47 C. F. R. § 54.101(a)(6). Western Wireless will meet this requirement by providing its customers with access to operator services via Western Wireless or other entities. WWC Exh. 2 at 11. The Commission finds Western Wireless will provide access to operator services.

12. Access to interexchange service is defined as "the use of the loop, as well as that portion of the switch that is paid for by the end user, or the functional equivalent of these network elements in the case of a wireless carrier, necessary to access an interexchange carrier's network[.]" 47 C. F. R. § 54.101(a)(7). Western Wireless stated that it will meet "this requirement by providing all of its customers with the ability to make and receive interexchange or toll calls through direct interconnection arrangement the Company has with several interexchange carriers (IXCs). Additionally, customers are able to reach their IXC of choice by dialing the appropriate access code." WWC Exh. 2 at 11. The Commission finds Western Wireless will provide access to interexchange service.

13. Access to directory assistance is defined "as access to a service that includes, but is not limited to, making available to customers, upon request, information contained in directory listings[.]" 47 C. F. R. § 54.101(a)(8). Western Wireless provides access to directory assistance by dialing "411" or "555-1212." WWC Exh. 2 at 12. The Commission finds Western Wireless will provide access to directory assistance.

14. Each company designated as an ETC must offer either toll blocking or toll control to qualifying Lifeline customers at no charge. 47 C. F. R. § 54.400(a)(b)(c)(d). Toll blocking is defined as "a service provided by carriers that lets consumers elect not to allow the completion of outgoing toll calls from their telecommunications channel." 47 C. F. R. § 54.400(b). Western Wireless will provide toll blocking. WWC Exh. 2 at 12. Western Wireless currently provides toll blocking for international calls and customer selected toll calls. *Id.* Western Wireless will use this technology to provide toll blocking "to its Lifeline and Link Up customers, at no charge, as part of its universal service offerings once designated as an ETC." *Id.* The Commission finds Western Wireless will provide toll limitation for qualifying low-income consumers.

15. Western Wireless will provide the supported services using its own facilities. WWC Exh. 2 at 12-13. The Commission finds Western Wireless meets this requirement.

16. With respect to the advertising of its universal service offering, Western Wireless states that it "currently advertises its wireless services through several different media, including newspaper, television, radio, and billboard advertising." WWC Exh. 2 at 16. Western Wireless states that it "also maintains various retail store locations throughout its authorized service areas, which provide an additional source of advertising." *Id.* Western Wireless stated that its current advertising is not limited to advertising in business publications alone, but rather includes publications targeted to the general residential market" and that it "will use the same media of general distribution that it currently employs throughout the areas served to advertise its universal service offerings." *Id.* The Commission finds Western Wireless meets the advertising requirement.

17. In order to designate an additional ETC in an area served by a rural telephone company, the Commission must also find that the designation is in the public interest. 47 U.S.C. § 214(e)(2). In a previous decision the Commission adopted the following public interest test:

> The question of whether it is in the public interest to designate an additional ETC in an area served by a rural telephone company necessarily requires a two-part analysis. The first part of the analysis is whether consumers will realize benefits from increased competition. The fact that the area in question involves a rural area leads to the second part of the public interest analysis: whether the rural area is capable of supporting competition. Or, in other words, will the introduction of competition in rural telephone company areas have detrimental effects on the provisioning of universal service by the incumbent carriers. As evidenced by 47 U.S.C. § 254(b)(3), Congress was concerned with the advancement and preservation of universal service in rural areas.

In the Matter of the Filing by GCC License Corporation for Designation as an Eligible Telecommunications Carrier, Findings of Fact and Conclusions of Law, Docket TC98-146 at 3.

18. The FCC has recently adopted a more stringent public interest analysis than it has used in the past for ETCs seeking designation in a rural telephone company's service area. *In the Matter of Federal-State Joint Board on Universal Service Virginia Cellular, LLC Petition for Designation as an Eligible Telecommunications Carrier In the Commonwealth of Virginia*, CC Docket No. 96-45, Memorandum and Order, FCC 03-338 (rel. January 22, 2004) (*Virginia Cellular*). First the FCC determined that "the value of increased competition, by itself, is not sufficient to satisfy the public interest test in rural areas." *Id.* at ¶ 4. To determine the public interest, the FCC stated that it "would weigh numerous factors, including the benefits of increased competitive choice, the impact of multiple designations on the universal service fund, the unique advantages and disadvantages of the competitor's service offering, any commitments made regarding quality of telephone service provided by competing providers, and the competitive ETC's ability to provide the supported services throughout the designated service areas within a reasonable time frame." In addition, the FCC adopted the commitments made by Virginia Cellular as conditions of the FCC's approval of Virginia Cellular's ETC designation. *Id.* at ¶ 46. These commitments included: the submission of records and documentation on an annual basis detailing its progress towards meeting its build-out plans in the requested service area; a commitment to become a signatory to the Cellular Telecommunications Industry Association's Consumer Code for Wireless Service; a commitment to provide the number of consumer complaints per 1,000 mobile handsets on an annual basis; and information detailing how many requests for service from potential customers in the designated service areas were unfulfilled for the past year. *Id.*

19. The Commission finds that it will use its prior definition of public interest and will also adopt the FCC's public interest analysis.

20. With respect to competitive benefits, Western Wireless states that a benefit to rural consumers is increased competition which includes increased choices, higher quality service, and lower rates. Western Wireless Exh. 2. at 20. Another benefit cited by Western Wireless is that consumers will receive an expanded local calling area. *Id.* at 20. An expanded local calling area will allow consumers to make more local calls, thus avoiding some toll charges. *Id.* In addition, Western Wireless will offer unlimited local usage as part of one its universal service offerings. *Id.* at 10. Western Wireless states that, once finalized, its universal service offering will be comparable to, if not less than, the local service rates charged by the incumbent LEC. *Id.* at 20-21. Western Wireless' universal service offerings will also have the benefit of mobility. *Id.* at 20. The Commission finds that Western Wireless' service offerings will bring benefits, including increased choices, expanded local calling areas, and mobility.

21. The Commission will next look at the impact of multiple designations on the universal service fund. In *Virginia Cellular*, the FCC found that granting ETC designation for that particular carrier would not dramatically burden the universal service fund. *Virginia Cellular* at ¶ 31. If the carrier had captured each customer in the area, the amount of universal service support would be about 0.105%. *Id.* at fn. 96. In this case, Western Wireless estimated that it would receive approximately 0.002% of the total high-cost support available for all ETCs. WWC Exh. 4 at 22. However, the FCC also noted that "in light of the rapid growth in competitive ETCs, comparing the impact of one competitive ETC on the overall fund may be inconclusive." *Id.* The Commission finds that designation of Western Wireless as an ETC in the requested areas will not dramatically burden the universal service fund. However, the Commission agrees with the FCC that the impact of one competitive ETC is inconclusive, and the Commission will closely review this issue in future ETC cases.

22. With respect to the issue of any unique advantages or disadvantages of the Western Wireless' service offerings, the Commission finds that any unique advantages or disadvantages are already covered in its discussion of the other criterion.

23. Another criteria to consider is whether Western Wireless had made any commitments regarding quality of telephone service. Under the facts of this case, this issue is intertwined with the questions regarding Western Wireless' ability to provide the supported services throughout the designated service areas within a reasonable time frame. Thus, the Commission will consider these criterion together.

24. One of the major criticisms of Western Wireless concerned its current coverage and its ability to provide acceptable coverage in the requested areas. In its prefiled testimony, Western Wireless stated that it had requested ETC designation only in the "study areas where its *existing and future* network reaches at least 85% of the population in each wire center within the study area." WWC Exh. 2 at 18 (emphasis added). Western Wireless stated that upon ETC designation it would add 17 cell towers this year. TR. at 132. Western Wireless further stated that its 85% coverage is already achieved in some areas but in other areas the 85% coverage will only be achieved after the construction of the 17 cell towers. TR. at 127-28. Western Wireless intends to use the universal service money to provide service into the areas where it currently does not have coverage, whether it be an additional 15%, 10%, or 5% for any area. TR. at 129.

25. Western Wireless states that if a consumer requests service and is unable to receive service Western Wireless will take the following steps:

> First, the Company can ensure that the customer's equipment is working properly and that it is the appropriate equipment for the customer's location and usage.

> Second, enhancements can be made to the customer's premises to enhance receipt of the signal, including the addition of a high-powered antenna or the reconfiguration of the customers' equipment. Third, the new technology is now available that can be added to the customer's equipment to boost the signal. Fourth, the wireless network in the areas of the customer's use can be enhanced by adjusting power levels, signal strength and directional transmission of cell sites and by deploying network signal boosting technology. Finally, it is possible to enhance a customer's signal coverage by network expansion, such as the construction of cell site extenders and cell sites.

WWC Exh. 3 at 7.

26. The question of the extent of Western Wireless' current coverage was disputed. Western Wireless submitted its signal propagation maps as did the Intervenors. WWC Conf. Exh. 7; Int. Exh. 1 at 39-40, Int. Exh 2, Exh GHB-8. The maps showed varying degrees of coverage. *Id.* In addition, the parties disagreed on what was an acceptable signal strength. Int. Exh.2 at 15-16; WWC Exh. 4 at 11-14.

27. The FCC has clearly stated that ETC designation should not be denied because a requesting carrier is not actually providing the service prior to its ETC designation. *Virginia Cellular* at ¶ 17. The South Dakota Supreme Court has agreed with that interpretation. *The Filing by GCC License Corporation for Designation as an Eligible Telecommunications Carrier*, 2001 S.D. 32, 623 N.W.2d 474, ¶ 19 (S.D. 2001). Thus, the fact that Western Wireless does not have complete coverage in the requested areas is not a grounds for denial. However, the fact that Western Wireless is not currently able to provide service to everyone in the area requires this Commission to place conditions to ensure that Western Wireless will meet this requirement in the near future.

28. The Intervenors also contend that in prior areas where Western Wireless has been designated as an ETC, Western Wireless has not used its universal service money to significantly improve its cellular coverage in those areas. The Intervenors state that Western Wireless has added only 12 towers since October of 2001 and that most of the towers are located in more densely populated areas. Int. Exh. 1 at 41-42. The Intervenors assert that this shows Western Wireless' lack of capability and commitment to provide universal service in the requested areas. In response, Western Wireless points out that the number of towers show only a part of its investment in its ETC areas. Western Wireless points to its other investments and states that its universal service funds for 2003 accounted for only 10% of Western Wireless' total expenditures in South Dakota. TR. at 213-15.

29. The problem with relying solely on any of the maps presented by the Intervenors or Western Wireless is that although the maps attempt to show the extent of coverage, the maps do not pinpoint whether an individual consumer is able to receive Western Wireless' services. In addition, the problem with relying on total dollars invested in South Dakota is in determining whether the funds are improving service in undeserved or unserved areas. Thus, the Commission finds that, consistent with the *Virginia Cellular* decision, the Commission will set conditions in order to ensure that Western Wireless will use its ETC funds to provide service to customers in any areas where Western Wireless does not currently provide service or where its current signal coverage may not be sufficient.

30. The Commission's final consideration under the public interest analysis is whether the designation of Western Wireless as an ETC will have detrimental effects on the provisioning of universal service by the incumbent carriers. The Intervenors point to the Joint Board's Recommended Decision in which it recommended the funding of only one primary line to each

customer location. *In the Matter of the Federal-State Joint Board on Universal Service*, CC Docket 96-45, Recommended Decision, FCC 04J-1, at ¶ 56. Currently, support is provided to all lines served by ETCs. The Intervenors stated that if the primary line recommendation is adopted by the FCC, then when "multiple ETCs are placed in a high-cost area with a fixed amount of support, it becomes increasingly difficult for any of them to effectively serve throughout the entire study area and function as a carrier of last resort. This would carry the prospect of significant harm to consumers in the most rural parts of South Dakota." Int. Exh. 1 at 47. Western Wireless counters that it is far from certain that the FCC will adopt the primary line recommendation and, even if it is adopted, there will most likely be hold harmless provisions put into place to mitigate some of the detrimental impacts that could be experienced by the incumbent rural companies. WWC Exh. 3 at 14.

31. The Commission does not lightly dismiss the possibility that a primary line restriction could have detrimental effects on the Intervenors. However, the Commission cannot deny ETC status to Western Wireless based on something that may never happen. Moreover, even if the primary line restriction is adopted, the effect on any of the Intervenors will be highly dependent on the manner in which it is implemented. Thus, the Commission finds that the possibility that the FCC may implement a primary line restriction in the future is not a basis for denying ETC status.

CONDITIONS

Based on the foregoing findings of fact the Commission finds it is in the public interest to designate Western Wireless as an ETC in the requested areas. The Commission further finds that, based on the evidence of record and the applicable rules and statutes, it is in the public interest to place conditions on Westerns Wireless' ETC designation. The conditions are as follows:

1. Western Wireless shall comply with the conditions set forth in Findings of Fact 20 through 24 of the Findings of Fact, Conclusions of Law and Order in Docket TC98-146. These commitments include: 1) providing its advertising plan; 2) providing a list of its local calling areas; 3) advising customers that they may qualify for financial assistance under the federal Link-Up and Lifeline programs and providing basic information on how to apply; 4) ensuring that its service agreements are consistent with the Commission's service quality rules and state that any disputes or claims arising under the service agreement may be subject to the Commission's jurisdiction; and 5) notifying the Commission when it begins to offer its universal service package and in what study areas. Western Wireless may amend its Compliance Filing in Docket TC98-146 to add the newly designated areas and to use the same service agreements and procedures in the requested service areas as previously filed with the Commission. For any requirement that cannot be fulfilled by amending the previous Compliance Filing, Western Wireless may submit the document in this proceeding. Western Wireless will not have to make a separate compliance filing in order to be designated as an ETC in this docket.

2. Consistent with its obligation pursuant to section 214(e)(1), Western Wireless shall continue to build out facilities and extend service to meet the statutory objective of offering service "throughout the service area for which the designation is received. . . ." The Commission notes that Western Wireless has committed to using its universal service funds to bring service to the areas that it does not yet provide coverage. TR. at 129.

3. In conjunction with, but separate from and in addition to its annual certification filings under 47 C.F.R. §§ 54.313 and 54.314, Western Wireless shall submit records

and documentation on an annual basis detailing its progress towards meeting the statutory objective of offering service throughout the service area for which the designation is received." At a minimum, such information shall detail the capital expenditures made by Western Wireless within each RLEC's service area during the preceding annual period and shall include its proposed capital budget for each RLEC's service area for the ensuing year.

4. Western Wireless shall annually submit a proposed plan for the upcoming calendar year which sets forth Western Wireless' proposed plan for construction of new facilities and service enhancements to existing facilities. The plan shall be submitted by January 1 of each year. Following the first filing, Western Wireless' subsequent annual filings shall also submit a report stating whether the proposed plan was implemented, any deviations from the previous year's proposed plan, and the reasons for any deviations. Following this annual filing, Western Wireless shall meet with Commission Staff to discuss the proposed plans and any deviations from a previous year's proposed plans.

5. Western Wireless shall construct the 17 additional cell sites during 2004 as it committed to in this proceeding. If it is unable to construct all 17 cell sites during 2004, Western Wireless shall submit a report detailing the reasons why it is unable to do so and shall thereafter submit monthly reports detailing its progress toward meeting this goal. The initial report shall be due by January 1, 2005.

6. Western Wireless shall continue to abide by the terms of the Cellular Telecommunications Industry Associates Consumer Code for Wireless Service as it is amended from time to time.

7. By January 1st of each year, Western Wireless shall provide an annual report detailing the consumer complaints that it has received during the previous one year period. This report shall include the nature and location of the complaints.

8. By January 1st of each year, Western Wireless shall provide a report itemizing requests for service from potential customers within each RLEC's service area that went unfulfilled during the previous year, including the steps Western Wireless took to provide service and the reasons why such request went unfulfilled. Following the submission of this report, Western Wireless shall meet with Commission Staff to discuss the report.

If the reports are unable to be compiled by January 1st of each year, Western Wireless shall work with Commission Staff to determine when the reports must be filed.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to SDCL Chapters 1-26 and 49-31, including 1-26-18, 1-26-19, 49-31-3, 49-31-7, 49-31-7.1, 49-31-11, 49-31-78, 49-31-81; ARSD 20:10:32:42 through 20:10:32:46, inclusive; and 47 U.S.C. § 214(e)(1) through (5).

2. Pursuant to 47 U.S.C. § 214(e)(2), the Commission is required to designate a common carrier that meets the requirements of section 214(e)(1) as an ETC for a service area designated by the Commission. The Commission may designate more than one ETC if the additional requesting carrier

meets the requirements of section 214(e)(1). However, before designating an additional ETC for an area served by a rural telephone company, the Commission must find that the designation is in the public interest. 47 U.S.C. § 214(e)(2).

3. Pursuant to 47 U.S.C. § 214(e)(1), a common carrier that is designated as an ETC is eligible to receive universal service support and shall, throughout its service area, offer the services that are supported by federal universal service support mechanisms either using its own facilities or a combination of its own facilities and resale of another carrier's services. The carrier must also advertise the availability of such services and the rates for the services using media of general distribution.

4. The FCC has designated the following services or functionalities as those supported by federal universal service support mechanisms: (1) voice grade access to the public switched network; (2) local usage; (3) dual tone multi-frequency signaling or its functional equal; (4) single party service or its functional equivalent; (5) access to emergency services; (6) access to operator services; (7) access to interexchange service; (8) access to directory assistance; and (9) toll limitation for qualifying low-income consumers. 47 C.F.R. § 54.101(a).

5. As part of its obligations as an ETC, an ETC is required to make available Lifeline and Link Up services to qualifying low-income consumers. 47 C.F.R. § 54.405; 47 C.F.R. § 54.411.

6. Pursuant to findings of fact 17-18, the Commission finds that it will use its prior definition of public interest and will also adopt the FCC's public interest analysis in *Virginia Cellular*.

7. ETC designation cannot be denied because a requesting carrier is not actually providing the service prior to its ETC designation. Virginia Cellular at ¶ 17. The South Dakota Supreme Court has agreed with that interpretation finding that "a carrier need not be presently offering required services before qualifying as an eligible carrier. Likewise, inability to provide service immediately upon designation is not a basis for denying ETC status. New carriers, like incumbent carriers, are required to serve new customers on reasonable request." *The Filing by GCC License Corporation for Designation as an Eligible Telecommunications Carrier*, 2001 S.D. 32, 623 N.W.2d 474, ¶ 19 (S.D. 2001).

8. Pursuant to findings of facts 6 through 15, the Commission finds that Western Wireless will offer the supported services, using its own facilities, throughout the service areas within a reasonable time frame, subject to the conditions listed above.

9. Pursuant to finding of fact 16, the Commission finds that Western Wireless will advertise the availability and the charges for the supported services in the service areas, subject to the conditions listed above.

10. Pursuant to findings of fact 20 through 31, the Commission finds it is in the public interest to designate Western Wireless as an ETC in the study areas of the above listed rural telephone companies as requested by Western Wireless, subject to the conditions listed above.

It is therefore

ORDERED, that Western Wireless is designated as an ETC in the study areas of the following rural telephone companies: Golden West Telecommunications Cooperative, Inc., James Valley Cooperative Telephone Company, Splitrock Properties, Inc., Venture Communications

Cooperative f/k/a Sully Buttes Telephone Cooperative, Inc., Tri-County Telcom, Inc., Vivian Telephone Company, West River Telecommunications Cooperative (Mobridge) - SD, and West River Telecommunications Cooperative - SD.; and it is

FURTHER ORDERED, that Western Wireless shall comply with the conditions as listed above.

NOTICE OF ENTRY OF ORDER

PLEASE TAKE NOTICE that this Order was duly entered on the 2nd day of September, 2004. Pursuant to SDCL 1-26-32, this Order will take effect 10 days after the date of receipt or failure to accept delivery of the decision by the parties.

Dated at Pierre, South Dakota, this 2nd day of September, 2004.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By: Delaine Kolbo

Date: 9/2/04

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

Robert K. Sahr

ROBERT K. SAHR, Chairman

Gary Hanson

GARY HANSON, Commissioner

James A. Burg

JAMES A. BURG, Commissioner

Western Wireless

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SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

September 8, 2004

Ms. Pam Bonrud
Executive Director
South Dakota Public Utilities Commission
Capitol Building, 1st Floor
500 East Capitol Avenue
Pierre, SD 57501-5070

Re: In the Matter of the Filing by WWC License, LLC d/b/a CellularOne® for Designation as an Eligible Telecommunications Carrier in Other Rural Areas
Docket No. TC03-191

Dear Ms. Bonrud:

WWC License, LLC ("Western Wireless") hereby submits an amendment to its Compliance Filing in Docket No. TC98-146 in accordance with the Commission's "Order Designating Western Wireless As An Eligible Telecommunications Carrier" dated September 2, 2004 ("ETC Order") in the above-captioned matter.

Under the ETC Order, the Commission designated Western Wireless as an eligible telecommunications carrier in the service areas of Golden Western Telecommunications Cooperative, Inc., James Valley Cooperative Telephone Company, Splitrock Properties, Inc., Venture Communications Cooperative f/k/a Sully Buttes Telephone Cooperative, Inc., Tri-County Telcom, Inc., Vivian Telephone Company, West River Telecommunications Cooperative (Mobridge) and West River Telecommunications Cooperative in the State of South Dakota ("Designated Areas").

Specifically, Western Wireless submits a new Appendix G1 to the Compliance Filing relating to the Local Calling Areas for the Unlimited Local Calling Plan applicable to the Designated Areas. The enclosed Appendix G1 includes not only the local calling areas established in Docket No. TC98-146, but also the Local Calling Areas for the Designated Areas in Docket No. TC03-191. The enclosed Appendix G1 is adopted and incorporated by reference into the Compliance Filing.

In addition, Western Wireless hereby certifies that its service offerings in the Designated Areas will be subject to the same conditions, service agreements and procedures as set forth in the Compliance Filing approved in the Commission's Order dated January 6, 2003 in Docket No. TC98-146 as it relates to the following sections:

Appendix A: Advertising Plan

Appendix B: Unlimited Local Calling Plan
Universal Service Offering
Terms and Conditions of Service

Appendix C: Measured Rate Calling Plans
Universal Service Offerings
Terms and Conditions of Service

Appendix D: Notice To Customers

Appendix E: Customer Preference Page

Appendix F: Lifeline/Link Up Applications

Appendix G2: Local Calling Areas
Measured Rate Calling Plans
Universal Service Offering

Appendix H: Draft Letter To Notify Of Beginning Of Universal Service Offerings

Except as modified by the amended Appendix G1, the Compliance Filing approved by the Commission in Docket No. TC98-146 is hereby adopted and restated by Western Wireless for the Designated Areas.

