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October 8, 2009

Dan Villa
Education Policy Advisor
Governor Brian Schweitzer
PO Box 200802
Helena, MT 59620

Re: Review and recommendations of applications for broadband stimulus funding in Montana

Dear Mr. Villa:

Montana Independent Telecommunications Systems (MITS) and its member companies have been advised that the Governor's office will be reviewing, ranking and prioritizing all applications for the BIP/BTOP broadband stimulus funding in Montana. We appreciate your discussions with us concerning the process and procedures for this task. You have been very helpful. Thank you.

As you know, MITS represents five Montana telecommunications cooperatives and their affiliated companies. All MITS members have a vested interest in this process either as BIP/BTOP applicants, incumbent broadband providers, or both.

The purpose of the ARRA broadband stimulus program is to facilitate broadband deployment in **rural areas** and broadband infrastructure in **unserved and underserved areas**. It is intended to advance objectives such as spurring **job creation** and stimulating **long-term economic growth and opportunity**. ARRA funding presents a unique opportunity for expanding broadband access. It has the potential to have positive impacts for Montana.

Advancing access to broadband is critical, especially in rural, sparsely populated areas where the challenges and barriers for consumer access to broadband are readily apparent. We believe that those are the areas for which ARRA funding is intended. Unfortunately, most applicants for broadband funding in Montana have failed to target unserved areas. Equally disturbing, many actually propose using stimulus funds to overbuild existing telecommunications infrastructure.

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We do not believe that ARRA funding was intended as an incentive for providers to build networks that duplicate those already in place. We do not believe that it was targeted for cities, towns and communities that already have access to broadband. We believe that applicants seeking ARRA funds to overbuild existing networks and proposing short sighted, unsustainable projects, are not focusing on what is best for Montana. We oppose applications such as those filed by Bresnan, Digital Bridge, and Flow Mobile. We urge the Governor and his staff to carefully scrutinize and analyze these applications and others to ensure that this one time, unique opportunity for advancing broadband in unserved and underserved areas will have positive long term implications for the people of our State.

There is no question that broadband access on Montana's seven Native American Reservations is critical to education, health care, and economic opportunities. That is why MITS companies and other rural providers have invested in Indian Country and other frontier areas with networks and infrastructure for the delivery of broadband applications including education, health care, and public safety. Applicants who now come forward with proposed "solutions" for connectivity and access seem to be focusing on what their investors may gain by the infusion of ARRA funds, rather than on advancing services and infrastructure to high cost unserved areas where consumers have no access to broadband.

MITs companies will certify in their formal responses to NTIA and RUS that several applications, including portions of Bresnan Communications' BIP/BTOP Middle Mile project, propose using ARRA funds to duplicate existing networks. The MITs companies, along with other rural Montana providers, have invested heavily in middle mile fiber optic transport facilities that cover many of the same routes Bresnan has proposed to build out with over \$70,000,000 of ARRA funds. The Montana companies made those investments through traditional, existing funding sources. Those investments in high quality, state-of-art technologies and networks are a clear demonstration of their commitment to Montanans. (I am enclosing a Montana map that details the rural telecommunications carriers' fiber transport facilities.)

MITs members will challenge applications that propose using ARRA funds to overbuild existing networks and applications in areas where broadband access is already available. We will challenge applications that target populated areas in an attempt to "cherry-pick" customers rather than on deploying broadband in unserved, remote, rural areas most in need of facilities based broadband services. We will challenge applications that propose unreliable short-term solutions and "quick fix" applications targeted to populated areas. We will challenge applications that propose satellite services not even considered "broadband" by BIP/BTOP standards. Such proposals will not meet long-term bandwidth needs and consumer expectations. Funding such applications will not be positive for Montana.

All of MITs member companies have demonstrated their commitments to deploying broadband. Each of the MITs members has developed individual strategic plans with the goal of extending broadband to the premise of each customer within their service areas. The Montana-based cooperative applicants propose to use ARRA funding to extend fiber to consumer locations in some of the most remote areas of Montana. Identifying such areas for ARRA funding, and committing to match those ARRA dollars, exemplifies their long term commitment to Montana.

As you determine recommendations for ARRA funding, we urge you to consider an applicant's ability to comply with the rigorous Federal network interconnection obligations, financial security requirements, and limitations on the sale or lease of assets. As former or current RUS borrowers, the MITS companies are very familiar with such requirements today. Non-RUS borrowers may have a difficult time complying with such regulations, which in turn would threaten the State's chances for being awarded and/or retaining the funding requested.

Montana-grown, Montana-owned cooperative telecommunications companies have always been and will continue to be the Montana consumer's best opportunity for quality, reliable, and available broadband services.

You will be receiving written comments from the MITS member companies and other rural providers and associations. You will also receive comments from 360networks. We urge you to carefully review those comments and take them into consideration as you move forward with the challenging task of prioritizing applications and making funding recommendations to Federal agencies. Telecommunications is an extremely complex and investment intensive industry. The ARRA broadband funding has the potential for positive benefits to Montana. It also has the potential for inadvertent, unanticipated harm for Montanans.

We welcome the opportunity to discuss broadband solutions that can be a win-win for our State and the cooperative telcos that historically have set high standards and expectations for service quality and technology in Montana. We are available at any time for questions and clarifications. Thank you.

Sincerely,

Bonnie Lorang
General Manager
MITS

Enclosure

cc:

Governor Brian Schweitzer
Hal Harper, Policy Advisor

Nemont Telephone Cooperative, Inc.
Project Telephone Co.
Triangle Telephone Cooperative, Inc.
Central Montana Communications, Inc.
Northern Telephone Cooperative, Inc.
InterBel Telephone Cooperative, Inc.
Mid-Rivers Communications