Montana Independent Telecommunications Systems

Providing Professional Services to the Telecommunications Industry since 1994

Montana Telecommunications

April 2002

United We Stand

Rural Telcos attend NTCA Legislative Conference in D.C.

"Public Forum" idea appreciated

Washington, D.C.

Representatives of Montana's rural telephone companies met with their members of Congress and their staffs in Washington, D.C., last week. The meetings were part of an annual week-long effort sponsored by the National Telecommunications Cooperative Association to keep legislators informed of the issues and concerns facing rural telephone companies.

MITS' Mike Strand attended, along with Gary Klind, Vernon Whiteman, Roy Neufeld and Ron Ostberg, all from Nemont Telephone Cooperative. Mike Strand described the aggressive rollout of broadband access by Montana's rural companies. Other representatives, including Geoff Feiss of the Montana Telecommunications Association, focused on some of the regulatory challenges the companies face.

While rural telephone companies have now deployed either DSL or cable modem service to more than 140 Montana communities, subscribership to the new services remains low at around 2%. Mike attributed this to two causes. First, he felt that more work needs to be done in the area of pricing to make access affordable. Second, he believed that most customers are simply not yet aware of the ways in which broadband access is relevant to their day-today lives.

Concerns about pricing must be internally addressed by the rural telephone companies. However, there may be ways to deal with the issue of whether broadband is relevant to rural customers.

Mike suggested two or three forums, sponsored by Senators Baucus and Burns, in which representatives from a variety of fields could meet with representatives from the telecommunications industry to more fully explore the tools that are available and how those tools might be utilized for specific purposes. Both senators were very supportive of the idea.

In addition to the broadband discussion, Montana's members of Congress heard some very serious concerns about recent developments at the FCC. Many telephone providers in Montana believe that recent rulings by the FCC may render local telephone service increasingly unaffordable for rural subscribers. All of the members of Congress and their staffs committed to looking closely at the issues and pursuing the best interests of Montanans.

- MITS -
Board of Directors

Tom Bangs - President
Central Montana Communications

Roy Neufeld - Vice President
Project Telephone Company

Ben Boreson - Secretary/Treasurer
Valley Telecommunications

Rick Pokorny - Director
Triangle Telephone Cooperative Association

Vernon Stoner - Director
Nemont Telephone Cooperative

MITS Files Comments with FCC Regarding E-Rate Program

On April 5, 2002, MITS submitted comments to the Federal Commissions Commission in response to FCC 02-06, Notice of Proposed Rule Making and Order seeking comments in refining rules governing the Schools and Libraries universal service support mechanism known as the "E-rate program". While suggesting program improvements, MITS urged the FCC to exercise caution in implementing changes without an analysis of the funding impacts on other universal service programs. Comments are posted on the MITS Website at www.mitstel.com.

Montana Business On Tour

The Montana Taxpayers Association (MTA) will join the Montana Chamber of Commerce on their semiannual Business Agenda tour to Montana cities. A series of meetings are scheduled to provide overviews of current taxation and business issues, as well as to provide opportunities for Montanans to share ideas and concerns, according to MTA president Mary Whittinghill. The breakfast, luncheon and after-work meetings begin April 22 in Lewistown, Glasgow and Wolf Point; April 23 in Sidney, Glendive and Miles City and April 24 in Billings. Other meetings scheduled are: May 9 in Dillon and Butte; May 15 in Kalispell; May 17 in Bozeman; June 4 in Havre and Great Falls; and June 13 in Hamilton and Missoula.

Contact Local Chambers for detailed information.

Business Tour Dates

April 22 - Lewistown, Glasgow and Wolf Point
April 23 - Sidney, Glendive, Miles City
April 24 - Billings
May 9 - Dillon and Butte
May 15 - Kalispell
May 17 - Bozeman
June 4 - Havre and Great Falls
June 13 - Hamilton and Missoula

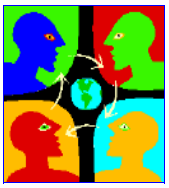
Retail Telecom Excise Tax Rules Amended

Dept of Revenue accepts changes suggested by telcos

The Montana Department of Revenue (DOR) has adopted changes to rules clarifying definitions, terms and accounting requirements for telephone companies collecting the state retail telecommunications excise tax imposed on certain purchasers of retail telecom service. In response to testimony by Kathy Greenwood, Office Manager of Nemont Telephone Cooperative, the DOR amended the proposed rules to clarify the responsibilities of telecommunications carriers when substantiating taxable and non-taxable revenue received from customers required to pay the excise tax. Telephone companies collect the tax, which appears as a line item on customers' bills, for the Department of Revenue.