If you should have any questions, please contact me.

Sincerely,

Rae Ann Kelsch
Manager, Government Compliance

cc: Mark J. Ayotte – Briggs and Morgan, P.A.
Talbot J. Wieczorek – Gunderson Palmer Goodsell & Nelson, LLP

Local Calling Areas South Dakota Unlimited Local Calling Plan

Appendix G-1

Market	The following cities/towns are a local call for Residential Phone Service subscribers*:					ECA NPA/NXXs						
Irene	Beresford	Canton	Center Point	Centerville	Chancellor	(605) Area Code	201	221	231	238	241	251
Lennoox	Davis	Harrisburg	Hurley	Irene	Lennox	252	253	254	263	267	274	295
Parker	Marion	Monroe	Parker	Pearson Corner	Shindler	297	301	306	310	321	322	323
Viborg	Sioux Falls	Tea	Turkey Ridge	Viborg	Wakonda	326	327	328	330	331	332	333
Wakonda	Worthing					334	335	336	338	339	351	357
						359	360	361	362	366	367	368
						370	371	372	373	376	444	477
						498	509	521	552	558	563	575
						595	609	610	647	648	686	728
						731	743	759	763	764	766	767
						782	929	940	941	957	965	977
						978	987	988				
Market	The following cities/towns are a local call for Residential Phone Service subscribers:					ECA NPA/NXXs						
Jefferson	Burbank	Elk Point	Jefferson	Junction City	McCook	(605) Area Code	217	242	356	422	624	638
	North Sioux City	Richland	Vermillion			659	670	672	677	679	741	761
						780	966					
Market	The following cities/towns are a local call for Residential Phone Service subscribers:					ECA NPA/NXXs						
Kennebec	Chamberlain	Kennebec	Oacoma	Presho	Reliance	(605) Area Code	473	683	730	734	869	895
Presho	Vivian											
Market	The following cities/towns are a local call for Residential Phone Service subscribers:					ECA NPA/NXXs						
Alexandria	Alexandria	Artesian	Bridgewater	Canistota	Canova	(605) Area Code	227	239	246	247	296	421
Canova	Center	Corner	Emery	Epiphany	Ethan	425	449	465	471	485	523	527
Center	Fedora	Fulton	Howard	Junius	Mitchell	587	630	729	770	772	836	995
Salem	Montrose	Orland	Roswell	Rumpus Ridge	Salem	996	998	999				
Spencer	Spencer	Stanley	Unityville	Winfred								
Winfred												
Market	The following cities/towns are a local call for Residential Phone Service subscribers:					ECA NPA/NXXs						
Revillo	Albee	Altamont	Bemis	Big Stone City	Corona	(605) Area Code	237	432	520	623	676	753
South Shore	Goodwin	Kranzburg	LaBolt	Marvin	Milbank	756	868	880	881	882	884	886
Stockholm	Moritz	Rauville	Revillo	Stockholm	Strandburg	949	970					
	Summit	South Shore	Tuneville	Twin Brooks	Watertown							
	Waverly											
Market	The following cities/towns are a local call for Residential Phone Service subscribers:					ECA NPA/NXXs						
Eureka	Artas	Bowdle	Eureka	Glenham	Greenway	(605) Area Code	281	282	283	284	285	437
Glanham	Herreid	Hillsview	Hosmer	Java	Mobridge	581	649	762	820	845	848	850
Herreid	Mound City	Pollock	Selby			858	889	955				
Hosmer												
Mound City												
Pollock												

*includes both residential and single-line business customers

Local Calling Areas South Dakota Unlimited Local Calling Plan

Appendix G-1

Market	The following cities/towns are a local call for Residential Phone Service subscribers:					ECA NPA/NXXs						
Hosmer	Aberdeen	Barnard	Craven	Deerfield Colony	Frederick	(605) Area Code	207	216	225	226	228	229
Ipswich	Hosmer	Ipswich	Leola	Long Lake	Long Lake Colony	240	250	283	287	290	329	377
Leola	Pambrook Colony	Plainview Colony	Roscoe	Westport	Wetonka	378	380	426	439	577	622	626
Long Lake						725	790	898				
Market	The following cities/towns are a local call for Residential Phone Service subscribers:					ECA NPA/NXXs						
Golden West	Market 1.											
1. Ardmore	Ardmore	Ardmore	Buffalo Gap	Edgemont	Hot Springs	(605) Area Code	209	341	342	343	348	355
1. Buffalo Gap	Buffalo Gap	Maurine	Oelrichs	Oral	Rapid City	381	388	389	390	391	394	399
2. Belvidere	Edgemont					415	424	430	431	459	484	525
2. Creighton	Hot Springs					535	545	593	641	662	663	716
1. Edgemont	Maurine					718	719	727	737	745	748	786
2. Enning	Olerichs					787	826	833	863	877	890	891
2. Faith	Oral					(308) Area Code	453					
2. Hayes	The following cities/towns are a local call for Residential Phone Service subscribers:					ECA NPA/NXXs						
1. Hot Springs	Market 2.	Belvidere	Creighton	Enning	Faith	(605) Area Code	259	340	344	445	452	488
3. Martin	Belvidere	Hayes	Kadoka	Midland	Milesville	516	544	567	669	702	739	754
2. Midland	Creighton	Murdo	New Underwood	Philip	Quinn	837	843	859	939	952	954	985
2. Milesville	Enning	Wasta	White River	Wicksville	Wood							
1. Maurine	Faith											
2. New Underwood	Hayes											
2. Oelrichs	Midland											
1. Oral	Milesville											
2. Philip	New Underwood											
2. Quinn	Philip											
2. Wasta	Quinn											
2. Wicksville	Wasta											
2. Wood	White River											
3. Whiteriver	Wicksville											
	Wood											
	The following cities/towns are a local call for Residential Phone Service subscribers:					ECA NPA/NXXs						
	Market 3.	Allen	Batesland	Kyle	Long Valley	(605) Area Code	441	455	462	685	867	
	Martin	Martin	Pine Ridge	Porcupine	Tuthill							
	Wounded Knee					(308) Area Code	862					

*Includes both residential and single-line business customers

Local Calling Areas South Dakota Unlimited Local Calling Plan

Appendix G-1

Market	The following cities/towns are a local call for Residential Phone Service subscribers:					ECA NPA/NXXs						
James Valley Tele												
Andover	Aberdeen	Andover	Bristol	Columbia	Claremont	(605) Area Code	216	225	226	228	229	250
Bristol	Conde	Doland	Frederick	Ferney	Groton	262	277	290	294	298	325	329
Columbia	Hecla	Houghton	Mellette	Pierpont	Turton	377	380	382	395	396	397	412
Claremont						492	622	626	635	725	790	885
Conde						887	897					
Doland												
Frederick												
Ferney												
Groton												
Hecla												
Houghton												
Mellette												
Turton												
Market	The following cities/towns are a local call for Residential Phone Service subscribers:					ECA NPA/NXXs						
Tri-County Tele												
Clayton	Bridgewater	Canistota	Colony	Clayton	Dolton	(605) Area Code	292	296	299	449	630	656
Emery	Emery	Freeman	Mitchell	Rosedale	Turkey Ridge	729	770	825	925	933	995	996
						999						
Market	The following cities/towns are a local call for Residential Phone Service subscribers:					ECA NPA/NXXs						
Venture Telco	Market 1.											
2. Blunt	Britton	Andover	Britton	Claremont	Langford	(605) Area Code	268	294	298	325	345	443
1. Britton	Lanford	New Effington	Peever	Pierpont	Rosholt	448	486	493	537	588	634	637
3. Bowdle	Pierpont	Roslyn	Sisseton	Webster	Waubay	698	736	738	742	932	947	
2. Gettysburg	Rosholt											
2. Highmore	Roslyn											
3. Hoven	Sisseton											
2. Harrold	The following cities/towns are a local call for Residential Phone Service subscribers:					ECA NPA/NXXs						
2. Hitchcock	Market 2.											
1. Langford	Blunt	Blunt	Faulkton	Gettysburg	Harrold	(605) Area Code	204	213	220	222	224	258
3. Onaka	Gettysburg	Highmore	Hitchcock	Miller	Onida	266	295	350	352	353	354	461
2. Onida	Harrold	Pierre	Ree Heights	Tulare		596	598	765	768	769	771	773
1. Pierpont	Highmore					776	829	852	853	870	871	875
3. Roscoe	Hitchcock					943	945	962				
1. Rosholt	Onida											
1. Roslyn	Ree Heights											
3. Seneca	Tulare											
3. Selby	Wessington											
1. Sisseton	The following cities/towns are a local call for Residential Phone Service subscribers:					ECA NPA/NXXs						
3. Tolstoy	Market 3.											
2. Tulare	Bowdle	Bowdle	Eureka	Gettysburg	Glenham	(605) Area Code	230	281	282	283	284	285
2. Wessington	Hoven	Hosmer	Hoven	Mobridge	Mound City	436	442	447	649	762	765	768
4. Wessington Spri	Onaka	Onaka	Selby	Seneca	Tolstoy	769	771	820	845	848	850	948
	Roscoe					950						
	Selby											
	Seneca											
	Tolstoy											

*includes both residential and single-line business customers

Local Calling Areas South Dakota Unlimited Local Calling Plan

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	The following cities/towns are a local call for Residential Phone Service subscribers:					ECA NPA/NXXs						
	Market 4.											
	Wessington Spr	Forestburg	Huron	Wessington Spr.	Wolsey	(605) Area Code	350	352	353	354	461	495
		Woonsocket					539	796	883			
Market	The following cities/towns are a local call for Residential Phone Service subscribers:					ECA NPA/NXXs						
Vivian Tele	Market 1.	Avon	Bonesteel	Freeman	Lesterville							
1. Avon	Avon	Marion	Menno	Parker	Scotland	(605) Area Code	260	286	297	364	369	384
1. Bonesteel	Bonesteel	Springfield	Trip	Wagner	Yankton	387	583	648	653	654	655	661
2. Burke	Freeman					663	664	665	668	760	857	925
2. Clearfield	Lesterville					935						
3. Custer	Marion											
1. Freeman	Menno					(402) Area Code	653	667				
2. Gregory	Scotland											
1. Lesterville	Springfield											
1. Marion												
1. Menno	The following cities/towns are a local call for Residential Phone Service subscribers:					ECA NPA/NXXs						
2. Mission	Market 2.	Burke	Clearfield	Gregory	Kennebec							
2. Murdo	Burke	Mission	Murdo	Presho	Reliance	(605) Area Code	208	259	473	516	553	557
2. Reliance	Clearfield	Rosebud	Vivian	White River	Winner	566	669	683	747	774	775	830
2. Rosebud	Gregory	Witten				831	835	840	841	842	856	869
1. Scotland	Mission					879	895	954				
1. Springfield	Murdo											
2. Vivian	Reliance					(402) Area Code	974					
2. Winner	Rosebud											
2. Witten	Vivian											
	Winner											
	Witten											
	The following cities/towns are a local call for Residential Phone Service subscribers:					ECA NPA/NXXs						
	Market 3.	Custer	Buffalo Gap	Hermosa	Hot Springs							
	Custer	Keystone	Rapid City			(605) Area Code	209	255	341	342	343	348
						355	381	388	389	390	391	394
						399	415	430	431	440	484	545
						593	641	666	673	716	718	719
						721	727	737	786	787	833	863
						877	890	891	953			
Market	The following cities/towns are a local call for Residential Phone Service subscribers:					ECA NPA/NXXs						
Mobridge Tele	Glenham	Herreid	Mcintosh	McLaughlin	Mobridge							
Mobridge	Mound City	Polluck	Selby			(605) Area Code	230	273	276	437	649	762
						845	820	823	850	889	55	
						(701) Area Code	827					
Market	The following cities/towns are a local call for Residential Phone Service subscribers:					ECA NPA/NXXs						
West River Tele	Glenham	Herreid	Mcintosh	McLaughlin	Mobridge							
McLaughlin	Mound City	Polluck	Selby			(605) Area Code	230	273	276	437	649	762
						845	820	823	850	889	55	
						(701) Area Code	827					

*includes both residential and single-line business customers

Local Calling Areas South Dakota Unlimited Local Calling Plan

Appendix G-1

Market	The following cities/towns are a local call for Residential Phone Service subscribers:					ECA NPA/NXXs						
Split Rock Prop.	Artesian	Brookings	Canova	De Smet	Howard							
Howard	Lake Preston	Madison	Nunda	Old Ham	Sinai	(605) Area Code	256	265	270	271	291	427
Oldham	Winfred					480	482	485	523	527	556	586
						636	651	688	690	691	692	693
						695	697	722	827	854	860	861

*includes both residential and single-line business customers

Bob Sahr, Chair
Gary Hanson, Vice-Chair
Jim Burg, Commissioner

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

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Consumer Hotline
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September 23, 2004

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
9300 East Hampton Drive
Capitol Heights, MD 20743

Irene Flannery
Universal Service Administrative Company
2000 L Street, NW - Suite 200
Washington, DC 20036

Re: Federal-State Joint Board on Universal Service, CC Docket No. 96-45

Dear Ms. Dortch and Ms. Flannery:

Pursuant to section 214(e)(2) of the Communications Act of 1934, as amended, and 47 C.F.R. section 54.201, the South Dakota Public Utilities Commission (SDPUC) has designated WWC License, LLC d/b/a CellularOne as an Eligible Telecommunications Carrier (ETC). WWC was designated as a competitive ETC in South Dakota for certain rural telephone companies' service areas. The service areas are:

Golden West Telecommunications Cooperative, Inc.; James Valley Cooperative Telephone Company; Splitrock Properties, Inc.; Venture Communications Cooperative f/k/a Sully Buttes Telephone Cooperative, Inc.; Tri-County Telcom, Inc.; Vivian Telephone Company; West River Telecommunications Cooperative (Mobridge) - SD; and West River Telecommunications Cooperative - SD.

A copy of the order is enclosed.

If additional information is required, please do not hesitate to call.

Sincerely,

Rolayne Ailts Wiest

ROLAYNE AILTS WIEST
Commission Attorney

GUNDERSON, PALMER, GOODSELL & NELSON, LLP

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JASON M. SMILEY

September 30, 2004

FAX Received SEP 3 0 2004

VIA FAX 1-605-773-3809
Pamela Bonrud
Executive Director
SD Public Utilities Commission
500 E Capitol Avenue
Pierre SD 57501

RECEIVED
OCT 01 2004
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

RE: WWC's Petition for Reconsideration and Clarification
TC03-191 GPGN File No. 5925.030691

Dear Ms. Bonrud:

Enclosed please find WWC's Petition for Reconsideration and Clarification for filing. The original and ten copies have been sent to you via Next Day Delivery and electronically.

If you have any questions, please call me.

Sincerely,

Talbot J. Wieczorek

TJW:klw
Enclosure
C: Richard Coit
Darla Pollman Rogers
Jim Cremer
Benjamin Dickens
Clients

GUNDERSON, PALMER, GOODSELL & NELSON, LLP

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JASON M. SMILEY

September 30, 2004

RECEIVED
OCT 0 1 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

FAX Received SEP 3 0 2004

NEXT DAY DELIVERY
VIA EMAIL: pam.bonrud@state.sd.us
Pamela Bonrud
Executive Director
SD Public Utilities Commission
500 E Capitol Avenue
Pierre SD 57501

RE: WWC's Petition for Reconsideration and Clarification
TC03-191 GPGN File No. 5925.030691

Dear Ms. Bonrud:

Enclosed please find an original and ten copies of WWC's Petition for Reconsideration and Clarification. By copy of same, all counsel have been served.

If you have any questions, please call me.

Sincerely,

Talbot J. Wieczorek

TJW:klw
Enclosure
C: Richard Coit via richcoit@sdtaonline.com
Darla Pollman Rogers via dprogers@riterlaw.com
Jim Cremer via jcremer@bantzlaw.com
Benjamin Dickens via bhd@bloostonlaw.com
Clients

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

FAX Received SEP 30 2004

In the Matter of the Filing by WWC License, LLC d/b/a CellularOne® for Designation as an Eligible Telecommunications Carrier in Other Rural Areas	))))	Docket No. TC03-191

PETITION FOR RECONSIDERATION AND CLARIFICATION BY WWC LICENSE, LLC

RECEIVED
OCT 01 2004
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

I. INTRODUCTION AND SUMMARY

On September 2, 2004, the Public Utilities Commission of the State of South Dakota ("Commission") entered its "Order Designating Western Wireless as an Eligible Telecommunications Carrier; Findings of Fact and Conclusion of Law; and Notice of Entry of Order" ("*Designation Order*"). Although the Commission's *Designation Order* is thorough and well-reasoned, WWC License, LLC ("Western Wireless") seeks reconsideration and/or clarification with respect to two discreet issues presented by the Commission's conditions on the ETC designation. Accordingly, Western Wireless moves pursuant to ARSD 20:10:01:29 for reconsideration and/or clarification of the following conditions set forth in the *Designation Order*:

> (1) Condition No. 3 – requiring the Company to submit records and documentation "detail[ing] the capital expenditures made by Western Wireless within each RLEC's service area during the preceding annual period and [. . .] its proposed capital budget for each RLEC's service area for the ensuing year;" and
>
> (2) Condition No. 8 – requiring the Company to annually file "a report itemizing requests for service from potential customers within each RLEC's service area that went unfulfilled during the previous year, including the steps Western Wireless took to provide service and the reasons why such request went unfulfilled." (emphasis added)

As discussed more fully below, Western Wireless does not challenge the spirit or intent of any of the conditions established by the Commission's *Designation Order*. However, the Commission should reconsider the requirement in Condition No. 3 to require capital expenditure information with reference to "each RLEC's service area" and clarify that such information will be protected from public disclosure. Because of the inherent differences in network architecture, accounting practices and service areas of wireless and wireline service providers, any requirement to provide the Commission with capital expenditure data allocated to "each RLEC's service area" would prove to be a meaningless exercise. Rather, the Commission should require the capital expenditure information regarding Western Wireless' construction of new facilities and network improvements on a Statewide basis. Further, the *Designation Order* should clarify that any capital expenditure or other data filed by Western Wireless in compliance of this condition shall be deemed confidential, proprietary information subject to full protection from public disclosure under SDCL 1-27-1, *et seq.*, and ARSD 20:10:01:39 through 20:10:01:44.

With respect to Condition No. 8, the Commission should clarify that an "unfulfilled service request" from a "potential customer" means those requests for service from customers communicated to Western Wireless that escalate to the level of the five-step process outlined in Finding of Fact No. 25 of the *Designation Order*. The report on unfulfilled requests for service should likewise not require segregation of customer information for "each RLEC's service area."

Accordingly, Western Wireless respectfully requests that the Commission reconsider, clarify and amend its *Designation Order* as set forth below.

II. THE COMMISSION SHOULD AMEND THE *DESIGNATION ORDER* TO PERMIT WESTERN WIRELESS TO SUBMIT CAPITAL EXPENDITURE DATA ON A STATEWIDE BASIS AND SUBJECT TO CONFIDENTIALITY PROTECTIONS

Western Wireless seeks reconsideration and/or clarification of Condition No. 3 to permit the Company to file capital expenditure or other data detailing its network build-out on a Statewide basis and, further, to ensure that the Company's proprietary information is protected from public disclosure under SDCL 1-27-1, *et seq.*, and ARSD 20:10:01:39 through 20:10:01:44. Accordingly, Western Wireless requests that the Commission clarify and amend the *Designation Order* by substituting the following language in place of Condition No. 3:

> In conjunction with, but separate from and in addition to its annual certification filings under 47 C.F.R. §§ 54.313 and 54.314, Western Wireless shall submit records and documentation on an annual basis detailing its progress towards meeting the statutory objective of offering service throughout the service area for which the designation is received. At a minimum, such information shall detail the capital expenditures made by Western Wireless in its designated areas in the State of South Dakota during the preceding annual period and shall include its proposed capital budget for the State of South Dakota for the ensuing year. Information filed by Western Wireless in compliance with this obligation shall be deemed confidential for a period of ten (10) years pursuant to SDCL 1-27-1, *et. seq.*, and ARSD 20:10:01:39 through 20:10:01:44.

Principally, Western Wireless' request seeks to eliminate the requirement that the capital expenditure or other data filed in response in response to this condition be allocated to the level of "each RLEC's service area." The Company's wireless network architecture, accounting practices and service areas are inherently different than the incumbent RLECs. Western Wireless' accounting systems and budgeting processes do not track capital expenditures with reference to the geographic areas served by the incumbent LECs. No business purpose exists to maintain capital expenditure information in that fashion. Rather, Western Wireless' financial data is maintained with reference to its regional markets based on its engineering and sales activities for its business operations. With its existing accounting practices, Western Wireless

can then identify its capital expenditures to a Statewide level. To require such information to be presented with reference to "each RLEC's service area" in South Dakota would necessitate a manual allocation method not supported by Western Wireless' existing systems and practices, with resulting data of no meaningful significance to the Commission.

For example, Western Wireless has committed to using universal services support for the construction of numerous new cell sites in South Dakota. *See Designation Order*, p. 8. Unlike a wireline network, radio waves do not terminate at the exchange or service area boundary. Any one of the numerous new cell sites could potentially serve and benefit customers in two, three or more RLEC service areas. Under the Commission's current requirement, Western Wireless would thus be required to attempt to arbitrarily allocate the costs associated with each cell site to the various RLEC service areas that may be served by a site.

In the case of an individual cell site, Western Wireless could do one of two things to allocate the capital expenditures. First, it could allocate the entire cost of a cell site to the RLEC service area where the facility is physically located. But, as depicted on the attached Exhibit 1, this would not account for the signal coverage and service the cell site may provide to customers in a neighboring RLEC service area. Assuming for purposes of discussion that the costs associated with the construction of a new cell site totaled $300,000, allocating the entire amount to only the RLEC service area where the site is physically located would, therefore, produce a false representation of those costs.

Likewise, allocating the cost of a cell site to more than one RLEC service area would be purely arbitrary and, therefore, produce speculative results based on the allocation standard to be applied. For example, Western Wireless could allocate the cell site capital expenditure cost by the percentage of geography covered by the cell site, the population covered by the site, the

number of subscribers or by some other factor. As depicted on the attached Exhibit 2, any such allocation methodology, or combination thereof, would lead to a meaningless result. For example, if 80% of the radio-frequency ("RF") signal propagation from an individual cell site – and, therefore, 80% of the attendant cost of that site (or $240,000) – were allocated to one RLEC service area, and the remaining 20% of the RF propagation and cost (or $60,000) were allocated to a second RLEC service area, this result may not reflect the differences in population or subscribers served by the cell site in each RLEC service area. Accordingly, it would not reflect the true benefits of the facility to the second RLEC service area. Conversely, if the allocation were based on population rather than geographic coverage, the methodology would likewise not reflect the benefits of network expansion into unserved or underserved areas.

