



CELLULARONE®

Bringing Wireless to Montana

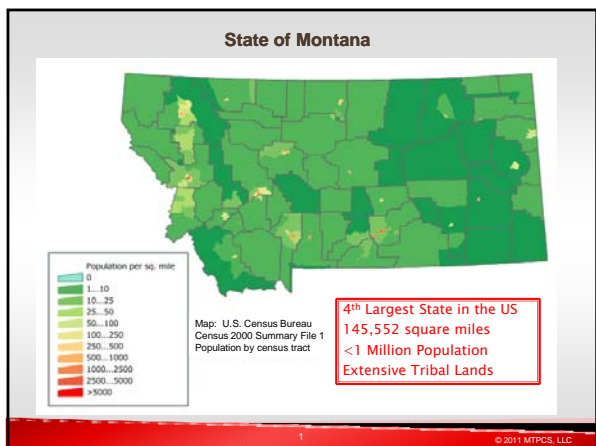
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Agenda

- i. Cellular One Service Ethic
- ii. Cellular One Service Philosophy and Marketing, Network Overview, Network Strategy
- iii. The FCC Is Greatly Reducing Support for Rural Wireless
 - i. Positions and Proposals
 - ii. Clarifying Perceptions
 - iii. Company Snapshots



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CellularOne Service Ethic

- Market Position**
 - ▶ Strong market position and focus everywhere we operate
 - ▶ Customer-friendly independent operator
- Market Presence**
 - ▶ Quality products, service excellence, and community involvement
 - ▶ Greater retail presence and accessibility
- Network Performance**
 - ▶ Operate very high quality, reliable network
 - ▶ Provide superior coverage
- Products and Services**
 - ▶ "Guaranteed Savings over AT&T and Verizon"
 - ▶ Strong handset line-up including Blackberry and Android
 - ▶ Tailored local strategy including statewide calling plan offerings - large carriers only have nationwide plans
- Customer Service**
 - ▶ Well trained, service-oriented customer care and sales staff - major differentiator



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Service Philosophy and Marketing Examples

- ▶ CellularOne service is tailored to the needs and preferences of the markets we serve
 - Great Value
 - Exceptional Service
 - Trusted Advice
 - Local People

At Our 10 Montana Stores, We Attend to Our Customers' Needs Every Day. Larger Companies Have Fewer Stores.

Montana	10	6	7	0	0	0
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Network Overview


Sites and Spectrum

- ▶ **Hundreds of Montana cell sites; almost doubled within the last six years.** Cellular One has shown its commitment to coverage in Montana by working hard and achieving excellent results.
- ▶ Primary Engineering Office in Missoula
- ▶ Spectrum Utilized -1900 MHz



Coverage and Reliability

- ▶ **Cellular One provides wireless service to extensive areas of the Blackfeet Indian Reservation, the Flathead Confederated Reservation, and portions of the Northern Cheyenne and Crow Reservations.**
- ▶ Unique coverage in all markets. **Cellular One was the first carrier to cover Bynum, Pendroy, Avon, Joliet, Lavina, and other rural areas.**
- ▶ Exceptional reliability.
- ▶ Technicians and Engineering Management in all markets.



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▶ **Regional and Small Carriers Bring Significant Value to Montana's Citizens And Were the First to Build Many of the Most Rural Areas of the State.**

- Regional and small carriers provide unique coverage, pricing and calling plans and strong customer service.
- The federal GAO reports that regional carriers invest a greater percentage of revenues in capital expenditures than larger carriers.*
- Cellular One has almost doubled its coverage in the past six years.
- Regional and small providers provide strong and attentive service to rural areas, and design rate plans to offer value as well as options.**
- Cellular One invests every penny of support in infrastructure, along with the substantial private equity and loans it has raised and channeled into cellular in Montana.

* GAO Report, Telecommunications, Enhanced Data Collection Could Help FCC Better Monitor Competition in the Wireless Industry, available at <http://www.gao.gov/new.items/d10779.pdf>, at 20 (July, 2010).

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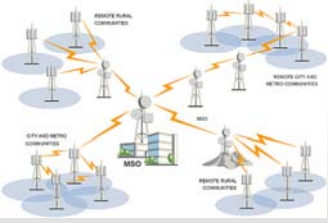
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Challenges To Increasing Rural Coverage: Transport Costs

▶ **Transport costs impede coverage.** "Transport," also known as "backhaul," consists of fiber, copper or microwave channels used for call signaling.

▶ Backhaul connects cell site transmitters with switching centers, carrying signals that help the network keep track of devices and ensure traffic moves smoothly throughout the network.