Nemont's Kathy Greenwood and Nancy Levang, along with MITS' Bonnie Lorang, attended the February 20th DOR rule-making hearing which led to the March 18th adoption of rules by the Department of Revenue. The adopted rules are posted on DOR's web site: www.state.mt.us/revenue.

MITS BITS



Qwest is scheduled to meet with the Montana Public Service Commission within the next few weeks to discuss the filing of their FCC application seeking approval to enter the interLATA long distance market. A PSC spokesperson indicated that Qwest hopes to file their application for interLATA relief in Montana with the FCC before the end of May. Qwest is prohibited from providing interLATA services in Montana until they have proven they have opened their local markets in Montana to competition.

PSC Investigates the Scope of Jurisdiction Over Universal Service Funding

The Public Service Commission (PSC) is requesting information to assist in the development of an annual process to certify and designate telecommunications carriers eligible for receipt of universal service funds. While the federal Universal Service Program provides funding assistance for telecom carriers serving high cost areas, it is the state Commissions that are charged with designating which carriers are eligible for the funding. Those carriers so designated are termed "eligible telecommunications carriers" or "ETCs". Montana telecommunications carriers receive approximately $48 million/year in Universal Service Support and utilize that support to provide high quality, reliable, yet affordable telephone service in Montana's rural areas.

The PSC's March 25 Notice of Inquiry seeks to gather information to determine the most efficient and meaningful mechanism by which carriers in Montana will be designated as ETCs. The Commission seeks input in a "collaborative manner" and seeks participation by interested parties in establishing rules setting parameters on the receipt and use of universal service funds for the benefit of Montana citizens. The PSC is also considering how to properly address any abuses that may occur with respect to the receipt and use of universal service monies. Comments must be received by the PSC no later than April 30, 2002. (reference: D2002.3.33)

PSC Considers Changing Interest Requirements on Customer Deposits

The Montana Public Service Commission has granted a rulemaking petition from Hot Springs Telephone Company and has initiated a proceeding seeking comments on whether the current PSC rule setting the interest rate utility companies are required to pay customers on service deposits should be amended. The PSC notice suggests the current rate may be out of date.

The PSC seeks comments on a number of alternatives proposed to replace the current 12% annual interest rate: (a) interest on deposits would be accrued at the rate of 3% per year; (b) interest would accrue at a fixed rate of 3% to 9% annually; (c) interest would accrue at a recognized and readily available national standard rate; (d) interest would accrue between 3% and 9% based upon the size of the utility; (e) interest would accrue at a rate equal to the utility's cost of capital or rate of return last approved by the PSC; and (f) interest would accrue at a fixed rate equal to a typical depositing customer's time value of money (such as the average credit card rate).

Comments must be received by the PSC on or before the scheduled May 14, 2002 rule hearing in Helena.

Rural Telcos Lauded in National Forums by Baucus and Burns

"aggressive deployment of broadband services"

Senator Max Baucus

Senator Burns

Montana's two U.S. Senators applauded Montana's rural telecommunications companies as examples to the rest of the nation for their aggressive deployment of broadband services. Senator Max Baucus was featured in the cover story of the March/April 2002 issue of Rural Telecommunications, a publication of the National Telecommunications Cooperative Association. Senator Conrad Burns, testifying at the U.S. Senate Commerce Committee hearing on what is known as the "Tauzin/Dingell bill", praised local telephone cooperatives for their innovation in serving rural Montana.

"Cooperatives are the main economic drivers in much of Montana. Frankly, they are ahead of the rest of the state and, in some respects, the rest of the nation, in developing new technologies," said Baucus. The Senator praised Vision Net for its 90 full-motion two-way videoconferencing facilities, some located in the most remote areas of Montana, and praised rural telephone cooperatives that "have been the pioneers providing state-of-the-art telecommunications." He stated his belief that the Internet and telecom are the cornerstones of economic development and the future.

Senator Conrad Burns, testifying in opposition to House Bill 1542 proposing to ease restrictions for Bell Operating Companies allowing them to transport data across LATAs prior to opening local voice markets to competition, expressed his frustration with the larger non-rural telecommunications carriers. "Given my experiences with the Bell Operating Company currently serving Montana, I am not at all confident that this full deregulation would serve the consumers. In fact, until very recently, it had deployed advance services in a grand total of one Montana city, and that's in Helena, despite years of promising more rapid deployment of broadband," Burns said in his opening statement before the Commerce Committee. "In stark contrast, there will soon be 121 small Montana communities that will have advanced services, courtesy of the Montana's independent and cooperative telephone companies. Among the list are rural communities such as Circle, Malta, and Plentywood, and let me tell you, those are not metropolises." In fact, DSL or digital subscriber line is now available in **140** rural Montana communities.