As a result, any effort to allocate capital expenditures to the RLEC service area level will not produce useful information. Accordingly, Western Wireless commits to annually provide the Commission with capital expenditure data on a Statewide basis consistent with its current systems and practices. Any more specific documentation needed by the Commission to further analyze Western Wireless' progress toward meeting the objective of "offering service throughout the service area," as contemplated by Condition No. 3, can then be provided on a case-by-case basis. Western Wireless respectfully requests that the Commission amend its *Designation Order* to reflect this condition.

Similarly, Western Wireless also seeks a declaration from the Commission that any capital expenditure or other data produced to the Commission in compliance with Condition No. 3 will be deemed confidential pursuant to SDCL 1-27-1, *et. seq.*, and ARSD 20:10:01:39 through 20:10:01:44. By definition, the type of capital expenditure, budgeting and network information and data Western Wireless has committed to making available to the Commission is highly-

confidential, proprietary information entitled to protection from public disclosure. Moreover, public disclosure of the information, particularly disclosure of projected capital expenditures to Western Wireless' competitors, would materially harm the Company by providing its competitors with an unfair competitive advantage. Accordingly, the Commission should amend its *Designation Order* to reflect that this data is entitled to protection as confidential information under South Dakota law.

III. THE COMMISSION SHOULD CLARIFY THE STANDARD OF AN "UNFULFILLED SERVICE REQUEST"

Western Wireless also seeks reconsideration and/or clarification of Condition No. 8, which generally requires the Company to annually report the number of "unfulfilled service requests" it received from "potential customers" within "each RLEC's service area." Condition No. 8 is overly broad and ambiguous with respect to what reasonably constitutes an "unfulfilled service request" or the need to identify such requests with reference to the incumbent RLEC. Accordingly, Western Wireless requests that the Commission clarify and amend its *Designation Order* by substituting the following language in place of Condition No. 8:

> By January 1st of each year, Western Wireless shall provide a report itemizing the number of unfulfilled requests the Company received to extend service to a current customer's residence during the previous year, the steps Western Wireless took to provide service, and the reasons why such requests went unfulfilled. Following the submission of this report, Western Wireless shall meet with Commission Staff to discuss the report.

The above description of Western Wireless' reporting obligation relating to unfulfilled requests for service more accurately reflects the Commission's intent to ensure the Company is meeting its obligation to provide service upon reasonable request. Moreover, by clearly defining the scope of what constitutes an "unfulfilled service request," Western Wireless will be able to accurately track and report such requests to the Commission.

Without this clarification, the scope of the obligation is ambiguous as it relates to "potential customers." On any given day, Western Wireless may receive numerous inquiries regarding its services from what may be broadly considered "potential customers." Many of these inquiries never rise to the level of what could reasonably be considered a "service request" and, therefore, cannot be tracked by the Company. For example, the Company may receive "walk-in" inquiries from potential customers at its numerous direct or indirect points-of-sale that do not result in the customer purchasing service for a myriad of reasons, including pricing and other competitive reasons. Similarly, the Company may receive service inquiries through its web-site that do not result in the "potential customer" purchasing service from Western Wireless.

Clearly, these types of service inquiries are not the type of "service requests" this Commission is interested in tracking. Rather, Western Wireless believes that the Commission is seeking by its Condition No. 8 to insure that when a current customer within one of the Company's designated ETC service areas requests a service extension to provide service at his or her residence, the Company complies with its service extension commitments as described in Finding of Fact No. 25 to address that request and report any instances where the Company determines it is unable to provision service. Accordingly, Western Wireless respectfully requests that the Commission amend the *Designation Order* as set forth above to more clearly reflect this obligation and define "unfulfilled service request" to include only those requests communicated to the Company that escalate to the level of the five-step process outlined in Finding of Fact No. 25.

Similarly, Condition No. 8 includes an unnecessary requirement to report any unfulfilled service requests with reference to "each RLEC's service area." While Western Wireless will necessarily have the address of the customer, its complaint tracking systems are not designed to

automatically correlate the data to the incumbent LEC. Thus, the report to be filled under Condition No. 8 should not require the identification of the incumbent RLEC. To the extent the identity of the incumbent is relevant, such information can be independently obtained by the Commission based on the customer's address.

IV. CONCLUSION

For the forgoing reasons, the Commission should grant Western Wireless' petition for reconsideration and/or clarification and amend the *Designation Order* as described above.

Respectfully submitted,

GUNDERSON, PALMER, GOODSELL & NELSON LLP

Dated: September 30, 2004

By: _____
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ATTORNEYS FOR WWC LICENSE, LLC

1686023v4

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of WWC License LLC, d/b/a CellularOne© for Designation as an Eligible Telecommunications Carrier	)))))	DOCKET NO. TC03-191

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 30th day of September, 2004, I served a true and correct copy of WWC License, LLC's Petition for Reconsideration and Clarification electronically and via U.S. Mail to:

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Cost Allocation To Multiple Incumbent Service Areas

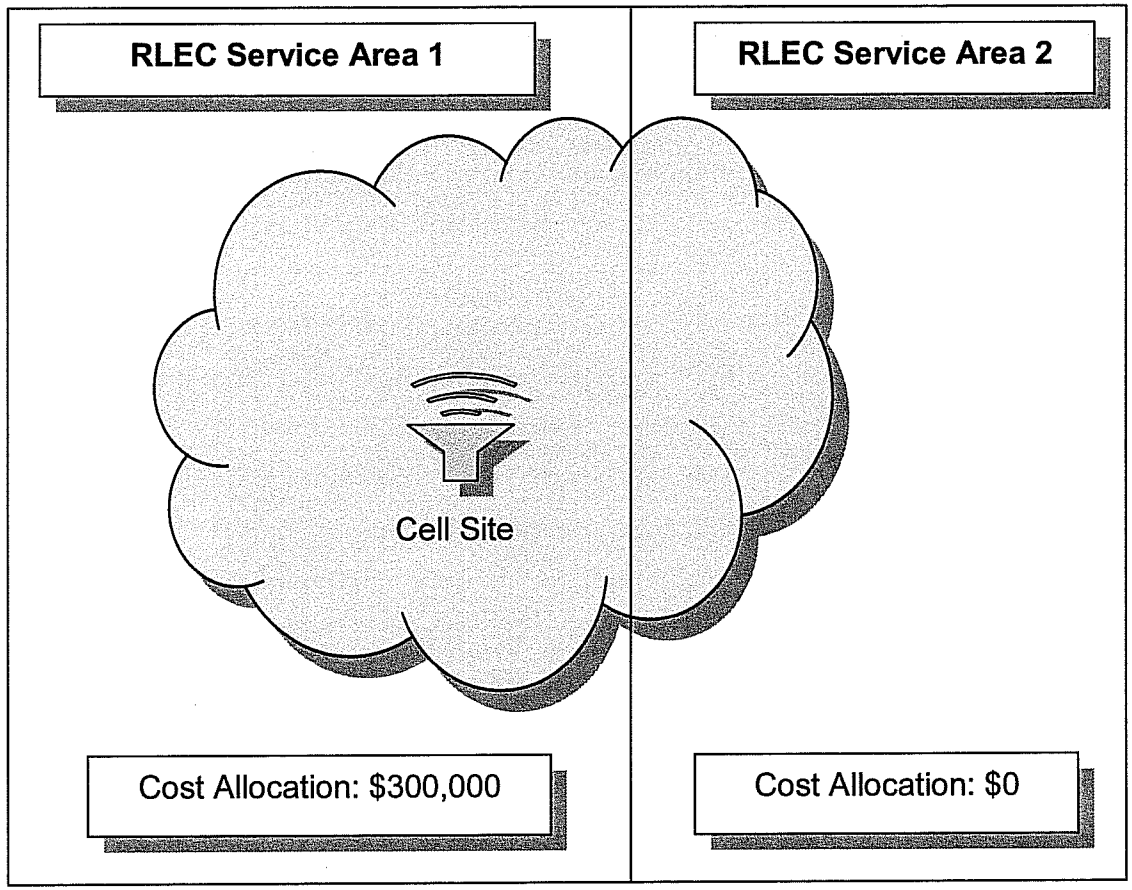


Exhibit 1

Cost Allocation To Multiple Incumbent Service Areas

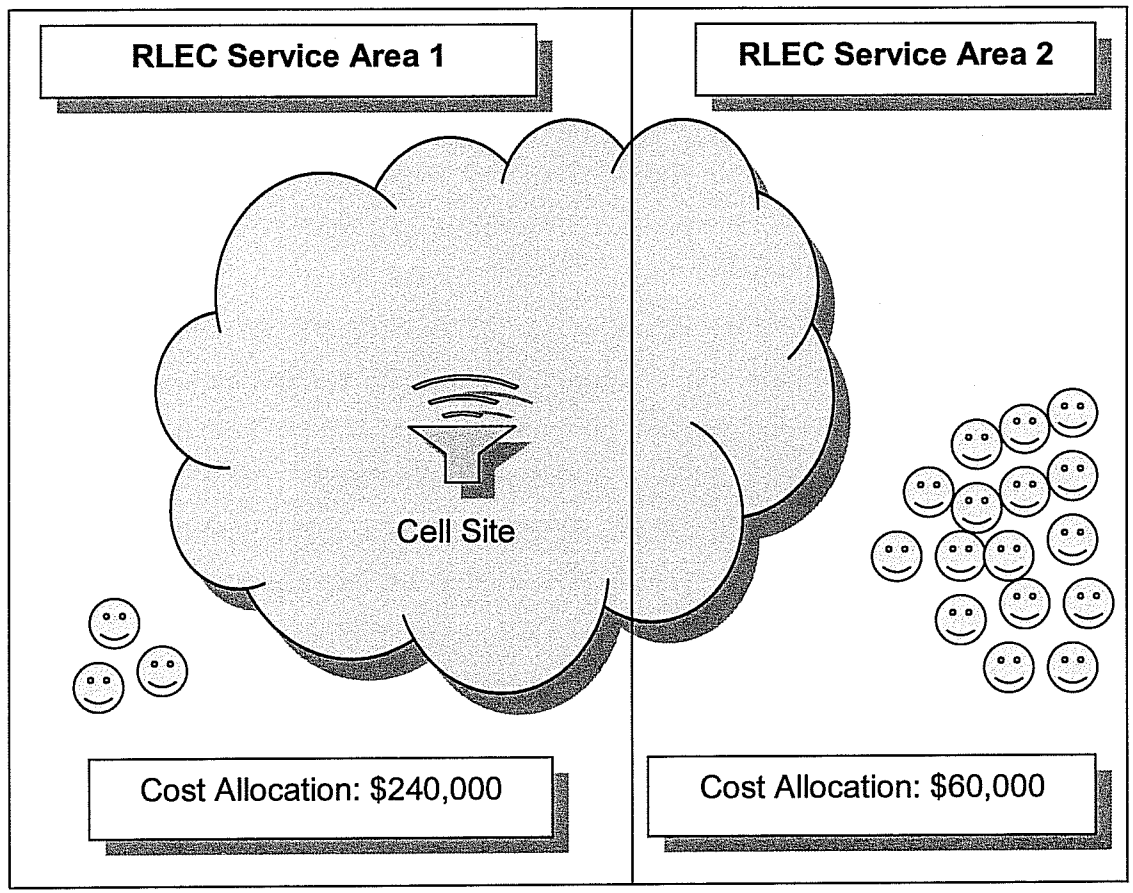


Exhibit 2

SDTA
Rural roots, global connections

South Dakota Telecommunications Association
PO Box 57 ■ 320 East Capitol Avenue ■ Pierre, SD 57501
605/224-7629 ■ Fax 605/224-1637 ■ sdtaonline.com

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OCT 20 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

October 20, 2004

Pamela Bonrud, Executive Director
SD Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501

Re: Docket Number TC03-191

Dear Ms. Bonrud:

Please find enclosed herein an original and ten copies of INTERVENORS' ANSWER TO PETITION FOR RECONSIDERATION AND CLARIFICATION for filing in TC03-191 on behalf of all Intervenors. This document is being filed on behalf of all Intervening parties in the docket, although it is my understanding that Jim Cremer has or will be submitting additional separate comment behalf of his client James Valley Telecommunications Cooperative.

By copy of this letter, I am also serving those parties named on the Service List attached to the Answer.

Thank you for your assistance in distributing this filing.

Sincerely yours,

Richard D. Coit
SDTA
P.O. Box 57
Pierre, SD 57501
(605) 224-7629

Enclosures

CC: Service List

RECEIVED

OCT 2 0 2004

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Filing by WWC License, LLC d/b/a Cellular One ® for Designation as an Eligible Telecommunications Carrier in Other Rural Service Areas	))))	**DOCKET TC04-191**

INTERVENORS' ANSWER TO PETITION FOR RECONSIDERATION AND CLARIFICATION

On or about September 30, 2004, WWC License LLC ("WWC" or "Western Wireless") filed a Petition for Reconsideration and Clarification (hereinafter referenced as "Petition") with this Commission, asking for a change to certain requirements contained in this Commission's *Order Designating Western Wireless as an Eligible Telecommunications Carrier; Findings of Fact and Conclusions of Law; Notice of Entry of Order* (hereinafter referenced as "*Designation Order*") issued in this matter on September 2, 2004. This document is submitted pursuant to ARSD § 20:10:01:30.02 as Intervenors' Answer to WWC's Petition and is filed on behalf of all intervening parties in this proceeding, including the South Dakota Telecommunications Association ("SDTA") and also each of the South Dakota rural local exchange carriers ("RLECs") whose rural service areas are affected by the Commission's *Designation Order*: Golden West Telecommunications Cooperative, Inc., Vivian Telephone Company, James Valley Cooperative Telephone Company, Venture Communications Cooperative, Inc., and Tri-County Telcom, Inc.. In addition to joining in the arguments set forth in this Answer, counsel for James Valley Cooperative Telephone Company will be submitting a separate response offering additional argument concerning the Western Wireless Petition as it relates to James Valley's service area.

In its Petition WWC has specifically requested that the following two conditions set forth in the Commission's *Designation Order* be revised:

> Condition 3 – In conjunction with, but separate from and in addition to its annual certification filings under 47 C.F.R. §§ 54.313 and 54.314, Western Wireless shall submit records and documentation on an annual basis detailing its progress towards meeting the statutory objective of offering service throughout the service area for which the designation is received. At a minimum, such information shall detail the capital expenditures made by Western Wireless, within each RLEC's service area during the preceding annual period and shall include its proposed capital budget for each RLEC's service area for the ensuing year. (*ETC Order*, p. 8).
>
> Condition 8 – By January 1st of each year, Western Wireless shall provide a report itemizing requests for service from potential customers within each RLEC's service area that went unfulfilled during the previous year, including the steps Western Wireless took to provide service and the reasons why such request went unfulfilled. Following the submission of this report, Western Wireless shall meet with Commission Staff to discuss the report. (*ETC Order*, pp. 8 and 9).

In regards to each of these conditions, Intervenors strongly oppose any change to the language as already adopted. With respect to WWC's Petition, Intervenors first object to the attempts by WWC to minimize the significance of the changes it has proposed. WWC describes its' issues over the above conditions as being "discrete." This characterization along with other statements made throughout the Petition are obviously intended to leave this Commission with the impression that granting WWC's proposed revisions would not substantially alter the conditions that have been imposed. Western Wireless is asking for changes to the *Designation Order* that will effectively reduce the compliance conditions imposed, yet the company maintains that it "does not challenge the spirit or intent of any of the conditions established by the Commission's *Designation Order*."

Intervenors dispute these claims. Contrary to WWC's arguments, the current provisions of Conditions No. 3 and 8 of the *Designation Order* are very significant and are essential to ensuring that WWC will, in accord with federal and state ETC designation requirements, provide all of the supported services throughout its designated service area within a reasonable time frame. As this Commission knows, issues surrounding WWC's "capability and commitment" to provide the required services throughout the rural service areas were the most contentiously litigated issues in this proceeding. As noted in Intervenors' Reply Brief filed in this matter, Intervenors' primary challenge to an affirmative public interest finding by this Commission was WWC's failure to demonstrate that it would provide the supported services throughout the rural service areas, and thus bring an actual public interest benefit to such areas. More specifically, Intervenors argued that WWC had failed to meets it burden of proof on the requirement to provide its services throughout the service area for the following reasons: (1) WWC had failed to demonstrate by past actions in the rural service areas where it had already been designated that it is committed to extending its service to all parts of a rural service area, including the sparsely populated, highest-cost areas; (2) WWC had failed to provide accurate and reliable information concerning its current cellular signal coverage in the affected rural service areas further calling into question its "commitment" and "capability" to provide service within a reasonable time frame; and (3) WWC had refused to provide specific information concerning what additional facility investments would be made in the affected rural service areas and when these investments would be made. (*Intervenors' Reply Brief* p. 10). Much of the evidence presented in this proceeding focused around the ETC obligation to make services available throughout the designated

service area and, more specifically, WWC's ability or inability to meet that obligation within a reasonable time frame. For WWC to suggest that the issues raised by its Petition are "discreet," or in any way inconsequential, ignores the substantial evidence presented in this proceeding. The record in this matter clearly demonstrates the need for specific and enforceable Commission requirements that are sufficient to ensure that WWC will in fact extend its wireless network to the highest-cost areas of South Dakota. WWC has presented no new information with its Petition indicating that the facts have changed and that this Commission should be any less concerned about WWC meeting its service commitments.

The importance of the issues surrounding the ETC obligation to offer its services on a ubiquitous basis to all consumers, including those whose service generates the highest costs, is best summed up by the following testimony from Glen Brown, Intervenors' expert witness:

> If a carrier can gain access to high-cost funds for serving its current predominantly low-cost customer base without making any enforceable commitment to serve the entire area, then there is a significant risk that the remote facilities will never be built, and the most rural customers will remain unserved by the wireless ETC. The reason is simple, once the carrier has the funding in hand, it faces a very different set of business incentives regarding investments in remote areas. Construction of these facilities will generate substantial cost, yet yield relatively little incremental revenue. In essence, the carrier is back where it started, with no incentive to make investments that make no business sense. Unless the Commission either requires the prospective ETC applicant to serve throughout the area prior to granting ETC status, or requires specific build-out plans and firm and enforceable commitments for such investment as a precondition to granting ETC status, then it is highly likely that the carrier will not build facilities to serve the remote customers, and that scarce high-cost funds will provide a windfall to carries serving predominantly low-cost markets. The losers in this scenario would be rural consumers who could face the prospect of having no carrier willing or able to make the necessary investments necessary to function as

> carrier of last resort. It would also be difficult, if not impossible, for carries to invest to bring rural consumers access to advanced services, including broadband services. (Intervenors EXH 1, p.48).

From Intervenors' perspective, WWC's Petition appears as an effort by WWC to change the only part of the order they do not like – that part which is intended to actually require that they will, in fact, meet their ETC service obligations. WWC has obtained ETC designation in each of the rural service areas identified in its application for ETC status and is now, through the backdoor, attempting to change the result on the other primary issue litigated in the proceeding and that is how this Commission will ensure that WWC does actually provide its services throughout the designated service areas.

Intervenors strongly urge the Commission to stand by its earlier adopted requirements and to maintain a firm stance in regards to the information that it will require of WWC to ensure that it meets its service commitments. In finding that the designation should be granted, the Commission stated "the fact that Western Wireless does not have complete coverage in the requested areas is not grounds for denial. However, the fact that Western Wireless is not currently able to provide service to everyone in the area requires this Commission to place conditions to ensure that Western Wireless will meet this requirement in the near future." (*Designation Order, Findings of Fact par. 25*) *Emphasis added.* As part of its conditions, as a prelude to Condition No. 3 now being challenged by WWC, the Commission established as another condition that "[c]onsistent with its obligation pursuant to section 214(e)(1), Western Wireless shall continue to build out facilities and extend service to meet the statutory objective of offering service 'throughout the service area for which the designation is received. . . .' The Commission notes that Western Wireless has committed to using its universal

service funds to bring service to the areas that it does not yet provide coverage." (*Designation Order, Conditions par. 2*) *Emphasis added.*

The Commission issued these particular findings and conditions, as well as the other findings, conditions and conclusions in its *Designation Order* based on the evidence and arguments presented at the hearing. As noted above, WWC does not present any new information in its Petition suggesting that the issues raised at hearing concerning WWC's "capability and commitment" to meet the ETC service obligations have now been addressed by the company in some other way and that there is no longer any need for the conditions imposed. This Commission concluded in its *Designation Order*, based on the evidentiary record, that WWC was committed to providing its services throughout the designated rural service areas. The Commission, however, went on to conclude that it was necessary to impose certain conditions on WWC, as a safeguard, to ensure that all consumers, including the highest cost rural consumers, would, in fact, receive benefits through WWC's ETC designation. The underlying circumstances relied on by the Commission in imposing these conditions have not changed and therefore there is no good reason to reconsider and/or revise the *Designation Order.* [1]

Not only is there no new evidence relating to WWC's capability and commitment to provide its services throughout the rural service areas, WWC's Petition also fails to present any information indicating that WWC is unable to comply with the conditions imposed. WWC's arguments can be summed up as nothing more than "arguments of

[1] Intervenors also question why WWC did not raise its concerns over compliance with these type of conditions at the time of the hearing. Given all the testimony focused around conditions on designation it was not difficult to surmise at that time that the Commission, if it decided to grant designation, may require the reporting of information on a rural service are basis.

inconvenience." WWC expresses dissatisfaction with having to provide information relating to its "capital expenditures" and "capital budget," and its unfulfilled "requests for service" at the RLEC service area level, but does not indicate that it is absolutely unable to comply. Generally, the company's complaint is that it is unable to provide the information under its "existing systems and practices." In regards to Condition No. 3, WWC states that its "accounting systems and budgeting processes do not track capital expenditures with reference to the geographic areas served by incumbent LECs. No business purpose exists to maintain capital expenditure information in that fashion." As to Condition No. 8, WWC states that it "will necessarily have the address of the customer," but "its complaint tracking systems are not designed to automatically correlate the data to the incumbent LEC." Intervenors believe very strongly that these complaints relating to WWC's record keeping capabilities under its current systems and business practices, offer absolutely no justification for any modification of the specific requirements established in the *Designation Order*. WWC merely complains that its existing systems are not capable, without additional manual effort, to track and report the information sought by the Commission on a RLEC service area basis, yet when it comes to reporting its information to the Universal Service Administrative Company ("USAC"), in order to draw the correct amount of universal service support per line, it must report lines to USAC by RLEC service or study area. Thus, the company is able to track things by service area as part of the reporting process to USAC in order to receive universal service fund monies, but is unwilling to do the same in reporting what investments have been made or will be made through the use of such monies. WWC's complaints over having to alter certain existing systems and practices to more specifically breakdown its

capital expenditures, budget, and service request information, in our view, confirm the validity of our arguments made throughout this proceeding – that WWC is very willing to accept the financial support that comes with ETC status, but not willing to actually meet the ETC service obligations and bear the additional costs associated with serving as an ETC. One should reasonably expect that in return for receiving federal universal service funding exceeding six million dollars annually that there will be some inconvenience in the form of additional federal or state regulatory requirements (regulatory requirements that may necessitate some change to current systems or practices).

