

March, 2002

Kyrgyzstan's Presidential Advisor Visits MITS

Community networking, like telecommunications, is global. Five delegates from the Central Asian country of Kyrgyzstan visited Helena for one week in February to learn about education, habilitation, health care and economic development programs in rural America. Among those visiting was Mr. Aidar Zhorobekov, a foreign policy administrator in the Office of the President of the Kyrgyzstan Republic. Part of the U.S. Peace for Partnership Program, initiated in the mid-1990's to bring together the Montana National Guard and Kyrgyzstan as military partners, the program now emphasizes economic and educational partnerships joining Montana and Kyrgyzstan. (Kyrgyzstan was annexed by Russia in 1894 and achieved independence from the Soviet Union in 1991.)

The delegation met with representatives from Helena's banking, building, education and habilitation communities. Yet Mr. Zhorobekov sensed another unexplored need: how do Americans provide quality telecommunications service in very rural areas?

An informal weekend contact between Helena coordinator Ron Lukenbill and MITS' Bonnie Lorang quickly led to Mr. Zhorobekov's visiting the MITS' offices on Feb 25 so the presidential advisor could learn more about the high speed networks that have been deployed by independent telephone cooperatives in rural areas of Montana. Mike Strand, Executive Director of MITS, provided a brief background of the cooperative telecommunications systems and explained how independent telephone companies in Montana not only have taken the lead in provisioning basic and advanced services in the state but also have raised the bar for the quality of telecommunications services.



MT National Guard CW4 Ric Bidwell,
Mr. Aidar Zhorobekov of Kyrgyzstan
w/ Mike Strand and Bonnie Lorang of MITS

Ron Lukenbill expressed his gratitude for MITS' positive response to the request to meet with Mr. Zhorobekov on such short notice. They are very interested in enhancing their telecommunications infrastructure to better serve their rural and remote regions. After the meeting with MITS officials and during conversations before returning home to the capitol city of Bishkek, Mr. Zhorobekov expressed his appreciation for the manner and professional quality of the discussions with MITS.

Another Kyrgyzstan-Montana partnership involves the Farm in the Dell Foundation in Helena and the Center for Developmentally Disabled Persons in Bishkek. Lowell Bartels of Helena (406-449-9394) has been instrumental in developing that international partnership. Helena's Ron and Tanya Lukenbill (406-442-5636) have been active in cooperative school and university programs involving Montana and countries of the former Soviet Union since 1988.

Gov't Accounting Office Issues T-Com Report

The federal General Accounting Office (GAO) recently issued a report titled "Telecommunications: Federal and State Universal Service Programs and Challenges to Funding." The report questions whether IP telephony and other new technologies should be required to contribute to the Universal Service Fund. The report also revealed a wide disparity among long distance rates in both rural and urban areas.

It can be viewed at: <http://www.gao.gov/new.items/d02187.pdf>.

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 BITS -

On February 13, 2002 the US Senate passed a Farm Bill (S. 1731) which contained a provision which could make up to \$100 million available for grants and loans to rural communities for broadband construction and deployment through the Rural Utilities Service. The bill is now in conference with the House.

MIT S Well Received by PSC at Annual Informational Meeting

Despite their busy schedules, all five PSC Commissioners and a number of the agency's staff were on hand as MITS presented its annual informational meeting. MITS' EVP, Mike Strand, conducted the meeting, with assistance from MITS' Director of Public Affairs, Bonnie Lorang. Also assisting were Richard Pokorny, Rick Stevens, and Gail Rainey from Triangle Telephone Cooperative and Ron Ostberg from Nemont Telephone Cooperative.

Mike then described the various investments made by MITS' members over the past year and their plans for next year. In addition to a number of fiber optic projects and network upgrades, Mike revealed that MITS' members had deployed DSL (high-speed Internet access) in 50 communities to date and planned to deploy in at least 9 additional communities in 2002.

Mike also described the various wireless ventures being deployed by MITS' members. In addition to the analog cellular service provided across the hi-line by Sagebrush Cellular and Triangle Communication System, Nemont and Triangle have deployed PCS wireless voice services in Columbus, Red Lodge, Joliet and Havre. Big Timber and Fort Benton will be added in 2002. Additionally, the wireless PSC spectrum in Billings and Great Falls is being used to deploy wireless broadband services.

The presentation then turned to a discussion of the various pending regulatory issues that are of particular importance to rural telecom providers. These include the size of local calling areas, eligibility for universal service funding, and compensation for use of local networks by long distance providers.



PSC Commissioners—Anderson, Rowe, Feland, Stovall and Brainard

The meeting began with a 10-minute video presentation that Nemont had prepared as part of the celebration of its 50th anniversary. The video gave the audience a feel for the geography of Northeastern Montana and detailed the history of rural demand for telephone service and how the cooperative was formed to meet that demand when no other provider was willing to come into the area.

**Commissioner Stovall with
Nemont's Ron Ostberg**



PSC Commissioners listen as MITS' Mike Strand presents information to commissioners and staff



**Commissioners Brainard, Rowe and
Feland with Triangle's Gail Rainey,
Rick Stevens, and Rick Pokorny**

MIT S and Montana Department of Revenue Focus on Economic Development

Representatives from MITS and its members met with the Montana Department of Revenue on March 5th to discuss taxation issues affecting rural telecommunications providers. The discussion was far-ranging, from modernizing tax reporting forms to an electronic format to fundamental tax policies and the incentives or disincentives those policies provide for telecom investment in rural areas.

While much of the administration's attention thus far has been devoted to income tax rates and the real and perceived problems associated with Montana's marginal income tax rates, it was clear from the meeting that a far more important inquiry for telecom providers is the property tax environment. This is because of the capital-intensive nature of the industry and the particular central assessment rules that apply to multi-county wireline operations.