Both Montana senators support offering tax incentives for the deployment of advanced services to rural areas.

*i*Connect Montana

Granite Tower- Billings

*i*Connect Montana has recently finalized the purchase of a communications tower to enhance its clients' ability to deploy wireless technologies in Billings.

The tower is located on top the Granite Tower, which is also the location of *i*Connect's Billings Fiber Hotel.

MITS Presents at Rural Utility Service Event

Connecting Communities Through Distance Learning & Telehealth

Bonnie Lorang of MITS joined other panelists sharing information on how communities may be connected via distance learning and telemedicine at a March 28 Montana Rural Utility Service (RUS) event in Bozeman. She and co-panelists Thelma McClosky Armstrong, Director of the Eastern Montana Telemedicine Network, and Wes Lannel, RUS Specialist from the state of Washington, highlighted the opportunities and challenges of using advanced telecommunications technologies to help rural communities bridge distances to deliver high-quality education and healthcare.

Bonnie's presentation focused on how Montana schools have used combinations of federal Universal Service E-Rate and RUS funding in conjunction with distance learning. She spoke of the opportunities distance learning offers and the challenges it sometimes presents. Bonnie provided information on the three interactive video conferencing networks in Montana, focusing on Vision Net, Montana's premier video conferencing network which now provides over 60 hours of video conferencing around the world every day. Established in 1995 by four Montana telephone cooperatives, Vision Net projects they will have 91 interactive studios in place by the end of 2002. (www.montanavision.net)

RUS programs, administered by the U.S. Department of Agriculture, are designed to improve the quality of life and to promote economic development in rural America. RUS grants and loans provide funding for many Montana schools and health care facilities not only to obtain access to advanced services but also to provide hardware, software, training and technical assistance. Community access to advanced telecommunications is a vital component to economic growth in rural areas. (www.rurdev.usda.gov/mt/RUS)

Montana Independent Telecommunications Systems

2021 11th Avenue, Suite 12
P.O. Box 5237
Helena, MT 59601
Phone: 406-443-1940
Fax: 406-443-2880
E-Mail: mits@ixi.net
Web Site: www.mitstel.com

Mike Sheard Mike Strand
Bonnie Lorang

Montana Telecommunications

April 2002

- Cutting Edge -
Sony's Screenblast - An Entertaining Glimpse into Broadband's Potential

Sony offers an entertaining and innovative application that enables users with broadband Internet connections to create and/or edit their own video or audio productions. According to information found at (www.screenblast.com), Screenblast unleashes users' artistic abilities with easy-to-use publishing software ranging from fun, browser-based tools to professional grade software enabling them to produce their own music, video and animation content.

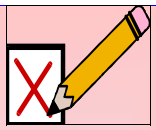
Users can choose from Screenblast's studio-quality audio and video archives or they can utilize Screenblast's suite of creativity tools to enhance their own content. Screenblast offers five genre-specific channels (action, comedy, drama, sci-fi/horror and music) where users can not only check out new broadband entertainment, but also manipulate the selected content, influence story lines or use the Screenblast tools to add new elements.

Many of Screenblast's features are provided at no charge and can be downloaded from the website. More sophisticated users can upgrade to more feature-rich programs for a fee (also available on the Screenblast website).

Users must have an Internet connection of at least 128 KB/second, and can store their audio, video and animated creations in the 50 Mb of free online storage provided by Screenblast. If desired, these creations can be made accessible to a worldwide audience through the Screenblast Showcase.

This new application, which is initially targeted to the 18-24 year olds, reportedly has an enthusiastic and growing following that could signal another response similar to that resulting from the release of MP3 technology. More importantly, innovative applications such as Screenblast will continue to drive the demand for more and more broadband connections, and will increase the use of these connections as well as bandwidth requirements across the Internet.

Mark Your Calendar



April 28-30: NTCA Public Relations/Marketing Seminar - Seattle, WA

May 13-17: New Mexico State University - Center for Public Utilities Training - Albuquerque, NM

May 14: PSC Hearing: L-02.1.1-RUL - Customer Service Deposits - Helena

May 22-24: Western Interstate Regional Conference for County Commissioners - Billings.

June 9-12: Western Conference of PSC Commissioners, Scottsdale, AZ

July 10-12: 2002 MTA Annual Mtg—Helena

July 28-31: NARUC Summer Mtgs. - Portland, OR