In regards to the requirements set forth in Condition No. 3 relating to the reporting of capital expenditures and capital budgets on a RLEC service area basis, Intervenors would also point out that WWC seems to be reading too much into the requirement. Intervenors interpret the language in Condition No. 3 challenged by WWC to mean that WWC is obligated to report to the Commission annually a list of all capital expenditures made during the preceding year and to identify each investment with a specific RLEC service area. In addition, it requires the company to report each capital expenditures proposed for the next year and indicate the RLEC service area where the investment will be made. Contrary to what WWC alleges, the conditions imposed, as written, do not appear to require the implementation of some grand investment allocation scheme. Even though the Commission has not stated in the *Designation Order* specifically how capital expenditures should be assigned, it would be logical to assume that the actual physical or geographic location of a capital investment (related to particular facilities or equipment) would be determinative. This being the case, it would

appear that WWC can meet the requirement by simply listing each investment made and planned, by indicating the actual physical or geographic location of that investment, and by also referencing the rural LEC service area for this location. Based on this information, along with other information required under the Commission's *Designation Order* and as part of the annual ETC certification process, the Commission should be in a position to fairly judge WWC's progress in meeting the requirement to provide its services throughout the service area within a reasonable period of time. Intervenors believe that WWC has exaggerated the affect of the reporting requirements established by Condition No. 3. They are certainly not overly burdensome given the substantial USF monies resulting from the ETC designation and they are, contrary to what WWC has alleged, essential for this Commission to effectively track the progress of WWC toward meeting its ETC service obligations.

Intervenors also object to any change to the language in Condition No. 8 concerning the reporting of unfulfilled service request. Certainly, there is room for and some need for interpretation as to what constitutes an actual service request, but this does not necessitate any change to the current language. WWC has proposed replacement language, but its language also offers no more specificity as to what should be viewed as a "service request" for purposes of the reporting requirement. "Unfulfilled requests" under WWC's proposed language, would be requests "received to extend service to a customer's residence." Intervenors fail to see how this language is any more specific than what is currently included in the *Designation Order*.

Further, with respect to WWC's challenge in having to provide the unfulfilled service request information by RLEC service area, Intervenors question why this should

be so burdensome. As WWC indicates in its Petition, the company does have the address of the customer. If it has the address, how difficult is it to go through its own internal complaint reports and segregate these out on a service area basis? There may be some manual effort involved, but this certainly does not merit eliminating the current requirement.

CONCLUSION

Based on the foregoing, Intervenors urge the Commission to deny WWC's Petition for Reconsideration and Clarification filed in this matter.[2] Intervenors also request the opportunity to present oral argument on the issues presented.

Dated this twentieth day of October, 2004.

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[2] With respect to the issue raised by WWC concerning the confidential treatment of its capital expenditure and capital budget information, Intervenors believe this issue does not have to be addressed with specific new language in the Designation Order. Under the Commission's established administrative rules, WWC would have the ability to claim confidentiality as that information is filed with or presented to the Commission. And, interested parties would have certain rights to access that information by following the procedures set forth in those rules.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that he served a copy of the forgoing **INTERVENORS' ANSWER TO PETITION FOR RECONSIDERATION AND CLARIFICATION** upon the persons herein next designated, on the date below shown, by depositing a copy thereof in the United States mail at Pierre, South Dakota, postage prepaid, in an envelope addressed to said addressee, to-wit:

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Gunderson, Palmer, Goodsell & Nelson
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Rapid City, South Dakota 57709-8045
Attorney for WWC

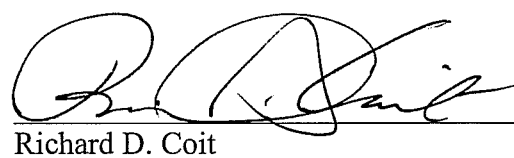
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John Smith
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Dated this twentieth day of October, 2004



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Bantz, Gosch & Cremer, L.L.C.

♦ Attorneys at Law ♦

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October 20, 2004

08416-003
Ms. Pamela Bonrud *(via U.S. mail and facsimile)*
Executive Director
S.D. Public Utilities Commission
500 E. Capitol Ave.
Pierre, SD 57501

Re: Docket Number TC03-191

Dear Ms. Bonrud:

Enclosed is an original Objection of James Valley Telecommunications Company to Petition for Reconsideration and Clarification by WWC License, LLC in TC03-191 on behalf of James Valley Cooperative Telephone.

By copy of this letter, I am also serving those parties named in the Certificate of Service.

Sincerely,

JAMES M. CREMER

JMC:tmb
\JMC\JVT\WWC\Bonrud 102004
Enclosures

pc James Groft
Talbot Wieczorek *(via U.S. mail and electronic mail)*
Mark Ayotte
Darla Pollman Rogers
Richard D. Coit

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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Filing by WWW Holding Co., Inc. d/b/a CellularOne© for Designation as an Eligible Telecommunications Carrier in Other Rural Areas	)))))	**Docket No. TC 03-191**

OBJECTION OF JAMES VALLEY TELECOMMUNICATIONS COMPANY TO PETITION FOR RECONSIDERATION AND CLARIFICATION BY WWC LICENSE, LLC

PRELIMINARY STATEMENT

James Valley Telecommunications Company **("James Valley")** hereby objects to WWC License, LLC **("Western Wireless")** Petition For Reconsideration and Clarification. Western Wireless' attempts to avoid condition No. 3 of the September 2, 2004, Order Designating Western Wireless as an Eligible Telecommunications Carrier is without merit and eliminates the oversight role and function of the Public Utilities Commission concerning expenditures of universal services funds.

ARGUMENT AND LEGAL AUTHORITIES

Western Wireless attempts to cut the heart out of the Commissions conditions granting it ETC status by eliminating the requirement that it "detail the capital expenditures ... within each RLEC's service area" and substitute in its place a "proposed capital budget for the State of South Dakota." Western Wireless sites no legal authority for this change and instead simply claims its "accounting systems and budgeting processes do not track capital expenditures with reference to the geographic areas served by the incumbent RLECs." The Commission's condition is hardly draconian and Western Wireless' claim that it does not track capital expenditures in this fashion is a self-serving and unsupported declaration.

Reporting by RLEC. The Commissions condition is factually and legally well grounded. The Commission has adopted the following public interest test:

> The question of whether it is in the public interest to designate an additional ETC in an area served by a rural telephone company necessarily requires a two-part analysis. The first part of the analysis is whether consumers will realize benefits from increased competition...(Order, par. 17).

The Commission further adopted the FCC's more stringent public interest analysis that included "any commitments made regarding quality of telephone service ... and the competitive ETC's ability to provide the supported services throughout the designated service areas within a reasonable time frame...." These commitments included "the submission of records and documentation on an annual basis detailing its progress towards meeting its build-out plans in the requested service area..." (Order, par. 18). Western Wireless does not challenge the legal authority of the Commission to impose the reporting of capital expenditures within each RLEC. It simply argues it is inconvenient.

Reporting burden. Western Wireless seeks to avoid reporting capital expenditures by RLEC because it claims it would be burdensome. Even if this were a proper legal basis for avoiding complying with this condition, then, at a minimum, the Commission should conduct a hearing to examine how Western Wireless determines what expenditures are made and the location of the expenditures in South Dakota. It is highly unlikely that there is not someone in the company who would be able to identify the nature, extent and location of capital expenditures in South Dakota.

Effect of modification. In its brief in support of its Petition for ETC Designation (p.25) Western Wireless conceded that:

> The public interest determination required under Section 214(e) (2) depends on whether the proposed designation will promote competition and, if so, whether consumers will ultimately realize benefits related to competition and the new services provided.

Although Western Wireless agrees that the standard is whether customers will ultimately realize benefits, it does not want this Commission to have any way of measuring whether or not its use of universal service funds will result in consumer

benefit. The James Valley service area is a prime example of Western Wireless' ability to avoid scrutiny if its proposed modification is granted. There is only one Western Wireless tower in the James Valley service area. (TR 120, JHB-1, JHB-3). James Groft, the General Manager of James Valley testified, from personal experience, that the quality of service in the James Valley service area is "very, very, very poor with static, drop calls, or {it} does not work at all." (TR 509). Western Wireless will receive, as a result of ETC designation in the James Valley service area, on an annual basis, more than $800,000.00. (TR 126, JHB-1). However, Western Wireless has no current plans to build any new cell towers in the James Valley service area. (TR 125, JHB-1).

CONCLUSION

Without RLEC's specific capital expenditures, filed on an annual basis, the Commission will not be able to determine if Western Wireless is meeting the public interest test to insure the customers realize benefits from increased competition. Therefore, the petition should be denied.

Dated: October 20th, 2004.

Respectfully submitted,

BANTZ, GOSCH & CREMER

James M. Cremer
Attorney for James Valley
Telecommunications Company
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\JMC\JVT\WWC\Pleadings\Objection to Petition

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SOUTH DAKOTA PUBL
UTILITIES COMMISSIO

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of WWC Holding Co., Inc., d/b/a CellularOne© for Designation as an Eligible Telecommunications Carrier in Other Rural Areas	Docket No. TC03-191 CERTIFICATE OF SERVICE

James M. Cremer, of Bantz, Gosch & Cremer, L.L.C., hereby certifies that on the 20th day of October, 2004, he mailed by United States mail, first class postage thereon prepaid, a true and correct copy of the foregoing **Objection of James Valley Telecommunications Company To Petition for Reconsideration and Clarification by WWC License, LLC** in the above-captioned action to the following at their last known addresses, to-wit:

Talbot J. Wieczorek
Gunderson, Palmer, Goodsell & Nelson
P.O. Box 8045
Rapid City, SD 57709

Mark J. Ayotte
Kevin M. Decker
Briggs and Morgan, P.A.
2200 First National Bank Building
St. Paul, MN 55101

Darla Pollman Rogers
Riter, Rogers, Wattier, & Brown
P.O. Box 280
Pierre, SD 57501

Richard D. Coit
SDTA General Counsel
320 East Capitol Avenue
Pierre, SD 57501

Dated this 20th day of October, 2004

James M. Cremer
Bantz, Gosch & Cremer, L.L.C.
P.O. Box 970
Aberdeen, SD 57402-0970
(605) 225-2232
Attorney for James Valley
Cooperative Telephone Company

SDTA
Rural roots, global connections

South Dakota Telecommunications Association
PO Box 57 ■ 320 East Capitol Avenue ■ Pierre, SD 57501
605/224-7629 ■ Fax 605/224-1637 ■ sdtaonline.com

October 21, 2004

RECEIVED
OCT 21 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Ms. Pamela Bonrud, Executive Director
South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501

Re: PUC Docket TC03-191 (Western Wireless Petition for Reconsideration)

Dear Ms. Bonrud:

It has come to our attention that the Commission has scheduled the above referenced Petition for Reconsideration filed by Western Wireless for decision at its meeting on Tuesday of next week, October 26th. Both Darla Rogers and I have a conflict with that scheduling and will not be able to attend. We would request that the Commission defer its decision on the Petition until its next scheduled meeting on November 1st. I have spoken with Rolayne, she indicated that the Commission has another meeting scheduled for that date.

We submitted our Answer to Western Wireless' Petition just yesterday and as part of that Answer have requested an opportunity to present oral argument on the issues raised for reconsideration. We do not know of the Commission's position on the question of granting oral argument, but it is our understanding that counsel for Western Wireless intend to be present at the time the decision is made. We would also like to be present should the Commission have an interest in oral argument and/or have any questions of the parties. We are assuming, given the contested case nature of this matter, that the proceedings will be transcribed by a court reporter and thus the ability to appear in person is of a greater concern.

Please advise whether you can accommodate this request for rescheduling.

Thank you.

Sincerely,

Richard D. Coit
On behalf of Intevenors

CC: Mark J. Ayotte
Talbot J. Wieczorek

2200 FIRST NATIONAL BANK BUILDING
332 MINNESOTA STREET
SAINT PAUL, MINNESOTA 55101
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BRIGGS AND MORGAN

PROFESSIONAL ASSOCIATION

WRITER'S DIRECT DIAL
(651) 808-6561
WRITER'S E-MAIL
mayotte@briggs.com

December 10, 2004

RECEIVED
DEC 13 2004
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

VIA FAX (605) 773-3809 AND U.S. MAIL

Ms. Rolayne Ailts Wiest
South Dakota Public Utilities Commission
Capitol Building, 1st Floor
500 East Capitol Avenue
Pierre, South Dakota 57501-5070

FAX Received DEC 10 2004

Re: In the Matter of the Filing by WWC License, LLC d/b/a CellularOne for Designation as an Eligible Telecommunications Carrier in Other Rural Areas SDPUC Docket No. TC 03-191

Dear Ms. Ailts Wiest:

During oral argument on the Petition for Reconsideration and Clarification in the above-captioned matter, you asked whether Western Wireless' accounting systems included information relating to the location of the capital expenditures. You clarified that your question related to location information within the State of South Dakota and not the location with respect to the identity of the incumbent rural local exchange carrier.

I am advised by Western Wireless that its accounting systems do track capital expenditures for the switch and cell sites with reference to location. Nevertheless, it would be extremely burdensome for Western Wireless to extrapolate the location information from its systems for purposes of reporting the location data to the Commission in a useable form. As stated at the oral argument, the systems do not track the capital expenditure information with reference to the geographic areas served by the rural telephone companies.

Under these circumstances, Western Wireless reiterates its request for reconsideration and modification of Condition No. 3 of the Designation Order dated September 2, 2004. Specifically, the requirement in the second sentence to provide capital expenditure information "within each RLEC area" should be deleted. To the extent Commission Staff were to request information relating to the location of any particular capital expenditure, such information could be made available on a case-by case basis within the first sentence of Condition No. 3 requiring Western Wireless to submit information detailing its progress toward meeting the statutory objective of offering service throughout the designated areas.

MINNEAPOLIS OFFICE ▪ IDS CENTER ▪ WWW.BRIGGS.COM
MEMBER — LEX MUNDI, A GLOBAL ASSOCIATION OF INDEPENDENT LAW FIRMS

A copy of this letter has been sent to counsel for the parties of record.

Very truly yours,

Mark J. Ayotte

MJA/sjc
cc: Richard D. Coit – SDITC
Darla Pullman Rogers
James M. Cremer
Talbot Wieczorek
Western Wireless

Bob Sahr, Chair
Gary Hanson, Vice-Chair
Jim Burg, Commissioner

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

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December 10, 2004

Ms. Pamela Bonrud, Executive Director
South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57105-5070

RE: **TC03-191 - In the Matter of the Filing by WWC License, LLC d/b/a Cellular One for Designation as an Eligible Telecommunications Carrier in Other Rural Areas**

Dear Ms. Bonrud:

At its regular meeting on November 30, 2004, the Commission heard arguments from the parties on WWC's request for reconsideration of Conditions 3 and 8 of the Commission's final decision in this case. At that time, Staff expressed its lack of objection to the amendments to the conditions requested by WWC. On December 10, 2004, WWC filed a letter addressed to Commission Counsel explaining WWC's reasons for objecting to providing physical locations of its capital expenditures each year. In that letter, WWC stated that "to the extent Commission Staff were to request information relating to the location of any particular capital expenditure, such information could be made available on a case-by-case basis . . . ."

At this time, Staff is satisfied that the interpretation of Condition 3 offered by WWC together with the information to be provided in Condition 4 is likely to provide Staff with adequate information to perform its obligation to monitor WWC's progress toward meeting its statutory universal service objective. However, to ensure that the Staff and the Commission have the ability to obtain information that may prove necessary to fulfill this objective in the future after the parties have had some experience with this process, Staff would recommend that in exchange for granting WWC its requested changes, the following additional condition be added to the Order:

> 9. In the event that Commission Staff believes that information beyond what Western Wireless has provided is necessary for Staff and the Commission to perform their responsibilities relating to Western Wireless's meeting its obligations under the law and this Order, Staff shall first make a request for such information to Western Wireless. If Western Wireless objects to such request,

Staff and Western Wireless shall first confer in an effort to resolve the issue. If after such conference, Staff and Western Wireless are unable to reach agreement concerning the need for such information or the reasonableness of such request, Staff may move the Commission for an order modifying the Conditions herein upon a showing of good cause therefor.

Thank you for your consideration.

Sincerely,

John J. Smith
Attorney for Commission Staff

cc: Talbot J. Wieczorek
Mark J. Ayotte
Richard D. Coit
Darla Pohlman Rogers
James M. Cremer

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE FILING BY WWC LICENSE, LLC D/B/A CELLULARONE FOR DESIGNATION AS AN ELIGIBLE TELECOMMUNICATIONS CARRIER IN OTHER RURAL AREAS	ORDER GRANTING IN PART AND DENYING IN PART WESTERN WIRELESS' PETITION FOR RECONSIDERATION AND CLARIFICATION; FINDINGS OF FACT AND CONCLUSIONS OF LAW; AND NOTICE OF ENTRY OF ORDER TC03-191

On November 5, 2003, the Public Utilities Commission (Commission) received a filing by WWC Holding Co., Inc. d/b/a CellularOne (Western Wireless) petitioning for approval of it as an eligible telecommunications carrier (ETC) in the study areas of the following rural telephone companies: Golden West Telecommunications Cooperative, Inc., James Valley Cooperative Telephone Company, Splitrock Properties, Inc., Venture Communications Cooperative f/k/a Sully Buttes Telephone Cooperative, Inc., Tri-County Telcom, Inc., Vivian Telephone Company, West River Telecommunications Cooperative (Mobridge) - SD, and West River Telecommunications Cooperative - SD.

On November 6, 2003, the Commission electronically transmitted notice of the filing and the intervention deadline of November 21, 2003, to interested individuals and entities. On November 21, 2003, Petitions to Intervene were filed by James Valley Cooperative Telephone Company, South Dakota Telecommunications Association, Alliance Communications Cooperative, Inc., Splitrock Properties, Inc., West River Telecommunications Cooperative, Golden West Telecommunications Cooperative, Inc., Vivian Telephone Company, Venture Communications Cooperative, and Tri-County Telcom, Inc. Western Wireless objected to the intervention of South Dakota Telecommunications Association. At its regularly scheduled meeting of December 2, 2003, the Commission granted the above Petitions to Intervene. On January 2, 2004, Western Wireless filed a Motion to Amend Petition to substitute as petitioner WWC License, LLC as the correct party. At its regularly scheduled meeting of January 20, 2004, the Commission granted the Motion to Amend Petition. By order dated February 13, 2004, the Commission scheduled the hearing for May 4 through May 6, 2004.

On March 11, 2004, the Commission received a Motion to Withdraw Petition to Intervene of Alliance and Splitrock. At its March 23, 2004, meeting, the Commission considered this motion. No party objected to granting the Motion to Withdraw Petition to Intervene of Alliance and Splitrock. An Order Granting Motion to Withdraw Petition to Intervene of Alliance and Splitrock was issued on March 25, 2004.

On March 22, 2004, the Commission received a Motion to Withdraw Petition of West River Telecommunications Cooperative (West River). At its April 6, 2004, meeting, the Commission considered this motion. No party objected to granting the Motion to Withdraw Petition of West River. An Order Granting Motion to Withdraw Petition of West River was issued on April 19, 2004.

The hearing was held as scheduled, beginning on May 4, 2004. Following the hearing, the parties submitted briefs. At its August 17, 2004, meeting, the Commission considered this matter. The Commission voted unanimously to grant Western Wireless designation as an ETC in the requested areas, subject to conditions. On September 2, 2004, the Commission issued its Order Designating Western Wireless as an Eligible Telecommunications Carrier; Findings of Fact and Conclusions of Law; Notice of Entry or Order ("Designation Order").

On September 30, 2004, Western Wireless filed a Petition for Reconsideration and Clarification. On October 20, 2004, the Intervenors filed an answer opposing the Petition. On October 20, 2004, James Valley filed a separate objection. At its November 30, 2004, meeting, the Commission listened to arguments regarding the Petition and requested additional information from Western Wireless. On December 10, 2004, Western Wireless supplied the additional information. On December 10, 2004, the Commission received a letter from Staff in which it suggested an additional condition. At its December 14, 2004, the Commission had additional questions regarding the information submitted by both Western Wireless and Staff. The Commission then took the matter under advisement. At its December 28, 2004, meeting the Commission voted to amend and clarify condition three to state that Western Wireless does not need to provide capital expenditures or its capital budget for each RLEC service area but that Western Wireless does need to provide material capital expenditure information statewide with the location and cost listed for each material capital expenditure. The Commission further instructed Western Wireless to work with Staff to determine what constitutes material. The Commission also voted to modify condition eight to state that Western Wireless' report regarding unfulfilled requests does not need to include potential customers, but must include consumers who were actual customers of Western Wireless and that the information does not need to be provided on an RLEC service area basis. The Commission further voted to find that Western Wireless' request for confidentiality language is unnecessary and inconsistent with the Commission's rules. Finally, the Commission voted to add Staff's proposed condition nine to the order.

Based on the record in this case, the Commission makes the following Findings of Fact and Conclusions of Law regarding its decision to clarify and modify its Designation Order which granted Western Wireless ETC status in the requested areas:

FINDINGS OF FACT

1. On September 2, 2004, the Commission issued its Designation Order granting Western Wireless ETC status in the areas as requested by Western Wireless. In the Designation Order the Commission listed eight conditions.

2. On September 30, 2004, Western Wireless filed a Petition for Reconsideration and Clarification. On October 20, 2004, the Intervenors filed an answer opposing the petition. On October 20, 2004, James Valley filed a separate objection.

3. In its Petition, Western Wireless requested changes to conditions three and eight. With respect to condition three, Western Wireless requested the following changes:

> 3. In conjunction with, but separate from and in addition to its annual certification filings under 47 C.F.R. §§ 54.313 and 54.314, Western Wireless shall submit records and documentation on an annual basis detailing its progress towards meeting the statutory objective of offering service throughout the service area for which the designation is received. At a minimum, such information shall detail the capital

expenditures made by Western Wireless in its designated areas in the State of South Dakota ~~within each RLEC's service area~~ during the preceding annual period and shall include its proposed capital budget for the State of South Dakota ~~each RLEC's service area~~ for the ensuing year. Information filed by Western Wireless in compliance with this obligation shall be deemed confidential for a period of ten (10) years pursuant to SDCL 1-27-1, et seq., and ARSD 20:10:01:39 through 20:10:01:44.