MIT S and its members left the meeting feeling that their views were genuinely appreciated by the Department. Given the Department's limited human and financial resources, MITS and its members look forward to assisting whenever possible to avoid potential conflict or misunderstandings going forward.

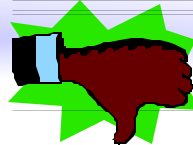
Montana Administrative Rule Proceedings.....



PSC Gives a Thumbs Up to Electronic Filings

The Montana Public Service Commission has moved a small step forward towards providing electronic access to documents filed with the agency. It recently adopted a rule requiring parties to file both paper and electronic copies of documents in PSC proceedings. In work session discussions with their staff, the PSC Commissioners termed the new rules a “first step” towards electronically opening their proceedings to the public. The new electronic filing requirement is intended primarily to benefit the PSC staff, since the PSC does not routinely accept filings by e-mail nor post filings or comments on their public Web site. MITS filed comments with the PSC generally supporting the proposed rule and further encouraging the PSC to post all filings and documents received on their public Web site.

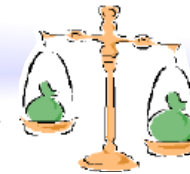
And a Thumbs Down to Privacy of Telephone Numbers



The PSC has opted to abandon a proposed rule designed to ensure stronger privacy protections to customers having unlisted telephone numbers. The proposed rule was intended to address the issue of companies using unpublished or unlisted numbers for internal marketing purposes; however, the PSC found the issue even more problematic with questions concerning Caller I. D. information and telemarketing.

Rather than adopt the rule as initially proposed, the PSC voted to start the rule-making process over in hopes of “doing a better job” of addressing the broad issue of telephone privacy and protection of customer information. Much of the PSC discussion centered on what customers expect when they request unlisted telephone numbers. MITS filed comments with the PSC fully supporting the proposed customer protection rule.

While the Dept of Revenue Considers Changes to Excise Tax Rules



Taxable/Nontaxable Revenue

Exempt/Nonexempt Customers

Nemont telephone representatives, Kathy Greenwood and Nancy Levang, and MITS’ Bonnie Lorang attended a Feb 20th rule-making proceeding before the Montana Department of Revenue (DOR) in Helena. The DOR conducted the hearing to take testimony regarding proposed rule changes relating to administrative requirements for the retail telecommunications excise tax. The DOR proposed to amend its current rules to clarify definitions and terms and to change accounting requirements for telephone companies that collect the excise tax imposed by law on certain purchasers of retail telecommunications services.

MITS’ member companies expressed concerns that the proposed rules fail to take into account the distinction between taxable/nontaxable revenue and exempt/nonexempt customers. The DOR had proposed that telecommunications carriers maintain separate records for taxable/nontaxable revenue. Since the state retail excise tax is imposed on the purchasers, with the telecom carriers simply collecting the tax for the DOR, the current telecom billing systems distinguish not only the revenue which is taxable but also which customers must be assessed the tax. The proposed DOR rules failed to take into account the fact that by law certain customers are exempt from paying the state excise tax. The changes proposed would require telcos to totally revamp billing packages, something the DOR staff indicated was never intended by the new rules.

FCC Proposes Amended Rules Regarding Truthful Statements to Commission. Thou Shalt Not Lie...well, maybe sometimes...

A Notice of Proposed Rulemaking (NPRM) by the Federal Communications Commission invites comments on a proposal to amend FCC rules relating to the submission of truthful statements. Current rules prohibit any written or oral statement of fact to the FCC that is intentionally or negligently incorrect or materially incomplete. In the February 22 NPRM, the FCC asks for comments on whether certain classes of proceedings (such as non-adjudicatory proceedings) should be exempt and whether entities not regulated by the FCC should be exempt under certain circumstances.



Parties may submit written or electronic comments (GC Docket No. 02-37) to the FCC within 30 days after publication of the proposed rules in the Federal Register. Reply Comments are due 45 days after publication in the Federal Register.

(With a great deal of constraint, MITS staff offers no editorial comment except to say that we would never contemplate submitting untruthful statements to the FCC or anyone else for that matter. Our Moms and Dads taught us better.)



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Mike Sheard Mike Strand
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Montana Telecommunications

March, 2002



- Cutting Edge -

FCC: High-speed Telecommunications Capabilities are being Deployed in a "Reasonable and Timely" Manner

The FCC issued a report recently which reveals continued significant growth in the availability of advanced telecommunications services in the U.S. The FCC measures the deployment of advanced telecommunications capabilities by gathering data on the availability of high-speed, switched, broadband telecommunications that enable users to originate and receive high-quality voice, data, graphics and video. More specifically, the FCC uses the term "high-speed" to describe services and facilities with at least 200 kilobits per second capability in at least one direction (either upstream or downstream).

According to the report, as of mid-2001, nearly 10 million Americans subscribed to high-speed services. The majority of these subscribers were residential or small business customers. This number of subscribers represents a 250% increase in the number of subscribers since the end of 1999.

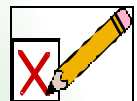
Other findings detailed in the report include:

- ✓ There were over 2.7 million ADSL lines in service, approximately 80% of which were provided by incumbent local telcos;
- ✓ There were approximately 5.2 million high-speed coaxial lines in service;
- ✓ The number of high-speed lines over satellite or fixed wireless technologies has grown to nearly 200 thousand; and
- ✓ 78% of all zip codes in the U.S. have at least one subscriber to high-speed services.

The report can be found on-line at:

http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-02-33A1.txt

Mark Your Calendar



v **March 17:** St. Patrick's Day

v **March 28:** MT USDA Rural Development Program Information Workshop

v **April 8-10:** NTCA 2002 Legislative Conference Washington, D.C.

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

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