As one of the reasons for the changes, Western Wireless stated that its accounting systems and budgeting processes "do not track capital expenditures with reference to the geographic areas served by the incumbent LECs."

4. Western Wireless requested that the following changes be made to condition eight:

> 8. By January 1st of each year, Western Wireless shall provide a report itemizing the number of unfulfilled requests the Company received to extend service to a current customer's residence during the previous year, ~~requests for service from potential customers within each RLEC's service area that went unfulfilled during the previous year, including~~ the steps Western Wireless took to provide service and the reasons why such request went unfulfilled. Following the submission of this report, Western Wireless shall meet with Commission Staff to discuss the report.

Western Wireless stated that these changes are needed because the condition as written in the order is ambiguous. Western Wireless stated that it may receive numerous inquiries per day from what could be considered "potential" customers. Western Wireless noted that many of these inquiries never rise to the level of a service request. In addition, Western Wireless stated that it is unnecessary for Western Wireless to report each request with reference to each RLEC's service area. Western Wireless stated that its complaint tracking system does not automatically correlate the data to the incumbent LEC. If the identity of the incumbent LEC is relevant, Western Wireless stated that information can be independently obtained by the Commission based on the customer's address.

5. The Intervenors opposed Western Wireless' Petition. The Intervenors stated that Western Wireless' arguments that its current record keeping capabilities will have to be changed provided no justification for changing the conditions as set forth in the Commission's order.

6. The Commission finds that Western Wireless' proposal to provide capital expenditures statewide without regard to location or cost of its material capital expenditures is insufficient to provide the Commission with sufficient information to determine whether Western Wireless is meeting its statutory obligation to offer service throughout the service area for which the designation is received. However, the Commission also finds that since Western Wireless will be required to give the location of the capital expenditure, it is unnecessary for Western Wireless to determine the specific RLEC service area for each capital expenditure. The Commission will be able to determine the location of material capital expenditures within RLEC service areas on its own. The Commission further finds that Western Wireless is not required to list its proposed capital budget for each RLEC service area. Finally, the Commission finds that the confidentiality provision as proposed by Western Wireless is unnecessary and conflicts with the Commission's rules regarding how documents are treated when confidential treatment is requested by the filing party. See ARSD 20:10:01:39 through 20:10:01:44, inclusive.

7. Therefore, with respect to condition three, the Commission finds that it will modify and clarify condition three to read as follows:

> 3. In conjunction with, but separate from and in addition to its annual certification filings under 47 C.F.R. §§ 54.313 and 54.314, Western Wireless shall submit records and documentation on an annual basis detailing its progress towards meeting the statutory objective of offering service throughout the service area for which the designation is received. At a minimum, such information shall detail the location and cost of material capital expenditures made by Western Wireless within ~~each RLEC's service area~~ the State of South Dakota during the preceding annual period and shall include its proposed capital budget for the State of South Dakota ~~each RLEC's service area~~ for the ensuing year. Western Wireless shall work with Commission Staff to determine what constitutes material.

8. With respect to condition eight, the Commission agrees with Western Wireless that it would be too difficult to attempt to distinguish between inquiries from potential customers and actual requests for service from potential customers. Thus, Western Wireless will be required to report actual customers, not potential customers. Actual customers include those who remain customers, as well as those who cancel service, who were unable to receive service at their residences. The report shall also include those customers who decline to purchase or install any equipment, such as antennas, designed to improve service at their residences. The Commission finds that Western Wireless is not required to report customers by RLEC service area but is required to report the location of the customers.

9. Therefore, with respect to condition eight, the Commission finds that it will modify and clarify this condition as follows:

> 8. By January 1st of each year, Western Wireless shall provide a report itemizing the number of unfulfilled requests the Company received to provide service to a current customer's residence during the previous year, ~~requests for service from potential customers within each RLEC's service area that went unfulfilled during the previous year, including~~ the steps Western Wireless took to provide service, and the reasons why such request went unfulfilled. Following the submission of this report, Western Wireless shall meet with Commission Staff to discuss the report.

10. The Commission would also like to note that although the number of customers that Western Wireless is unable to offer service to is an important factor in determining whether Western Wireless is meeting its obligations as an ETC, the Commission doubts that Western Wireless' report will provide a complete or accurate picture of the number of unfulfilled requests for service. Given the number of people who sell Western Wireless' service throughout the state, the Commission is not convinced that Western Wireless will be able to adequately train all of the people authorized to sell Western Wireless' services to accurately report unfulfilled service requests as required by this condition. However, the Commission hopes that some of this information will be useful in determining where Western Wireless is not yet able to offer its service and may also be useful in analyzing how well Western Wireless' five step process to provide service is working.

11. Commission Staff proposed the following additional condition in exchange for granting Western Wireless' requested changes:

9. In the event that Commission Staff believes that information beyond what Western Wireless has provided is necessary for Staff and the Commission to perform their responsibilities relating to Western Wireless's meeting its obligations under the law and this Order, Staff shall first make a request for such information to Western Wireless. If Western Wireless objects to such request, Staff and Western Wireless shall first confer in an effort to resolve the issue. If after such conference, Staff and Western Wireless are unable to reach agreement concerning the need for such information or the reasonableness of such request, Staff may move the Commission for an order modifying the Conditions herein upon a showing of good cause therefor.

At the December 14, 2004 meeting, Staff clarified that its proposed condition should reference the Staff "petitioning" for modification of the order.

12. Having made some of the modifications as requested by Western Wireless, the Commission finds that Staff's proposed condition is acceptable in light of the changes made to the original order.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to SDCL Chapters 1-26 and 49-31, including 1-26-18, 1-26-19, 49-31-3, 49-31-7, 49-31-7.1, 49-31-11, 49-31-78, 49-31-81; ARSD 20:10:01:29, 20:10:01:30.01, and 20:10:32:42 through 20:10:32:46, inclusive; and 47 U.S.C. § 214(e)(1) through (5).

2. Pursuant to ARSD 20:10:01:30.01, the Commission grants in part and denies in part, Western Wireless' Petition for Reconsideration and Clarification.

3. Pursuant to Findings of Fact 6 and 7, the Commission modifies and clarifies condition three as follows:

3. In conjunction with, but separate from and in addition to its annual certification filings under 47 C.F.R. §§ 54.313 and 54.314, Western Wireless shall submit records and documentation on an annual basis detailing its progress towards meeting the statutory objective of offering service throughout the service area for which the designation is received. At a minimum, such information shall detail the location and cost of material capital expenditures made by Western Wireless within ~~each RLEC's service area~~ the State of South Dakota during the preceding annual period and shall include its proposed capital budget for the State of South Dakota ~~each RLEC's service area~~ for the ensuing year. Western Wireless shall work with Commission Staff to determine what constitutes material.

4. Pursuant to Findings of Fact 8 through 10, inclusive, the Commission modifies and clarifies condition eight as follows:

8. By January 1st of each year, Western Wireless shall provide a report itemizing the number of unfulfilled requests the Company received to provide service to a current customer's residence during the previous year, ~~requests for service from potential customers within each RLEC's service area that went unfulfilled during the previous year, including~~ the steps Western Wireless took to provide service, and the reasons why such request went unfulfilled. Following the submission of this report, Western Wireless shall meet with Commission Staff to discuss the report.

5. Pursuant to Findings of Fact 11 and 12, the Commission adds the following condition:

> 9. In the event that Commission Staff believes that information beyond what Western Wireless has provided is necessary for Staff and the Commission to perform their responsibilities relating to Western Wireless' meeting its obligations under the law and this Order, Staff shall first make a request for such information to Western Wireless. If Western Wireless objects to such request, Staff and Western Wireless shall first confer in an effort to resolve the issue. If after such conference, Staff and Western Wireless are unable to reach agreement concerning the need for such information or the reasonableness of such request, Staff may petition the Commission for an order modifying the Conditions herein upon a showing of good cause therefor.

It is therefore

ORDERED, that condition three and condition eight shall be modified and clarified and condition nine shall be added to the Designation Order as set forth above.

NOTICE OF ENTRY OF ORDER

PLEASE TAKE NOTICE that this Order was duly entered on the 3rd day of January, 2005. Pursuant to SDCL 1-26-32, this Order will take effect 10 days after the date of receipt or failure to accept delivery of the decision by the parties.

Dated at Pierre, South Dakota, this 3rd day of January, 2005.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By: Delaine Kolbo

Date: 1/5/05

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

ROBERT K. SAHR, Chairman

GARY HANSON, Commissioner

JAMES A. BURG, Commissioner

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE FILING BY WWC LICENSE, LLC D/B/A CELLULARONE FOR DESIGNATION AS AN ELIGIBLE TELECOMMUNICATIONS CARRIER IN OTHER RURAL AREAS	AMENDED[1] ORDER DESIGNATING WESTERN WIRELESS AS AN ELIGIBLE TELECOMMUNICATIONS CARRIER; FINDINGS OF FACT AND CONCLUSIONS OF LAW; AND NOTICE OF ENTRY OF ORDER TC03-191

On November 5, 2003, the Public Utilities Commission (Commission) received a filing by WWC Holding Co., Inc. d/b/a CellularOne (Western Wireless) petitioning for approval of it as an eligible telecommunications carrier (ETC) in the study areas of the following rural telephone companies: Golden West Telecommunications Cooperative, Inc., James Valley Cooperative Telephone Company, Splitrock Properties, Inc., Venture Communications Cooperative f/k/a Sully Buttes Telephone Cooperative, Inc., Tri-County Telcom, Inc., Vivian Telephone Company, West River Telecommunications Cooperative (Mobridge) - SD, and West River Telecommunications Cooperative - SD.

On November 6, 2003, the Commission electronically transmitted notice of the filing and the intervention deadline of November 21, 2003, to interested individuals and entities. On November 21, 2003, Petitions to Intervene were filed by James Valley Cooperative Telephone Company, South Dakota Telecommunications Association, Alliance Communications Cooperative, Inc., Splitrock Properties, Inc., West River Telecommunications Cooperative, Golden West Telecommunications Cooperative, Inc., Vivian Telephone Company, Venture Communications Cooperative, and Tri-County Telcom, Inc. Western Wireless objected to the intervention of South Dakota Telecommunications Association. At its regularly scheduled meeting of December 2, 2003, the Commission granted the above Petitions to Intervene. On January 2, 2004, Western Wireless filed a Motion to Amend Petition to substitute as petitioner WWC License, LLC as the correct party. At its regularly scheduled meeting of January 20, 2004, the Commission granted the Motion to Amend Petition. By order dated February 13, 2004, the Commission scheduled the hearing for May 4 through May 6, 2004.

On March 11, 2004, the Commission received a Motion to Withdraw Petition to Intervene of Alliance and Splitrock. At its March 23, 2004, meeting, the Commission considered this motion. No party objected to granting the Motion to Withdraw Petition to Intervene of Alliance and Splitrock. An Order Granting Motion to Withdraw Petition to Intervene of Alliance and Splitrock was issued on March 25, 2004.

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[1] On September 30, 2004, Western Wireless filed a Petition for Reconsideration and Clarification. By order dated January 3, 2005, the Commission granted in part and denied in part Western Wireless' Petition. *See Order Granting in Part and Denying in Part Western Wireless' Petition for Reconsideration and Clarification; Findings of Fact and Conclusions of Law; and Notice of Entry of Order ('Reconsideration Order").* The Reconsideration Order explains the amendments made to the conditions in this Amended Order. The Reconsideration Order is hereby incorporated by reference into this Amended Order.

On March 22, 2004, the Commission received a Motion to Withdraw Petition of West River Telecommunications Cooperative (West River). At its April 6, 2004, meeting, the Commission considered this motion. No party objected to granting the Motion to Withdraw Petition of West River. An Order Granting Motion to Withdraw Petition of West River was issued on April 19, 2004.

The hearing was held as scheduled, beginning on May 4, 2004. Following the hearing, the parties submitted briefs. At its August 17, 2004, meeting, the Commission considered this matter. The Commission voted unanimously to grant Western Wireless designation as an ETC in the requested areas, subject to conditions.

Having reviewed the evidence of record, the briefs of the parties, and applicable law, the Commission makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. On November 5, 2003, the Commission received a filing by Western Wireless petitioning for approval of it as an ETC in the study areas of the following rural telephone companies: Golden West Telecommunications Cooperative, Inc., James Valley Cooperative Telephone Company, Splitrock Properties, Inc., Venture Communications Cooperative f/k/a Sully Buttes Telephone Cooperative, Inc., Tri-County Telcom, Inc., Vivian Telephone Company, West River Telecommunications Cooperative (Mobridge) - SD and West River Telecommunications Cooperative - SD. WWC Exh. 1.

2. The Commission granted intervention to James Valley Cooperative Telephone Company, South Dakota Telecommunications Association, Alliance Communications Cooperative, Inc., Splitrock Properties, Inc., West River Telecommunications Cooperative, Golden West Telecommunications Cooperative, Inc., Vivian Telephone Company, Venture Communications Cooperative, and Tri-County Telcom, Inc. Subsequently, Splitrock, Alliance, and West River filed petitions to withdraw as intervenors. The petitions to withdraw were granted by the Commission.

3. On January 2, 2004, Western Wireless filed a Motion to Amend Petition to substitute as petitioner WWC License, LLC as the correct party. At its regularly scheduled meeting of January 20, 2004, The Commission granted the Motion to Amend Petition.

4. Western Wireless is a common carrier and is authorized to provide CMRS in its licensed cellular market areas in South Dakota. WWC Exh.1 at 2.

5. In order to be designated an ETC, a carrier must offer supported services throughout the service area for which the designation is received and advertise the availability of, and the charges for, those services throughout the service area. 47 U.S.C. § 214(e). The Federal Communications Commission (FCC) has designated the following services or functionalities as those supported by federal universal service support mechanisms: (1) voice grade access to the public switched network; (2) local usage; (3) dual tone multi-frequency signaling or its functional equal; (4) single party service or its functional equivalent; (5) access to emergency services; (6) access to operator services; (7) access to interexchange service; (8) access to directory assistance; and (9) toll limitation for qualifying low-income consumers. 47 C.F.R. § 54.101(a).

6. Voice grade access is defined as "a functionality that enables a user of telecommunications services to transmit voice communications, including signaling the network that the caller wishes to place a call, and to receive voice communications, including receiving a signal indicating there is an

incoming call." 47 C. F. R. § 54.101(a)(1). The FCC has defined the minimum bandwidth for voice grade access at 300 to 3,000 Hertz. *Id.* Western Wireless' customers will be able to make and receive calls on the public switched network within this specified bandwidth. WWC Exh. 2 at 9. The Commission finds Western Wireless will provide voice grade access to the public switched network.

7. Local usage is defined as "an amount of minutes of use of exchange service, prescribed by the [FCC], provided free of charge to end users[.]" 47 C. F. R. § 54.101(a)(2). Western Wireless will meet this requirement by including local usage as part of all of its universal service offerings, and "unlimited local usage as part of at least one of its universal service offerings." WWC Exh. 2 at 10. The Commission finds Western Wireless will provide local usage.

8. DTMF is defined as "a method of signaling that facilitates the transportation of signaling through the network, shortening call set-up time[.]" 47 C. F. R. § 54.101(a)(3). Western Wireless will provide the functional equivalent to DTMF by using "out-of-band digital signaling and in-band multi-frequency signaling. WWC Exh. at 10. The Commission finds Western Wireless will provide dual tone multi-frequency (DTMF) signaling or its functional equivalent.

9. Single party service provided by wireless carriers is defined as a service which uses "spectrum shared among users to provide service, a dedicated message path for the length of a user's particular transmission[.]" 47 C. F. R. § 54.101(a)(4). Western Wireless will provide a dedicated path for each customer's calls. WWC Exh. 2 at 10. The Commission finds Western Wireless will provide single party service or its functional equivalent.

10. Access to emergency services is defined as "access to services, such as 911 and enhanced 911, provided by local governments or other public safety organizations." 47 C. F. R. § 54.101(a)(5). Access to these services are required "to the extent the local government in an eligible carrier's service area has implemented 911 or enhanced 911[.]" *Id.* Western Wireless provides its customers with access to 911 and will provide E911 service to its customers once a PSAP submits a compliant request. WWC Exh. 2 at 11. Western Wireless stated that it "will continue to work with PSAPs within its designated service areas to make E911 service available to its customers." *Id.* The Commission finds Western Wireless will provide access to emergency services.

11. Access to operator services is defined as "access to any automatic or live assistance to a consumer to arrange for billing or completion, or both, of a telephone call[.]" 47 C. F. R. § 54.101(a)(6). Western Wireless will meet this requirement by providing its customers with access to operator services via Western Wireless or other entities. WWC Exh. 2 at 11. The Commission finds Western Wireless will provide access to operator services.

12. Access to interexchange service is defined as "the use of the loop, as well as that portion of the switch that is paid for by the end user, or the functional equivalent of these network elements in the case of a wireless carrier, necessary to access an interexchange carrier's network[.]" 47 C. F. R. § 54.101(a)(7). Western Wireless stated that it will meet "this requirement by providing all of its customers with the ability to make and receive interexchange or toll calls through direct interconnection arrangement the Company has with several interexchange carriers (IXCs). Additionally, customers are able to reach their IXC of choice by dialing the appropriate access code." WWC Exh. 2 at 11. The Commission finds Western Wireless will provide access to interexchange service.

13. Access to directory assistance is defined "as access to a service that includes, but is not limited to, making available to customers, upon request, information contained in directory listings[.]" 47

C. F. R. § 54.101(a)(8). Western Wireless provides access to directory assistance by dialing "411" or "555-1212." WWC Exh. 2 at 12. The Commission finds Western Wireless will provide access to directory assistance.

14. Each company designated as an ETC must offer either toll blocking or toll control to qualifying Lifeline customers at no charge. 47 C. F. R. § 54.400(a)(b)(c)(d). Toll blocking is defined as "a service provided by carriers that lets consumers elect not to allow the completion of outgoing toll calls from their telecommunications channel." 47 C. F. R. § 54.400(b). Western Wireless will provide toll blocking. WWC Exh. 2 at 12. Western Wireless currently provides toll blocking for international calls and customer selected toll calls. *Id.* Western Wireless will use this technology to provide toll blocking "to its Lifeline and Link Up customers, at no charge, as part of its universal service offerings once designated as an ETC." *Id.* The Commission finds Western Wireless will provide toll limitation for qualifying low-income consumers.

15. Western Wireless will provide the supported services using its own facilities. WWC Exh. 2 at 12-13. The Commission finds Western Wireless meets this requirement.

16. With respect to the advertising of its universal service offering, Western Wireless states that it "currently advertises its wireless services through several different media, including newspaper, television, radio, and billboard advertising." WWC Exh. 2 at 16. Western Wireless states that it "also maintains various retail store locations throughout its authorized service areas, which provide an additional source of advertising." *Id.* Western Wireless stated that its current advertising is not limited to advertising in business publications alone, but rather includes publications targeted to the general residential market" and that it "will use the same media of general distribution that it currently employs throughout the areas served to advertise its universal service offerings." *Id.* The Commission finds Western Wireless meets the advertising requirement.

17. In order to designate an additional ETC in an area served by a rural telephone company, the Commission must also find that the designation is in the public interest. 47 U.S.C. § 214(e)(2). In a previous decision the Commission adopted the following public interest test:

> The question of whether it is in the public interest to designate an additional ETC in an area served by a rural telephone company necessarily requires a two-part analysis. The first part of the analysis is whether consumers will realize benefits from increased competition. The fact that the area in question involves a rural area leads to the second part of the public interest analysis: whether the rural area is capable of supporting competition. Or, in other words, will the introduction of competition in rural telephone company areas have detrimental effects on the provisioning of universal service by the incumbent carriers. As evidenced by 47 U.S.C. § 254(b)(3), Congress was concerned with the advancement and preservation of universal service in rural areas.

In the Matter of the Filing by GCC License Corporation for Designation as an Eligible Telecommunications Carrier, Findings of Fact and Conclusions of Law, Docket TC98-146 at 3.

18. The FCC has recently adopted a more stringent public interest analysis than it has used in the past for ETCs seeking designation in a rural telephone company's service area. *In the Matter of Federal-State Joint Board on Universal Service Virginia Cellular, LLC Petition for Designation as an Eligible Telecommunications Carrier In the Commonwealth of Virginia*, CC Docket No. 96-45, Memorandum and Order, FCC 03-338 (rel. January 22, 2004) (*Virginia Cellular*). First the FCC

determined that "the value of increased competition, by itself, is not sufficient to satisfy the public interest test in rural areas." *Id.* at ¶ 4. To determine the public interest, the FCC stated that it "would weigh numerous factors, including the benefits of increased competitive choice, the impact of multiple designations on the universal service fund, the unique advantages and disadvantages of the competitor's service offering, any commitments made regarding quality of telephone service provided by competing providers, and the competitive ETC's ability to provide the supported services throughout the designated service areas within a reasonable time frame." In addition, the FCC adopted the commitments made by Virginia Cellular as conditions of the FCC's approval of Virginia Cellular's ETC designation. *Id.* at ¶ 46. These commitments included: the submission of records and documentation on an annual basis detailing its progress towards meeting its build-out plans in the requested service area; a commitment to become a signatory to the Cellular Telecommunications Industry Association's Consumer Code for Wireless Service; a commitment to provide the number of consumer complaints per 1,000 mobile handsets on an annual basis; and information detailing how many requests for service from potential customers in the designated service areas were unfulfilled for the past year. *Id.*

19. The Commission finds that it will use its prior definition of public interest and will also adopt the FCC's public interest analysis.

20. With respect to competitive benefits, Western Wireless states that a benefit to rural consumers is increased competition which includes increased choices, higher quality service, and lower rates. Western Wireless Exh. 2. at 20. Another benefit cited by Western Wireless is that consumers will receive an expanded local calling area. *Id.* at 20. An expanded local calling area will allow consumers to make more local calls, thus avoiding some toll charges. *Id.* In addition, Western Wireless will offer unlimited local usage as part of one its universal service offerings. *Id.* at 10. Western Wireless states that, once finalized, its universal service offering will be comparable to, if not less than, the local service rates charged by the incumbent LEC. *Id.* at 20-21. Western Wireless' universal service offerings will also have the benefit of mobility. *Id.* at 20. The Commission finds that Western Wireless' service offerings will bring benefits, including increased choices, expanded local calling areas, and mobility.

21. The Commission will next look at the impact of multiple designations on the universal service fund. In *Virginia Cellular*, the FCC found that granting ETC designation for that particular carrier would not dramatically burden the universal service fund. *Virginia Cellular* at ¶ 31. If the carrier had captured each customer in the area, the amount of universal service support would be about 0.105%. *Id.* at fn. 96. In this case, Western Wireless estimated that it would receive approximately 0.002% of the total high-cost support available for all ETCs. WWC Exh. 4 at 22. However, the FCC also noted that "in light of the rapid growth in competitive ETCs, comparing the impact of one competitive ETC on the overall fund may be inconclusive." *Id.* The Commission finds that designation of Western Wireless as an ETC in the requested areas will not dramatically burden the universal service fund. However, the Commission agrees with the FCC that the impact of one competitive ETC is inconclusive, and the Commission will closely review this issue in future ETC cases.

22. With respect to the issue of any unique advantages or disadvantages of the Western Wireless' service offerings, the Commission finds that any unique advantages or disadvantages are already covered in its discussion of the other criterion.

23. Another criteria to consider is whether Western Wireless had made any commitments regarding quality of telephone service. Under the facts of this case, this issue is intertwined with the questions

regarding Western Wireless' ability to provide the supported services throughout the designated service areas within a reasonable time frame. Thus, the Commission will consider these criterion together.

24. One of the major criticisms of Western Wireless concerned its current coverage and its ability to provide acceptable coverage in the requested areas. In its prefiled testimony, Western Wireless stated that it had requested ETC designation only in the "study areas where its *existing and future* network reaches at least 85% of the population in each wire center within the study area." WWC Exh. 2 at 18 (emphasis added). Western Wireless stated that upon ETC designation it would add 17 cell towers this year. TR. at 132. Western Wireless further stated that its 85% coverage is already achieved in some areas but in other areas the 85% coverage will only be achieved after the construction of the 17 cell towers. TR. at 127-28. Western Wireless intends to use the universal service money to provide service into the areas where it currently does not have coverage, whether it be an additional 15%, 10%, or 5% for any area. TR. at 129.

25. Western Wireless states that if a consumer requests service and is unable to receive service Western Wireless will take the following steps:

> First, the Company can ensure that the customer's equipment is working properly and that it is the appropriate equipment for the customer's location and usage. Second, enhancements can be made to the customer's premises to enhance receipt of the signal, including the addition of a high-powered antenna or the reconfiguration of the customers' equipment. Third, the new technology is now available that can be added to the customer's equipment to boost the signal. Fourth, the wireless network in the areas of the customer's use can be enhanced by adjusting power levels, signal strength and directional transmission of cell sites and by deploying network signal boosting technology. Finally, it is possible to enhance a customer's signal coverage by network expansion, such as the construction of cell site extenders and cell sites.

WWC Exh. 3 at 7.

26. The question of the extent of Western Wireless' current coverage was disputed. Western Wireless submitted its signal propagation maps as did the Intervenors. WWC Conf. Exh. 7; Int. Exh. 1 at 39-40, Int. Exh 2, Exh GHB-8. The maps showed varying degrees of coverage. *Id.* In addition, the parties disagreed on what was an acceptable signal strength. Int. Exh.2 at 15-16; WWC Exh. 4 at 11-14.

27. The FCC has clearly stated that ETC designation should not be denied because a requesting carrier is not actually providing the service prior to its ETC designation. *Virginia Cellular* at ¶ 17. The South Dakota Supreme Court has agreed with that interpretation. *The Filing by GCC License Corporation for Designation as an Eligible Telecommunications Carrier*, 2001 S.D. 32, 623 N.W.2d 474, ¶ 19 (S.D. 2001). Thus, the fact that Western Wireless does not have complete coverage in the requested areas is not a grounds for denial. However, the fact that Western Wireless is not currently able to provide service to everyone in the area requires this Commission to place conditions to ensure that Western Wireless will meet this requirement in the near future.

28. The Intervenors also contend that in prior areas where Western Wireless has been designated as an ETC, Western Wireless has not used its universal service money to significantly improve its cellular coverage in those areas. The Intervenors state that Western Wireless has added only 12 towers since October of 2001 and that most of the towers are located in more densely populated

areas. Int. Exh. 1 at 41-42. The Intervenors assert that this shows Western Wireless' lack of capability and commitment to provide universal service in the requested areas. In response, Western Wireless points out that the number of towers show only a part of its investment in its ETC areas. Western Wireless points to its other investments and states that its universal service funds for 2003 accounted for only 10% of Western Wireless' total expenditures in South Dakota. TR. at 213-15.

29. The problem with relying solely on any of the maps presented by the Intervenors or Western Wireless is that although the maps attempt to show the extent of coverage, the maps do not pinpoint whether an individual consumer is able to receive Western Wireless' services. In addition, the problem with relying on total dollars invested in South Dakota is in determining whether the funds are improving service in undeserved or unserved areas. Thus, the Commission finds that, consistent with the *Virginia Cellular* decision, the Commission will set conditions in order to ensure that Western Wireless will use its ETC funds to provide service to customers in any areas where Western Wireless does not currently provide service or where its current signal coverage may not be sufficient.

30. The Commission's final consideration under the public interest analysis is whether the designation of Western Wireless as an ETC will have detrimental effects on the provisioning of universal service by the incumbent carriers. The Intervenors point to the Joint Board's Recommended Decision in which it recommended the funding of only one primary line to each customer location. *In the Matter of the Federal-State Joint Board on Universal Service*, CC Docket 96-45, Recommended Decision, FCC 04J-1, at ¶ 56. Currently, support is provided to all lines served by ETCs. The Intervenors stated that if the primary line recommendation is adopted by the FCC, then when "multiple ETCs are placed in a high-cost area with a fixed amount of support, it becomes increasingly difficult for any of them to effectively serve throughout the entire study area and function as a carrier of last resort. This would carry the prospect of significant harm to consumers in the most rural parts of South Dakota." Int. Exh. 1 at 47. Western Wireless counters that it is far from certain that the FCC will adopt the primary line recommendation and, even if it is adopted, there will most likely be hold harmless provisions put into place to mitigate some of the detrimental impacts that could be experienced by the incumbent rural companies. WWC Exh. 3 at 14.

31. The Commission does not lightly dismiss the possibility that a primary line restriction could have detrimental effects on the Intervenors. However, the Commission cannot deny ETC status to Western Wireless based on something that may never happen. Moreover, even if the primary line restriction is adopted, the effect on any of the Intervenors will be highly dependent on the manner in which it is implemented. Thus, the Commission finds that the possibility that the FCC may implement a primary line restriction in the future is not a basis for denying ETC status.

CONDITIONS

Based on the foregoing findings of fact the Commission finds it is in the public interest to designate Western Wireless as an ETC in the requested areas. The Commission further finds that, based on the evidence of record and the applicable rules and statutes, it is in the public interest to place conditions on Westerns Wireless' ETC designation. The conditions are as follows:

1. Western Wireless shall comply with the conditions set forth in Findings of Fact 20 through 24 of the Findings of Fact, Conclusions of Law and Order in Docket TC98-146. These commitments include: 1) providing its advertising plan; 2)

providing a list of its local calling areas; 3) advising customers that they may qualify for financial assistance under the federal Link-Up and Lifeline programs and providing basic information on how to apply; 4) ensuring that its service agreements are consistent with the Commission's service quality rules and state that any disputes or claims arising under the service agreement may be subject to the Commission's jurisdiction; and 5) notifying the Commission when it begins to offer its universal service package and in what study areas. Western Wireless may amend its Compliance Filing in Docket TC98-146 to add the newly designated areas and to use the same service agreements and procedures in the requested service areas as previously filed with the Commission. For any requirement that cannot be fulfilled by amending the previous Compliance Filing, Western Wireless may submit the document in this proceeding. Western Wireless will not have to make a separate compliance filing in order to be designated as an ETC in this docket.

2. Consistent with its obligation pursuant to section 214(e)(1), Western Wireless shall continue to build out facilities and extend service to meet the statutory objective of offering service "throughout the service area for which the designation is received. . . ." The Commission notes that Western Wireless has committed to using its universal service funds to bring service to the areas that it does not yet provide coverage. TR. at 129.

3. In conjunction with, but separate from and in addition to its annual certification filings under 47 C.F.R. §§ 54.313 and 54.314, Western Wireless shall submit records and documentation on an annual basis detailing its progress towards meeting the statutory objective of offering service throughout the service area for which the designation is received. At a minimum, such information shall detail the location and cost of material capital expenditures made by Western Wireless within ~~each RLEC's service area~~ the State of South Dakota during the preceding annual period and shall include its proposed capital budget for the State of South Dakota ~~each RLEC's service area~~ for the ensuing year. Western Wireless shall work with Commission Staff to determine what constitutes material.

4. Western Wireless shall annually submit a proposed plan for the upcoming calendar year which sets forth Western Wireless' proposed plan for construction of new facilities and service enhancements to existing facilities. The plan shall be submitted by January 1 of each year. Following the first filing, Western Wireless' subsequent annual filings shall also submit a report stating whether the proposed plan was implemented, any deviations from the previous year's proposed plan, and the reasons for any deviations. Following this annual filing, Western Wireless shall meet with Commission Staff to discuss the proposed plans and any deviations from a previous year's proposed plans.

5. Western Wireless shall construct the 17 additional cell sites during 2004 as it committed to in this proceeding. If it is unable to construct all 17 cell sites during 2004, Western Wireless shall submit a report detailing the reasons why it is unable to do so and shall thereafter submit monthly reports detailing its progress toward meeting this goal. The initial report shall be due by January 1, 2005.

6. Western Wireless shall continue to abide by the terms of the Cellular Telecommunications Industry Associates Consumer Code for Wireless Service as it is amended from time to time.

7. By January 1st of each year, Western Wireless shall provide an annual report detailing the consumer complaints that it has received during the previous one year period. This report shall include the nature and location of the complaints.

8. By January 1st of each year, Western Wireless shall provide a report itemizing the number of unfulfilled requests the Company received to provide service to a current customer's residence during the previous year, ~~requests for service from potential customers within each RLEC's service area that went unfulfilled during the previous year, including~~ the steps Western Wireless took to provide service, and the reasons why such request went unfulfilled. Following the submission of this report, Western Wireless shall meet with Commission Staff to discuss the report.

9. In the event that Commission Staff believes that information beyond what Western Wireless has provided is necessary for Staff and the Commission to perform their responsibilities relating to Western Wireless' meeting its obligations under the law and this Order, Staff shall first make a request for such information to Western Wireless. If Western Wireless objects to such request, Staff and Western Wireless shall first confer in an effort to resolve the issue. If after such conference, Staff and Western Wireless are unable to reach agreement concerning the need for such information or the reasonableness of such request, Staff may petition the Commission for an order modifying the Conditions herein upon a showing of good cause therefor.

If the reports are unable to be compiled by January 1st of each year, Western Wireless shall work with Commission Staff to determine when the reports must be filed.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to SDCL Chapters 1-26 and 49-31, including 1-26-18, 1-26-19, 49-31-3, 49-31-7, 49-31-7.1, 49-31-11, 49-31-78, 49-31-81; ARSD 20:10:32:42 through 20:10:32:46, inclusive; and 47 U.S.C. § 214(e)(1) through (5).

2. Pursuant to 47 U.S.C. § 214(e)(2), the Commission is required to designate a common carrier that meets the requirements of section 214(e)(1) as an ETC for a service area designated by the Commission. The Commission may designate more than one ETC if the additional requesting carrier meets the requirements of section 214(e)(1). However, before designating an additional ETC for an area served by a rural telephone company, the Commission must find that the designation is in the public interest. 47 U.S.C. § 214(e)(2).

3. Pursuant to 47 U.S.C. § 214(e)(1), a common carrier that is designated as an ETC is eligible to receive universal service support and shall, throughout its service area, offer the services that are supported by federal universal service support mechanisms either using its own facilities or a combination of its own facilities and resale of another carrier's services. The carrier must also advertise the availability of such services and the rates for the services using media of general distribution.

4. The FCC has designated the following services or functionalities as those supported by federal universal service support mechanisms: (1) voice grade access to the public switched network; (2) local usage; (3) dual tone multi-frequency signaling or its functional equal; (4) single party service or its functional equivalent; (5) access to emergency services; (6) access to operator services; (7) access to interexchange service; (8) access to directory assistance; and (9) toll limitation for qualifying low-income consumers. 47 C.F.R. § 54.101(a).

5. As part of its obligations as an ETC, an ETC is required to make available Lifeline and Link Up services to qualifying low-income consumers. 47 C.F.R. § 54.405; 47 C.F.R. § 54.411.

6. Pursuant to findings of fact 17-18, the Commission finds that it will use its prior definition of public interest and will also adopt the FCC's public interest analysis in *Virginia Cellular*.

7. ETC designation cannot be denied because a requesting carrier is not actually providing the service prior to its ETC designation. Virginia Cellular at ¶ 17. The South Dakota Supreme Court has agreed with that interpretation finding that "a carrier need not be presently offering required services before qualifying as an eligible carrier. Likewise, inability to provide service immediately upon designation is not a basis for denying ETC status. New carriers, like incumbent carriers, are required to serve new customers on reasonable request." *The Filing by GCC License Corporation for Designation as an Eligible Telecommunications Carrier*, 2001 S.D. 32, 623 N.W.2d 474, ¶ 19 (S.D. 2001).

8. Pursuant to findings of facts 6 through 15, the Commission finds that Western Wireless will offer the supported services, using its own facilities, throughout the service areas within a reasonable time frame, subject to the conditions listed above.

9. Pursuant to finding of fact 16, the Commission finds that Western Wireless will advertise the availability and the charges for the supported services in the service areas, subject to the conditions listed above.

10. Pursuant to findings of fact 20 through 31, the Commission finds it is in the public interest to designate Western Wireless as an ETC in the study areas of the above listed rural telephone companies as requested by Western Wireless, subject to the conditions listed above.

It is therefore

ORDERED, that Western Wireless is designated as an ETC in the study areas of the following rural telephone companies: Golden West Telecommunications Cooperative, Inc., James Valley Cooperative Telephone Company, Splitrock Properties, Inc., Venture Communications Cooperative f/k/a Sully Buttes Telephone Cooperative, Inc., Tri-County Telcom, Inc., Vivian Telephone Company, West River Telecommunications Cooperative (Mobridge) - SD, and West River Telecommunications Cooperative - SD; and it is

FURTHER ORDERED, that Western Wireless shall comply with the conditions as listed above.

NOTICE OF ENTRY OF ORDER

PLEASE TAKE NOTICE that this Order was duly entered on the 3rd day of January, 2005. Pursuant to SDCL 1-26-32, this Order will take effect 10 days after the date of receipt or failure to accept delivery of the decision by the parties.

Dated at Pierre, South Dakota, this 3rd day of January, 2005.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By: Delaine Kolbo

Date: 1/5/05

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

ROBERT K. SAHR, Chairman

GARY HANSON, Commissioner

JAMES A. BURG, Commissioner

Gary Hanson, Chair
Bob Sahr, Vice-Chair
Dustin Johnson, Commissioner

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

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Pierre, South Dakota 57501-5070
www.state.sd.us/puc

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Transportation/Warehouse
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Consumer Hotline
1-800-332-1782

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SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

January 19, 2005

Via Fax (701) 222-2984 and First Class Mail

Ms. Rae Ann Kelsch
Manager - External Affairs
1110 College Drive, Suite 107
Bismarck, ND 58501

RE: **TC03-191 - In the Matter of the Filing by WWC License, LLC d/b/a Cellular One ("WWC") for Designation as an Eligible Telecommunications Carrier in Other Rural Areas - Stipulation as to filing deadlines under Order Conditions**

Dear Ms. Kelsch:

On January 3, 2005, the Commission issued its Amended Order in the above-reference proceeding in response to WWC's Motion to Reconsider. Following the Conditions in the Amended Order, the following qualifier is set forth which the Staff interprets as applying to all dates set forth in the Conditions:

> If the reports are unable to be compiled by January 1st of each year, Western Wireless shall work with Commission Staff to determine when the reports must be filed.

Because of the delay caused by the Motion to Reconsider and based upon discussions with WWC concerning its calendar year fiscal year and the difficulty and inconvenience for the company to have to try to produce data prior to the end of the fiscal, Staff recommends that WWC provide the reports as set forth in the Amended Order Conditions on or before April 1, 2005 and on or before April 1 of each ensuring year thereafter. Staff would encourage WWC to schedule a meeting with Staff to discuss the details of WWC's filing prior in advance of this date.

If the above meets with the approval of WWC, please indicate your acceptance thereto by signing and returning one original to me.

Sincerely,

Pamela A Bonrud

Pamela A. Bonrud
Executive Director

cc: Talbot J. Wieczorek
Mark J. Ayotte
Rolayne Ailts Wiest

Accepted by WWC License, LLC:

By: Rae Ann Kelsch
Authorized Representative

Rae Ann Kelsch
[print name]

GUNDERSON, PALMER, GOODSELL & NELSON, LLP

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WYNN A. GUNDERSON
Of Counsel

RECEIVED
JUN 20 2005
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

June 17, 2005

Pamela Bonrud
Executive Director
SD Public Utilities Commission
500 E Capitol Avenue
Pierre SD 57501

RE: Western Wireless License LLC GPGN File No. 040600

Dear Ms. Bonrud:

As part of WWC License LLC designation as an ETC, WWC was required to provide various exhibits. This included an accurate copy of the Unlimited Local Calling Universal Service Offering Terms and Conditions of Service. The original of these documents, after modification requested by staff, was provided by letter to The Public Utilities Commission on October 7, 2002. These compliance documents were provided in references to WWC's original ETC designation filling, Docket TC 98-146.

On the final Unlimited Local Calling Universal Service Offering, WWC has made a determination it needs to make a change to that document. The change is fairly minor. The change is to Section 4.8, the "Reconnect Charge" section. The modification simply changes the reconnect charge from $30 to $35.

I have enclosed four copies of the new contract. The change appears on page 8. I am providing four copies as I understand a formal filing for a minor revision would not be necessary but there is a need to have an accurate contract on file. If this is incorrect, and the Commission wishes some type of formal filing, please let me know.

It is WWC's intent to make this change on all contracts beginning July 11, 2005. If Staff or Commission have any questions on this change, please let me know.

Sincerely,

Talbot J. Wieczorek

TJW:klw
Enclosure
c: (w/Encl) Client

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APPENDIX B
UNLIMITED LOCAL CALLING
UNIVERSAL SERVICE OFFERING
TERMS AND CONDITIONS OF SERVICE

(The following Terms and Conditions are in a form of an agreement between the Company and the Customer and will be provided to all Customers, both residential and business, choosing the Company's unlimited local calling plan universal service offerings.)

These Terms and Conditions govern unlimited local calling plan universal service offerings by the Company (referred to herein as "CellularOne®, or "Company") for wireless (commercial mobile radio service or "CMRS") and related services and features that the Customer may select from time to time, including for example, but not limited to: data, messaging, paging, and internet services (together, "Service"), and for the purchase and use of wireless equipment and/or other receiving and transmitting equipment, including any additional or replacement equipment (together, your "Equipment"), for use with the Service. If you have any questions regarding your CellularOne® Service, please call the Company at (800) 635-0304 or write a letter to the correspondence address printed on Customer's most recent CellularOne® billing statement.

SECTION 1– COMPANY RESPONSIBILITIES

1.1 Services -- General

1.1.1 The Company provides wireless services to Customers for voice, data and other types of services capable of transmission over the Company's network.

1.1.2 The Company will provide basic local telecommunications service to applicants within the Company's designated service area.

1.1.3 The Company provides telecommunications services in accordance with applicable law and, for purposes of universal service, the Terms and Conditions set forth herein.

1.1.4 The local calling for the Company's universal service offering will typically be as large or larger than the calling area of the incumbent local exchange carrier.

1.1.5 The Company's services are provided on a monthly basis, unless otherwise stated herein. Services are available twenty-four (24) hours per day, seven (7) days per week. Company will make reasonable arrangements to resolve emergencies resulting from failures of service, unusual and prolonged increases in traffic, illness of personnel, fire, storm or other acts of God, and inform its employees as to procedures to be followed in the event of such emergencies in order to prevent or minimize interruptions or impairment of telecommunications service.

1.1.6 The Company will provide notice in customer bills informing customers of the availability of its service offerings and will also advertise its services through media of general distribution.

1.1.7 The Company will provide continuous and adequate service in compliance with the quality of service standards defined in Chapters §§ 20:10:33 and 20:10:34, as required by SDCL Chapter 49-31, to the extent that the terms of the rules are applicable to the Company.

1.1.8 The Company will provide Customers basic information about reduced rate telecommunications services under the federal Lifeline and Link Up programs. The Company will provide Lifeline and Link Up service to customers who request such service and who meet the eligibility requirements to qualify for such service. The Company will comply with all current and future requirements related to Lifeline and Link Up.

1.2 Service Offerings

The Company will provide those services and features selected by Customers as identified on the Customer Preference Page.

1.3 Customer Service Policies

1.3.1 Customer Care service personnel will be available 24 hours per day, 7 days per week. Customer Care can be reached by dialing 611 on the Company's network, or by dialing 1-800-635-0304 from another network. A Customer can also speak with Company representatives located at its retail store outlets, who can provide information relating to services and rates, explain charges on Customers' bills, adjust charges made in error, and generally act as the Company's representatives.

1.3.2 Customer Care service personnel will attempt to answer any questions a Customer has, and will strive to resolve complaints or disputes during the initial Customer call. If a complaint or dispute is not resolved on the initial customer call, the Company will, at the request of the Customer, investigate the matter further.

1.4 Limitations of Service

1.4.1 Service is offered subject to the availability of facilities and the provisions contained herein.

1.4.2 Service is furnished to the Customer for any lawful purpose. Service shall not be used for any unlawful purpose, nor used in such a manner as to interfere unreasonably with the use of service by any other users of Company's network.

1.4.3 The use of the Company's services without payment for service, or an attempt to avoid payment for service by fraudulent means or devices, false or invalid numbers, or false calling or credit cards is prohibited.

1.4.4 The use of the Company's services to make calls that might reasonably be expected to frighten, abuse, torment, or harass another person is prohibited.

1.5 Limitations of Liability

1.5.1 Because the Company has no control of the content of communications transmitted over its network, and because of the possibility of errors incident to the provision and use of its services, services furnished by the Company are subject to the terms, conditions and limitations specified herein.

1.5.2 The liability of the Company for errors in billing that result in overpayment by the Customer shall be limited to a credit equal to the dollar amount erroneously billed or, in the event that payment has been made and service has been disconnected, to a refund of the amount erroneously billed.

1.5.3 The Customer agrees, except where the events, incidents or eventualities set forth in this section are the result of the Company's gross negligence or willful misconduct, to release, indemnify and hold harmless the Company against any and all loss, claims, demands, suits or other action or any liability whatsoever, whether suffered, made, instituted or asserted by the Customer or by any other party or person, for any personal injury to or death of any person or persons, or for any loss of or damage to any property, whether owned by the Customer or others.

1.5.4 The Company assumes no responsibility for the availability or performance of any facilities under the control of other entities that are used to provide services to Customer.

1.5.5 The Company makes no express representations or warranties regarding the services or equipment provided, except as set forth herein, and disclaims any implied warranties, including, but not limited to, warranties of title or implied warranties of merchantability or fitness for a particular purpose. The Company does not authorize anyone to make a warranty of any kind on its behalf and Customer should not rely on any such warranty.

1.5.6 The Company makes no express or implied representations or warranties on the availability of service, including 911 service, and the ability to complete calls.

1.6 Interruptions of Service

1.6.1 General

1.6.1.1 Service is interrupted when it becomes unusable to the Customer or when the Customer is unable to transmit or receive calls due to the failure of a component of the network furnished by the Company under these Terms and Conditions.

1.6.1.2 An interruption period begins when the Customer reports a service, facility or circuit to be inoperative and releases it for testing and repair. An interruption period ends when the service, facility or circuit is operative.

1.6.1.2 If the Customer reports a service, facility or circuit to be inoperative but declines to release it for testing and repair, the service, facility or circuit is considered to be impaired but not interrupted. No credit allowances will be made for a service facility or circuit considered by the Company to be impaired.

1.6.2 Reestablishing Service

The Company will make all reasonable efforts to prevent interruptions of service and, when interruptions do occur, reestablish service with the shortest possible delay. Company will make attempts to resolve emergencies at all hours, consistent with the bona fide needs of customers and the personal safety of Company's employees. In almost all cases, Company will be able to reestablish service within 24 hours. If unusual repairs are required, or other factors will prevent the prompt reestablishment of service, the Company will make reasonable efforts to contact Customer.

1.6.3 Network Maintenance

The Company will make every reasonable effort to provide notice to Customers of any network unavailability due to regularly scheduled maintenance.

1.6.4 Application of Credits for Interrupted Services

In the event a Customer's service is interrupted and remains out of order for 24 hours after being reported to the Company, adjustments will be made to Customer's monthly bill based on the pro rata part of any charge due and payable from Customer. A refund will be accomplished by a credit on a subsequent bill, or if service has been terminated, by refund check issued to Customer. If service is restored on or before the day after it is reported, no allowance will be made. No adjustments will be earned by accumulating non-continuous periods of interruption.

1.6.5 Limitations on Allowances

No credit allowance will be made for any interruption of service due to the failure of power, equipment, systems or services not provided by the Company; during any period in which the Company is not given full and free access to the Customer's or Company's facilities and equipment for the purpose of investigating and correcting the interruption; during any period in which the Customer continues to use the service on an impaired basis; during any period in which the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements; or that was not reported to the Company within thirty (30) days of the date that service was affected.

SECTION 2 – CUSTOMER RESPONSIBILITIES

2.1 The Customer is responsible for placing any necessary orders, complying with the terms and conditions specified herein and assuring that all users of the services provided by Company comply with the same. The Customer shall ensure compliance with any applicable laws, regulations, orders or other requirements of any governmental entity relating to services provided by the Company to the Customer or made available by the Customer to another user. The Customer also is responsible for the payment of charges for all calls originated at the Customer's telephone number which are not collect, third party, calling card, or credit card calls.

2.2 The Customer is responsible for charges incurred for special construction and/or special facilities, which the Customer requests and which are ordered by the Company on the Customer's behalf, except as noted on the Customer Preference Page.

2.3 If required for the provisioning of the Company's services, the Customer must provide the Company, free of charge, with any necessary equipment space, supporting structure, conduit and electrical power.

2.4 The Customer is responsible for arranging access to its premises at times mutually agreeable to the Company and the Customer when required for Company personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of the Company's services.

2.5 The Customer must pay the Company for replacement or repair of damage to the Company's equipment or facilities caused by negligent or improper use on the part of the Customer or others.

2.6 The Customer shall be responsible for the theft, damage to, or loss of, any Company equipment or facilities, including the wireless access unit located or installed at the Customer's premises.

SECTION 3 – TERMINATION OF SERVICE

3.1 The Customer may terminate service, with or without cause, by giving the Company three days' notice. Service will be disconnected on the requested termination day, and customer will not be responsible for services rendered after that day.

3.2 The Company may terminate service with notice to Customer, for failure of the Customer to pay a bill when due, for failure of the Customer to permit the Company to have reasonable access to its equipment, or for failure of the Customer to otherwise adhere to these Terms and Conditions. The notice provided to Customer will state the reasons for and the date of scheduled discontinuance of service, and actions that Customer may take to avoid discontinuance of service.

3.3 The Company may terminate service without notice in the event of any of the following occurrences: hazardous or unsafe conditions on the Customer's premises; the Customer's maintaining and/or operating its own equipment in such a manner as to adversely affect the Company's equipment, network or service to others; Customer intentionally using the service in a manner that causes wrongful billing charges to another person; Customer intentionally using the service to transmit messages or to locate a person to give or obtain information without payment of appropriate charges; Customer's use of the service with fraudulent intent by impersonating someone else; use of the service for unlawful purposes; abandonment of the service; Customer tampering with the Company's equipment; Customer's provision of false information in applying for Company's service; or the Customer's unauthorized, fraudulent, or illegal use of the Company's service or equipment. The Company may also terminate service when necessary to comply with any order or request of any governmental authority.

3.4 Upon termination of service, the Customer shall return in good working order, any and all equipment that the Company owns. If the Customer does not return equipment to the Company within a reasonable time period, the Company will charge the amount of the equipment to the Customer on a final bill.

SECTION 4 -- RATES AND CHARGES

4.1 Payment of Charges

4.1.1 The Customer is responsible for payment of all charges for service furnished to the Customer, and for all charges incurred to the Customer's telephone number regardless of which party terminates the service.

4.1.2 The Company will provide bills to Customer that are typed or machine-printed, and which contain an itemized listing of all charges and the period of time covered by the billing.

4.1.3 The Company reserves the right to assess late payment charges for a Customer whose account(s) carries principal owing from the prior billing period. Any charges not paid in full within 15 days after the due date indicated on the billing statement may be subject to a late fee of 1.5% of the total of the bill. At the end

of the initial subsequent billing period, an additional charge of 1.5% of any remaining unpaid amount may be assessed on the Customer. Thereafter, a further additional charge of 2% of any portion of the original unpaid amount may be assessed.

4.1.4 Recurring monthly charges may be invoiced one month in advance. Invoicing cycles are approximately 30 days in length. Customer will have at least 20 days from the bill date to pay the new balance.

4.1.5 Customers must notify the Company either verbally or in writing of any disputed charges, otherwise all charges on the invoice will be deemed accepted. All charges remain due and payable at the due date.

4.2 Deposits

The Company may collect a deposit for Company-provided equipment used by the Customer and for long distance service.

4.3 Contested Charges

All bills are presumed accurate and shall be binding on the Customer unless the Company receives objection. In the event that a billing dispute between the Customer and the Company for service furnished to the Customer cannot be settled with mutual satisfaction, the Customer may request, and the Company will provide, an in-depth review of the disputed amount. The undisputed portion of any bill and any subsequent bills must be paid on a timely basis or the service may be subject to disconnect. Disputed charges may be withheld by the Customer. The Company will treat all charges as undisputed unless notified otherwise by the Customer. If it is determined that any amount previously paid was incorrectly billed, the Company will reduce Customer's subsequent bill accordingly, or, at the request of the Customer, will issue a refund.

4.4 Taxes

State and local sales, use and similar taxes and fees, and governmental assessments, including gross receipts taxes, are billed as separate items and are not included in the quoted rates for telecommunications services listed on the Customer Preference Page.

4.5 Start of Billing

For billing purposes, the start of service is the day shown on the Customer Preference Page, or the day following acceptance by the Customer of the Company's service or equipment. The end of service date is the last day of the minimum notification of cancellation, or any portion of the last day after receipt by the Company of notification of cancellation as described in Paragraphs 4.1 through 4.3 of this Agreement.

4.6 Promotions

From time to time, the Company may offer services or waive or vary service rates for promotional, market research or other similar business purposes.

4.7 Bad Check Charge

If payment for services is made by a check, draft, or similar instrument (collectively "Check") that is returned to the Company unpaid by a bank or another financial institution for any reason, the Company will bill the Customer a $20.00 service charge. In addition, the Customer may be required to replace the returned Check with a payment in cash or equivalent to cash, such as cashier's check, certified check or money order.

4.8 Reconnect Charge

If service has been discontinued for proper cause, the Company will charge a fee of ~~$30.00~~35.00 to defray the cost of restoring service to the Customer.

SECTION 5- ADDITIONAL TERMS

5.1 Amendment of this Agreement

Company will provide Customer with written notice of any amendments to this Agreement. By use of the service on or after the effective date of the Amendment, Customer acknowledges acceptance of all such amendments. Customer may add or delete services reflected on the Customer Preference Page by giving the Company verbal or written notice of the intent to do so.

5.2 Assignment

Customer may not sell, assign, or transfer rights and obligations contained in this Agreement without the consent of the Company, which may be withheld at its sole discretion.

5.3 Notices

All written notices required or allowed under this Agreement shall be given to Company at the Following address: ATTN: Regulatory Department, Western Wireless Corporation, 3650 131st Avenue S.E., Suite 400, Bellevue, WA 98006. All written notices required or allowed under this Agreement shall be given to Customer at the billing address listed on the Customer Preference Page.

5.4 Entire Agreement

This Agreement contains the entire Agreement between Company and Customer and supersedes and cancels all prior understandings, agreements, contracts or arrangements

between them concerning the subject matter hereof. No statements or representations not included herein shall not be binding upon the parties.

5.5 Governing Law

This agreement shall be governed by applicable federal law, the regulations of the FCC, and the laws of the State of South Dakota, to the extent applicable, and applicable orders of the Commission. Any disputes or claims arising under this Agreement may be subject to the Commission's jurisdiction. The address of the Commission is: Public Utilities Commission of South Dakota, Capitol Building, First Floor, 500 East Capitol Avenue, Pierre, South Dakota 57501-5070. The telephone number is: 1 -800-332-1782.

5.6 Waiver

Failure by either party to strictly enforce any provision of this Agreement shall not be construed as a waiver thereof, or as excusing the other party from future performance.

5.7 Savings Clause

If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, such provision shall be deemed not to be a part of this Agreement, except in the case of a state or local prohibition, in which event it shall be eliminated only for such state or locality, but no such elimination shall invalidate any other provision.

TC03-191

Alltel Corporation
1110 College Drive, Suite 107
Bismarck, ND 58501
Phone: 701-222-2176
Fax: 701-222-2984

alltel

RECEIVED
MAR 16 2006
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

March 14, 2006

South Dakota Public Utilities Commission
Capital Building, 1st Floor
Pierre, South Dakota 57501-5070

RE: Updated Compliance Filing

Dear Commissioners:

WWC Holding Co., Inc. hereby submits the original and three (3) copies of an amended Service Agreement in reference to WWC Holding Co., Inc's. ETC designation in South Dakota. The following changes are made and will be effective March 10, 2006:

Residential Phone Service ("RPS Terms and Conditions") (unlimited local calling plan)

- All reference to Western Wireless and/or CellularOne have been replaced with Alltel Communications, Inc. since the CellularOne name will be retired from WWC markets as 3/10/06.
- All WWC customer care phone numbers have been replaced with Alltel customer care phone numbers.
- All reference to WWC address location has been replaced with Alltel address location (Little Rock).

Mobile Handset Offering (measured rate plan calling)

- All reference to Western Wireless and/or CellularOne have been replaced with Alltel Communications, Inc. since the CellularOne name will be retired from WWC markets as 3/10/06.
- All WWC customer care phone numbers have been replaced with Alltel customer care phone numbers.
- All reference to WWC address location has been replaced with Alltel address location (Little Rock).

Copies of Alltel's Terms and Conditions were mailed to South Dakota subscribers on March 10th 2006. Thank you for you attention to this matter.

Sincerely,

Rae Ann Kelsch
Staff Manager, External Affairs

Cc: Suzie Rao

TERMS AND CONDITIONS (for residents of South Dakota)

SECTION 1 – COMPANY RESPONSIBILITIES

1.1 Services -- General

1.1.1 The Company provides wireless local and long distance telecommunications services to Customers for voice, data and other types of telecommunications capable of transmission over Company's cellular network. When using wireless local loop equipment at Customer's premises in accordance with Company's instructions, transmission will be at adequate volume levels and free of excessive distortion.

1.1.2 The Company provides cellular radio telecommunications services in accordance with applicable law and, for purposes of universal service, the Terms and Conditions set forth herein.

1.1.3 The Company's local calling area may be different from the local calling area of the incumbent local exchange carrier and is set forth on the Customer Preference Page.

1.1.4 The Company's services are provided on a monthly basis, unless otherwise stated herein. Services are available twenty-four (24) hours per day, seven (7) days per week. Company will make reasonable arrangements to resolve emergencies resulting from failures of service, unusual and prolonged increases in traffic, illness of personnel, fire, storm or other acts of God, and inform its employees as to procedures to be followed in the event of such emergencies in order to prevent or minimize interruptions or impairment of telecommunications service.

1.2 Service Offerings

The Company offers local telecommunication services as well as long distance services. The Customer's use of the Company's service is charged at the applicable rates set forth on the Customer Preference Page.

The following services are available from the Company:

1.2.1 Access to Public Telephone Network and Local Usage

The Company's service includes access to the public switched telephone network and local usage that allows Customer to originate and terminate calls within the local calling area described on the Customer Preference Page without incurring toll charges. Except as otherwise set forth on the Customer Preference Page, the service allows for unlimited local calling for a flat-rated monthly charge.

1.2.2 Access to Emergency Services

The Customer can reach an emergency dispatch, or public safety answering point ("PSAP"), by dialing "911." Upon dialing "911", the Customer's emergency call will be routed to the appropriate PSAP.

1.2.3 Access to Long Distance Service

The Company's long distance service is a switched long distance telephone service that allows for the origination of calls to be terminated outside of the local calling area. The calls will be billed as set forth on the Customer Preference Page. If a Customer accesses a specific long distance provider's service by dialing that carrier's local access number, that call will be billed as a local call as set forth on the Customer Preference Page.

1.2.4 Access to Directory Assistance

Directory assistance provides Customers with access to information contained in directory listings.

1.2.5 Access to Operator Services

Customer will have access to live or automatic operator assistance for the placement and billing of telephone calls, including collect calls, calling card calls, credit card calls, person-to-person calls, and third party calls, as well as obtaining related information.

1.2.6 Toll Limitation, Lifeline and Link-Up Services

Certain low-income consumers are eligible to pay reduced connect charges and monthly fees under the Federal Link-Up and Lifeline programs. Customer will contact the Company for more information on eligibility criteria. Any Customer who is enrolled in Lifeline can choose to have Company block all attempted toll calls originating from Customer's phone. Upon verification of eligibility, this option can be exercised by making such an indication on the Customer Preference Page, or by making such a request to Customer Care.

1.3 Customer Service Policies

1.3.1. Technical support personnel will be available 24 hours per day, 7 days per week. Customer Care can be reached by dialing 611 on Company's network, or by dialing 1-877-684-8562 from another network. A Customer can also speak with Company representatives located at its retail store outlets, who can provide information relating to services and rates, accept and process applications for service, explain charges on Customers' bills, adjust charges made in error, and generally act as the Company's

representatives. Customers may also send written questions, complaints, or disputes to the Company at Alltel Communications, Inc., 1 Allied Drive, Little Rock, AR 72202.

1.3.2. Customer Care service personnel will attempt to answer any questions a Customer has, and will strive to resolve complaints or disputes during the initial Customer call. If a complaint or dispute is not resolved on the initial customer call, the Company will, at the request of the Customer, investigate the matter further. In such case, the Company will respond to the Customer by telephone or in writing within seven (7) business days of the initial call and at least once every 14 calendar days thereafter, and advise the Customer regarding the status of its investigation until the complaint is mutually resolved or the Company advises the Customer of the results of its investigation and final disposition of the matter. If the Company requests that information relating to the complaint or dispute be provided by the Customer, the Company will take no further action unless and until the Customer responds to such request.

1.4 Limitations of Service

1.4.1 Service is offered subject to the availability of facilities and the provisions contained herein.

1.4.2 Service is furnished to the Customer for any lawful purpose. Service shall not be used for any unlawful purpose, nor used in such a manner as to interfere unreasonably with the use of service by any other users of Company's network.

1.4.3 The use of the Company's services without payment for service, or an attempt to avoid payment for service by fraudulent means or devices, false or invalid numbers, or false calling or credit cards is prohibited.

1.4.4 The use of the Company's services to make calls that might reasonably be expected to frighten, abuse, torment, or harass another person is prohibited.

1.5 Limitations of Liability

1.5.1 Because the Company has no control of the content of communications transmitted over its network, and because of the possibility of errors incident to the provision and use of its services, services furnished by the Company are subject to the terms, conditions and limitations specified herein.

1.5.2 The liability of the Company for errors in billing that result in overpayment by the Customer shall be limited to a credit equal to the dollar amount erroneously billed or, in the event that payment has been made and service has been disconnected, to a refund of the amount erroneously billed.

1.5.3 The Customer agrees, except where the events, incidents or eventualities set forth in this section are the result of the Company's gross negligence or willful misconduct, to release, indemnify and hold harmless the Company against any and all loss, claims, demands, suits or other action or any liability whatsoever, whether suffered, made, instituted or asserted by the Customer or by any other party or person, for any personal injury to or death of any person or persons, or for any loss of or damage to any property, whether owned by the Customer or others.

1.5.4 The Company assumes no responsibility for the availability or performance of any facilities under the control of other entities that are used to provide services to Customer.

1.5.5 With the exception of billing disputes, any claim against the Company shall be deemed waived unless presented to the Company within thirty (30) days after the date of the occurrence that gave rise to the claim.

1.5.6 The Company makes no express representations or warranties regarding the services or equipment provided, except as set forth herein, and disclaims any implied warranties, including, but not limited to, warranties of title or implied warranties of merchantability or fitness for a particular purpose. The Company does not authorize anyone to make a warranty of any kind on its behalf and Customer should not rely on any such warranty.

1.5.7 In the event the Company is found to be responsible to Customer for damages in any way relating to the services or equipment, Customer agrees that the Company liability to Customer will not exceed Customer's pro-rated monthly recurring charge for services during the period in which Customer incurs such damages. The Company is not liable for *any* incidental, special or consequential damages (such as lost profits or lost business opportunities), punitive or exemplary damages, the cost of alternative services, or attorneys' fees.

1.6 Interruptions of Service

1.6.1 General

1.6.1.1 Service is interrupted when it becomes unusable to the Customer or when the Customer is unable to transmit or receive calls due to the failure of a component of the network furnished by the Company under these Terms and Conditions.

1.6.1.2 An interruption period begins when the Customer reports a service, facility or circuit to be inoperative and releases it for testing and repair. An interruption period ends when the service, facility or circuit is operative.

1.6.1.3 If the Customer reports a service, facility or circuit to be inoperative but declines to release it for testing and repair, the service, facility or circuit is considered to be impaired but not interrupted. No credit allowances will be made for a service facility or circuit considered by the Company to be impaired.

1.6.2 Reestablishing Service

Company will make all reasonable efforts to prevent interruptions of service and, when interruptions do occur, reestablish service with the shortest possible delay. Company will make attempts to resolve emergencies at all hours, consistent with the bona fide needs of customers and the personal safety of Company's employees. In almost all cases, Company will be able to reestablish service within 24 hours. If unusual repairs are required, or other factors will prevent the prompt reestablishment of service, the Company will make reasonable efforts to contact Customer.

1.6.3 Network Maintenance

The Company will provide Customer with advance notice of any network unavailability due to regularly scheduled maintenance.

1.6.4 Application of Credits for Interrupted Services

In the event a Customer's service is interrupted and remains out of order for 24 hours after being reported to the Company, adjustments will be made to Customer's monthly bill based on the pro rata part of any charge due and payable from Customer. A refund will be accomplished by a credit on a subsequent bill, or if service has been terminated, by refund check issued to Customer. If service is restored on or before the day after it is reported, no allowance will be made. No adjustments will be earned by accumulating non-continuous periods of interruption.

1.6.5 Limitations on Allowances

No credit allowance will be made for any interruption of service due to the failure of power, equipment, systems or services not provided by the Company; during any period in which the Company is not given full and free access to the Customer's or Company's facilities and equipment for the purpose of investigating and correcting the interruption; during any period in which the Customer continues to use the service on an impaired basis; during any period in which the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements; or that was not reported to the Company within thirty (30) days of the date that service was affected.

1.6.6 Record Keeping

Company will keep records of all Customer reports of interrupted service, including the time, date, and nature of the report, and action taken by the Company to clear the interruption, and the date and time that service was restored.

SECTION 2 – CUSTOMER RESPONSIBILITIES

2.1 The Customer is responsible for placing any necessary orders, complying with the terms and conditions specified herein and assuring that all users of the services provided by Company comply with the same. The Customer shall ensure compliance with any applicable laws, regulations, orders or other requirements of any governmental entity relating to services provided by the Company to the Customer or made available by the Customer to another user. The Customer also is responsible for the payment of charges for all calls originated at the Customer's telephone number which are not collect, third party, calling card, or credit card calls.

2.2 The Customer is responsible for charges incurred for special construction and/or special facilities, which the Customer requests and which are ordered by the Company on the Customer's behalf, except as noted on the Customer Preference Page.

2.3 If required for the provisioning of the Company's services, the Customer must provide the Company, free of charge, with any necessary equipment space, supporting structure, conduit and electrical power.

2.4 The Customer is responsible for arranging access to its premises at times mutually agreeable to the Company and the Customer when required for Company personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of the Company's services.

2.5 The Customer must pay the Company for replacement or repair of damage to the Company's equipment or facilities caused by negligent or improper use on the part of the Customer or others.

2.6 The Customer indemnifies the Company for the theft of any Company equipment or facilities installed at the Customer's premises.

SECTION 3 – TERMINATION OF SERVICE

3.1 Customer may terminate service, with or without cause, by giving the Company three days' notice. Service will be disconnected on the requested termination day, and customer will not be responsible for services rendered after that day.

3.2 Company may terminate service, after at least seven (7) days from the mailing of notice to the Customer, for failure of the Customer to pay a bill when due, for failure of the Customer to permit the Company to have reasonable access to its equipment, or for failure of the Customer to otherwise adhere to these Terms and Conditions. The notice provided to Customer will state the reasons for and the date of scheduled discontinuance of service; actions that Customer may take to avoid discontinuance of service; and a statement of Customer's rights and responsibilities under existing state law and rules.

3.3 The Company may terminate service without notice in the event of any of the following occurrences: hazardous or unsafe conditions on the Customer's premises; the Customer's maintaining and/or operating its own equipment in such a manner as to adversely affect the Company's equipment, network or service to others; Customer intentionally using the service in a manner that causes wrongful billing charges to another person; Customer intentionally using the service to transmit messages or to locate a person to give or obtain information without payment of appropriate charges; Customer's use of the service with fraudulent intent by impersonating someone else; use of the service for unlawful purposes; abandonment of the service; Customer tampering with the Company's equipment; Customer's provision of false information in applying for Company's service; or the Customer's unauthorized or illegal use of the Company's service or equipment. The Company may also terminate service when necessary to comply with any order or request of any governmental authority.

3.4 Failure to pay for service not reflected on the Customer Preference Page is not sufficient cause for termination of service.

SECTION 4 - RATES AND CHARGES

4.1 Payment of Charges

4.1.1 The Customer is responsible for payment of all charges for service furnished to the Customer, and for all charges incurred to the Customer's telephone number regardless of which party terminates the service.

4.1.2 The Company will provide bills to Customer that are typed or machine-printed, and which contain an itemized listing of all charges and the period of time covered by the billing.

4.1.3 The Company reserves the right to assess late payment charges for a Customer whose account(s) carries principal owing from the prior billing period. Any charges not paid in full within 15 days after the due date indicated on the billing statement may be subject to a late fee of 1.5% of the total of the bill. At the end of the initial subsequent billing period, an additional charge of 1.5% of any remaining unpaid amount may be assessed on the Customer. Thereafter, a further additional charge of 2% of any portion of the original unpaid amount may be assessed.

4.1.4 Recurring monthly charges may be invoiced one month in advance. Invoicing cycles are approximately 30 days in length. Customer will have at least 20 days from the bill date to pay the new balance.

4.1.5 Customers must notify the Company either verbally or in writing of any disputed charges, otherwise all charges on the invoice will be deemed accepted. All charges remain due and payable at the due date, although a Customer is not required to pay any disputed charges during the time period in which the Company conducts its investigation into the matter. If after such investigation, Company determines amounts to be due, those amounts are immediately due and payable.

4.2 Deposits

The Company may collect a deposit for Company-provided equipment used by Customer. Any deposit required of Customer shall bear a reasonable relationship to the value of the equipment. Customer deposits will not be based upon income, home ownership, residential location, employment tenure, nature of occupation, race, color, creed, sex, marital status, age, national origin, or any other criteria that does not bear a reasonable relationship to the assurance of payment. Interest will be paid on all Customer deposits at the rate of three percent (3%) per year, payable from the date of deposit to the date of refund. Upon termination of service and the return of any equipment, the Company will return any deposit, plus interest, to the last address provided by Customer, within 45 days of termination of service. The Company reserves the right to apply any deposit to any charges then past due.

4.3 Contested Charges

All bills are presumed accurate and shall be binding on the Customer unless the Company receives objection. In the event that a billing dispute between the Customer and the Company for service furnished to the Customer

cannot be settled with mutual satisfaction, the Customer may request, and the Company will provide, an in-depth review of the disputed amount. The undisputed portion of any bill and any subsequent bills must be paid on a timely basis or the service may be subject to disconnect. If it is determined that any amount previously paid was incorrectly billed, Company will reduce Customer's subsequent bill accordingly, or, at the request of the Customer, will issue a refund.

4.4 Taxes

State and local sales, use and similar taxes and governmental assessments, including gross receipts taxes, are billed as separate items and are not included in the quoted rates for telecommunications services listed on the Customer Preference Page.

4.5 Start of Billing

For billing purposes, the start of service is the day shown on the Customer Preference Page, or the day following acceptance by the Customer of the Company's service or equipment. The end of service date is the last day of the minimum notification of cancellation, or any portion of the last day after receipt by the Company of notification of cancellation as described in paragraphs 3.1 through 3.4 of this Agreement.

4.6 Promotions

From time to time, the Company may offer services or waive or vary service rates for promotional, market research or other similar business purposes.

4.7 Bad Check Charge

If payment for services is made by a check, draft, or similar instrument (collectively "Check") that is returned to the Company unpaid by a bank or another financial institution for any reason, the Company will bill the Customer a $15.00 service charge. In addition, the Customer may be required to replace the returned Check with a payment in cash or equivalent to cash, such as cashiers check, certified check or money order.

4.8 Reconnect Charge

If service has been discontinued for proper cause, the Company will charge a fee of $35.00 to defray the cost of restoring service to the Customer.

4.9 Discounts for Hearing and Speech Impaired Customers

Directory Assistance services for hearing or speech impaired Customers are provided by the Company or a designated carrier. No charge shall be assessed upon any person who suffers from a physical or visual impairment that precludes such a person from using a telephone directory.

SECTION 5 - ADDITIONAL TERMS

5.1 Amendment of this Agreement

Company will provide Customer with 14 days' written notice of any amendments to this Agreement. By use of the service on or after the effective date of the Amendment, Customer acknowledges acceptance of all such amendments. Customer may add or delete services reflected on the Customer Preference Page by giving the Company verbal or written notice of the intent to do so.

5.2 Assignment

Customer may not sell, assign, or transfer rights and obligations contained in this Agreement without the consent of the Company, which may be withheld at its sole discretion.

5.3 Notices

All written notices required or allowed under this Agreement shall be given to Company at the following address: Alltel Communications, Inc., 1 Allied Drive, Little Rock, AR 72202. All written notices required or allowed under this Agreement shall be given to Customer at the billing address listed on the Customer Preference Page.

5.4 Entire Agreement

This Agreement contains the entire Agreement between Company and Customer and supersedes and cancels all prior understandings, agreements, contracts or arrangements between them concerning the subject matter hereof. No statements or representations not included herein shall not be binding upon the parties.

5.5 Governing Law

This agreement shall be governed by applicable federal law, the regulations of the FCC, and the laws of the State of South Dakota, to the extent applicable, and applicable orders of the Commission. Any disputes or claims arising under this Agreement may be subject to the Commission's jurisdiction. The address of the Commission is: Public Utilities Commission of South Dakota, Capitol Building, First Floor, 500 East Capitol Avenue, Pierre, South Dakota 57501-5070. The telephone number is: 1 -800-332-1782.

5.6 Waiver

Failure by either party to strictly enforce any provision of this Agreement shall not be construed as a waiver thereof, or as excusing the other party from future performance.

5.7 **Savings Clause**

If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, such provision shall be deemed not to be a part of this Agreement, except in the case of a state or local prohibition, in which event it shall be eliminated only for such state or locality, but no such elimination shall invalidate any other provision.

TERMS AND CONDITIONS FOR COMMUNICATIONS SERVICES

Definitions

"You" and "your" mean the person or entity that subscribes to Communication Services or purchases or leases Equipment subject to this Agreement. This "Agreement" includes these Terms and Conditions and your Service Order. "We," "our," "us," and "Alltel" refer to Alltel Communications, Inc., its subsidiaries and affiliates, as well as any other person or entity doing business as Alltel and providing Communication Services or Equipment to you. "Communication Service(s)" or "Service(s)" refer to any services you have asked us to provide to you through this Agreement. "Equipment" means any communications equipment or accessories you purchase or lease from us or use in any manner in connection with your Services. "Service Order" means the form (whether paper or electronic) on which you apply for Services and includes certain additional Terms and Conditions for your Services. "Terms and Conditions" include the following provisions as maintained at www.Alltel.com and the provisions in your Service Order that set forth the manner in which we provide Equipment and Service to you, such as the length of time you will subscribe to a Service, rate plans, access charges, fees, taxes and surcharges, choice of long distance carrier, and the Equipment you have selected.

Acceptance

You accept this Agreement when you do any of the following: (a) give us your written or electronic signature, (b) tell us orally or electronically that you accept, or (c) use or attempt to use any of the Equipment or Services. If you have never used the Services before and do not wish to be bound by these Terms and Conditions, do not begin using the Services or Equipment and notify us immediately.

Term

a. Fixed Term. You agree to subscribe to the Services for the length of time identified on the Service Order. The Services you receive after the end of the term will be provided on a month-to-month basis and remain at all times subject to the Terms and Conditions.

b. Month-to-Month Term. If no length of time is identified on the Service Order, then the term is month-to-month.

Termination By You

a. Fixed Term. If you subscribe to a Service for a fixed term and you terminate that Service before the expiration of the fixed term then you will be required to pay us an early cancellation fee as specified on your Service Order. If there is no early cancellation fee specified on your Service Order, then you will be required to pay $200 per line for any early cancellation. In addition, you remain liable for payment of all outstanding charges for all Services you used and Equipment you purchased from us prior to termination.

b. Month-to-Month Term. You may terminate a Service to which you subscribe on a month-to-month basis at any time by notifying us. You remain liable for payment of all outstanding charges for all Services you used and Equipment you purchased from us prior to termination.

c. Bundled Services. If you receive special rates in return for subscribing to multiple Services and you subsequently unbundle, terminate, or disconnect any of these Services at any time, then we may adjust the rates for the remaining Service(s).

d. Change in Location. A change in your service address or the location to which any Service is provided to you may constitute, at our sole discretion, termination of the Services or an increase in the prices you must pay for the Services.

e. Number Portability. A request by you to port your number will be deemed a request by you to terminate your Agreement.

Termination By Us

We may limit, interrupt, terminate or refuse to provide a Service for the following reasons, or for any other good cause: (a) if you do not honor any provision of these Terms and Conditions (including payment obligations), (b) if you use a Service in a manner that adversely affects Service to other customers or harasses our customers, our employees, or others, (c) if you or others use a Service to engage in fraud or unlawful conduct or are suspected of doing so, (d) if you modify your wireless phone or any software residing thereon from the original manufacturer specifications, including for the purpose of accessing non-Alltel services, (e) if your Service is used in a manner that is excessive or unreasonable with respect to volume or length of calls when compared to the predominant volume or length of call of other customers on a similar rate plan or in your geographic area, or (f) if the majority of your Service is used roaming on a network not owned or operated by Alltel. You may not resell any Service. We may restore such interrupted or terminated Service, in our sole discretion, following your correction of the violation and payment of any amounts due, including any restoration charge we assess for restoring your Service.

Payment Of Charges And Fees

a. In General. You are responsible for paying all charges applicable to your Equipment and Service, including: access charges, airtime, features, text messaging, roaming, toll, long distance, and directory assistance. In addition, you are responsible for paying any taxes, surcharges, fees, and assessments imposed by us or a governmental authority from time to time in connection with the Services or the Equipment.

b. Wireless Airtime Charges. Airtime usage on each call is billed in full minute increments, with a minimum charge of one minute per call. Partial minutes of use are rounded up to the next full minute. Access charges are billed in advance and will not be deducted from your bill or refunded in the event of termination. Unused plan minutes are not carried over to subsequent monthly billing cycles. In some instances, information regarding airtime usage, including roaming or long distance charges, is not available to be included in the bill for the month that the Service is used, and will be billed to you in a subsequent bill. The Service will be charged, and deducted from your plan minutes, in the month it is billed. The length of a call will be measured from when you initiate it (typically, when you press the "Send" key) until you terminate it (typically, when you press the "End" key). You may incur additional charges for roaming or long distance calls. Rates and charges while roaming outside of your local Alltel service area may be different from your Alltel service area rates. We reserve the right to select the carrier you will use while roaming. Rates during peak hours may be higher than rates during off-peak hours. Use of custom calling features (such as voicemail or three-way calling) will be billed like any other call. To be eligible for Service, we may require you to reside in our Service area and to use most of your Service on a network owned or operated by Alltel.

c. Wireless Data Charges. Wireless data services may be billed in full kilobyte increments. Partial kilobyte increments of use may be rounded to the next full kilobyte. Unused kilobytes may not be carried over to subsequent monthly billing cycles. Access time may be measured from the time the port is seized to the time the port is released by your Equipment.

Billing Information Provided By You

To determine whether certain taxes, fees and surcharges are applicable to Service provided to you, we are required by federal law to obtain your street address, which must be within our service area. You represent and warrant that the address you provide us to obtain Service is correct, and you acknowledge that we are relying on this information to determine which taxes, fees or surcharges are applicable to your Service. You agree to notify us if your address changes. In the event you do not

provide us with a valid address or address change, you understand and agree that you may be responsible for additional taxes, fees or surcharges for your Service, and we may terminate your Service.

Payments
We will bill you monthly for all charges associated with the Services, and we will invoice you for all charges associated with Equipment. Payment in full is due no later than the due date indicated on your bill. If you have authorized payment for Services or Equipment by credit card or by debiting a bank account, no additional notice or consent is required before we invoice the credit card or debit the bank account for all amounts due to us for any reason. We may accept late payments, partial payments or any payments marked as being "payment in full" or as being settlement of any dispute without losing any of our rights under this Agreement. You agree to pay costs and fees we incur to collect an unpaid balance from you.

Credits And Deposits
You authorize us to ask credit-reporting agencies for credit information about you. We may, in our discretion, require you to submit a deposit as security for payment of charges. An additional deposit may be required if either the amount or number of Services is increased or your credit rating changes. Simple interest will be paid on the cash deposit for the period it is held by us and will be refunded if satisfactory credit has been established or upon termination of service. We reserve the right to apply the deposit to any amount due and unpaid. We may require a guarantee of payment by an individual or entity approved by us.

Internet
If you use any of the Services to access the Internet , you agree to abide by our Acceptable Use Policy, available via a link on the Alltel web site (www.Alltel.net), and by any other policies posted there. The Acceptable Use Policy generally provides that you may not use our Internet access Service to (1) engage in illegal activity, (2) violate the network policies of any network accessed through our Service or (3) engage in any activity that interferes with other Internet users' use and enjoyment of the Internet or our Service. The Acceptable Use Policy may change periodically, and it is your responsibility to review it from time to time and comply with any changes.

Personal Identifiers
We assign telephone numbers, e-mail addresses and other personal identifiers in connection with the Services. Unless we provide you advance notice, you have no proprietary right to any such identifiers, and we reserve the right to change them upon notice to you. In the event that you become entitled to transfer a personal identifier to another party to obtain any Services we provide you, we reserve the right, prior to honoring the request for transfer, to charge a fee for the transfer and to collect any money owed by you for Services or Equipment.

Services Provided By Third Parties
The Services will be provided either by us or by our third party vendors or contractors. We reserve the right to change or modify the source of any Services provided to you without notice.

Unauthorized Use of Third Party Services
You agree that the mobile phone on which your Alltel Service is activated may not be used to access any third-party services equivalent to Services provided, or Services made available, by Alltel even if you declined to purchase such Services from Alltel. Your mobile phone contains programming designed to enable access to Alltel Services only. Using any manual or electronic means to

circumvent any restrictions placed on your mobile phone or to modify without authorization any programming supplied on your phone is a violation of your Agreement.

Privacy And Customer Proprietary Network Information

You authorize us to monitor and record communications to us regarding your account or the Services for purposes of quality assurance. We will not give you notice of any subpoenas or court orders related to your account or use of Services unless required by law. Information in our billing and customer care systems concerning your account and your use of Services belongs to us, and you have no expectation of privacy with respect to such information. You agree that we may release information we have about you when required to do so by law, to provide to third parties solely for the purpose of assisting us in providing any Service to you, or if we reasonably believe that an emergency involving immediate harm to a person or property requires disclosure. We may analyze your account and usage information and share this information with other Alltel entities to communicate with you regarding Equipment or Services that may become available to you. If you do not want us to provide your information to other Alltel entities for this purpose, please notify us.

Theft And Fraud

If your Service or Equipment is lost or stolen or fraudulently used, then you are responsible for all usage incurred before we receive notice from you of such loss or theft. You agree to cooperate in the investigation of fraud or theft and to provide us with such information and documentation as we may request (including affidavits and police reports).

LIMITATION OF LIABILITY

IN THE EVENT WE ARE FOUND TO BE RESPONSIBLE TO YOU FOR DAMAGES IN ANY WAY RELATING TO THE SERVICES OR EQUIPMENT, YOU AGREE THAT OUR LIABILITY TO YOU WILL NOT EXCEED YOUR PRO-RATED MONTHLY RECURRING CHARGE FOR SERVICES DURING THE PERIOD IN WHICH YOU INCUR SUCH DAMAGES. WE ARE NOT LIABLE FOR *ANY* INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES (SUCH AS LOST PROFITS OR LOST BUSINESS OPPORTUNITIES), PUNITIVE OR EXEMPLARY DAMAGES, THE COST OF ALTERNATIVE SERVICES, OR ATTORNEYS' FEES.

DISCLAIMER OF WARRANTIES

WE MAKE NO REPRESENTATIONS OR WARRANTIES REGARDING THE SERVICES OR EQUIPMENT YOU RECEIVE FROM US, AND DISCLAIM ANY WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. WE ARE NOT RESPONSIBLE FOR CIRCUMSTANCES BEYOND OUR CONTROL, INCLUDING WITHOUT LIMITATION ACTS OR OMISSIONS OF OTHERS, ATMOSPHERIC CONDITIONS, OR ACTS OF GOD. WE DO NOT PROMISE UNINTERRUPTED OR ERROR FREE SERVICE. WE MAY NOT MANUFACTURE ANY EQUIPMENT OR SOFTWARE THAT YOU MAY USE IN CONNECTION WITH YOUR SERVICE, AND YOUR ONLY WARRANTIES AND REPRESENTATIONS WITH RESPECT TO EQUIPMENT OR SOFTWARE ARE THOSE PROVIDED BY THE MANUFACTURER (WITH RESPECT TO WHICH WE HAVE NO LIABILITY WHATSOEVER).

About These Terms and Conditions

a. Record Retention. You acknowledge and agree that (i) Alltel will not maintain a paper copy of your Agreement, (ii) Alltel will maintain your rate plan and feature information electronically, and (iii) Alltel will maintain its copy of the Terms and Conditions at www.Alltel.com. If you lose your copy of the Terms and Conditions, you may retrieve the then current electronic copy from www.Alltel.com at any time.

b. Changes. We may change these Terms and Conditions, including any change in any charge or fee, or the imposition of a new charge or fee, at any time if we give you notice in advance of the change. If we make a change to these Terms and Conditions that is material and you do not wish to accept such material change, you may terminate your Agreement for the affected Service by giving us notice within thirty (30) days, in which case you will not be subject to an early cancellation fee. You will, however, still be responsible for all charges for Services and Equipment made before you terminated your Agreement for that Service. A material change is **ONLY** a change that (a) terminates or substantially reduces the availability of a Service for you or (b) results in the increase of any charge by more than ten percent (10%) of the monthly access charge for that Service. Material changes in your Service **DO NOT** include the increase in, or imposition of: (1) any charge required to be collected by any governmental authority, or (2) any charge permitted to be collected by any governmental authority to recoup our expense for the provision of a service required by that governmental authority.

Applicable Law
Your Agreement and Alltel's provision of Services to you are subject to (a) the laws of the state identified in the billing address that you have provided us and (b) any applicable federal or state laws. In the event of an inconsistency between any governmental requirement and this Agreement regarding the provision of a Service that is subject to the governmental requirement, the provisions of the governmental requirement will apply to the extent necessary to avoid the inconsistency.

Assignment
We may assign this Agreement to another entity without any advance consent from or notice to you. You may not assign this Agreement without our consent.

No Waiver; Severability
If we do not enforce any right or remedy available under this Agreement, that failure is not a waiver. If any part of this Agreement is held invalid or unenforceable, the remainder of this Agreement will remain in force.

Third Parties
This Agreement is for the benefit of you and us only, and not any third party.

ARBITRATION
ANY DISPUTE ARISING OUT OF THIS AGREEMENT OR RELATING TO THE SERVICES AND EQUIPMENT MUST BE SETTLED BY ARBITRATION ADMINISTERED BY THE AMERICAN ARBITRATION ASSOCIATION, USING THE WIRELESS INDUSTRY ARBITRATION RULES. INFORMATION REGARDING THIS PROCEDURE MAY BE FOUND AT WWW.ADR.ORG. EACH PARTY WILL BEAR THE COST OF PREPARING AND PROSECUTING ITS CASE. WE WILL REIMBURSE YOU FOR ANY FILING OR HEARING FEES TO THE EXTENT THEY EXCEED WHAT YOUR COURT COSTS WOULD HAVE BEEN IF YOUR CLAIM HAD BEEN RESOLVED IN A STATE COURT HAVING JURISDICTION. THE ARBITRATOR HAS NO POWER OR AUTHORITY TO ALTER OR MODIFY THE AGREEMENT OR THESE TERMS AND CONDITIONS, INCLUDING THE FOREGOING LIMITATION OF LIABILITY SECTION. ALL CLAIMS MUST BE ARBITRATED INDIVIDUALLY, AND THERE WILL BE NO CONSOLIDATION OR CLASS TREATMENT OF ANY CLAIMS. THIS PROVISION IS SUBJECT TO THE FEDERAL ARBITRATION ACT. YOU UNDERSTAND AND ACKNOWLEDGE THAT BY AGREEING TO THIS ARBITRATION CLAUSE, YOU ARE WAIVING YOUR RIGHT TO A JURY TRIAL.

State Specific Information

Connecticut Subscribers
Connecticut subscribers may submit inquiries and complaints regarding the Services to the Connecticut Department of Public Utility Control via: (a) toll free 1-866-381-2355; (b) mail to: Connecticut DPUC, 10 Franklin Square, New Britain, CT 06051, Attention: Cellular; or (c) the web at http://www.state.ct.us/dpuc/cellphone.html

South Dakota Subscribers
We will provide basic information about reduced rate telecommunications services under the federal Lifeline and Link Up programs. We will provide Lifeline and Link Up services to those who request such services and who meet the eligibility requirements to qualify for such services. We will comply with all current and future requirements related to Lifeline and Link Up. Notwithstanding anything to the contrary contained herein, payment of charges disputed may be withheld. We will treat all charges as undisputed unless otherwise notified by you. Claims or disputes arising under this Agreement may be subject to the jurisdiction of The Public Utilities Commission of South Dakota, which can be contacted via toll free at 1-800-332-1782 or via mail to The Public Utilities Commission of South Dakota, Capitol Building, First Floor, 500 East Capitol Avenue, Pierre, South Dakota 57501-5070.

Entire Agreement
This Agreement, including its Terms and Conditions and your Service Order, is the entire Agreement between you and us, which may only be amended as described above. This Agreement supersedes any and all statements or promises made to you by any of our employees or agents.