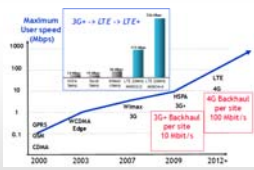
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Challenges To Increasing Rural Coverage: Transport Costs, cont'd

- ▶ Transport is very costly to build in rural areas.
 - ▶ For fiber and copper, a wireless carrier must pay a local exchange carrier (LEC) its costs of running lines to a new cell site, plus a profit, and monthly recurring charges that are high due to being charged per-mile.
 - ▶ Microwave requires significant upfront equipment purchases. In addition, microwave signals do not carry as far as cellular signals. At times, entire sites must be built just to hold intermediate microwave dishes.
- ▶ Transport is an increasing challenge. As network capacity improves, backhaul channels need to grow to accommodate the additional data traffic.



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Challenges To Increasing Rural Coverage: The FCC's Plan

- ▶ **The Federal Communications Commission is significantly cutting universal service funding (USF) for wireless services in "high cost" (rural) areas.**
 - ▶ Wireless carriers pay into the Fund more than any other type of carrier. Yet competitive wireless carriers' funding is being cut from \$1.2 billion to \$500 million or less.
 - ▶ This contradicts all trends in consumer demand. Citizens have shown they want wireless broadband, and they want it priced reasonably.
 - Within the last six months, the increase in wireless broadband subscriptions topped increases in landline broadband by 22.4 million.* Cisco systems predicts continued mobile data growth at these rates.**

* Compare, e.g., http://www.oecd.org/document/4/0,3746,en_2649_34225_42800196_1_1_1_1_00.html with OECD, Total Broadband Subscribers by Country (June 2010), <http://dx.doi.org/10.1787/888932398062>

** See Marguerite Reardon, *Cisco sees 26-fold wireless data increase in 5 years*, CNET (February 1, 2011); Cisco Visual Networking Index: Global Mobile Data Traffic Forecast Update, 2010-2015, <http://bit.ly/mvni>; ("Mobile data traffic will grow at a compound annual growth rate (CAGR) of 92 percent from 2010 to 2015, reaching 6.3 exabytes per month by 2015."); see also *Digital Nation, Expanding Internet Usage: NTIA preview* (February 2011), at 5, 8. The NTIA found that approximately two thirds of rural consumers who might need or want broadband cited cost as a factor in not having it.

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The FCC's Plan, cont'd

The FCC will reduce support for competitive wireless carriers by 20% per year, starting in 2012.

- ▶ The FCC may award support to only a single company per area. **This would harm rural cellular services and cell site landlords, and strand customers without choices.**
- ▶ The economic firm CostQuest – which the FCC itself has employed for projects – determined that extending rural cellular to the rest of the United States will require significantly more investment,* although cellular is still more cost efficient than landline services.
- ▶ The FCC's action will lead to decommissioning of many rural cell towers.

* See Letter from Christopher Gutman-McCabe and Scott K. Bergmann, CTIA, to Marlene H. Dortch, Secretary, FCC (September 22, 2011).

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The FCC's Plan, cont'd

- ▶ The FCC says it will provide *no support* in areas where any company provides broadband service without universal service support.
 - **This will mean zero support for Montana wireless services in all areas where Verizon or AT&T (former Alltel) may have even one or two cell sites.**
 - In these areas, consumers will lose the ability to obtain the coverage, service plans, customer service, and pricing offered on regional and small wireless networks.
 - Example 1: Cellular One offers the only Montana statewide plans in its service areas and the best value family nationwide plans.
 - Example 2: Cellular One customer service centers are in America. Our representatives generally pick up within four rings or less.

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Support is Essential to Expand Competitive Wireless in Rural Areas.

- ▶ **Real World Costs.** Constructing and operating hundreds of cell sites takes significant investment: switching center equipment, software, manufacturers' services and support, cell site transmitters, repeaters, microwave backhaul or fiber, associated software, services, support, construction, rents, utilities, etc. These are the actual costs of running a wireless network.
- ▶ **Benefit to Montana.** Cellular One serves many tribal lands residents and low income customers who could not receive communications without support, in addition to many other individuals and businesses that depend upon rural cellular.
- ▶ **Detriment of the Alternative.** Leaving customers with fewer options for wireless service would impair prices, customer service quality, and coverage.

"The history of competition in the mobile wireless market suggests that the entry of additional providers has resulted in consumers paying less, receiving new features and better handsets, and enjoying higher quality service."



- Department of Justice, *Ex parte, In the Matter of Economic Issues in Broadband Competition*, GN Docket No. 09-51 (January 4, 2010).

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Tribal Lands Need Continued Expansion of Coverage.

Tribal lands residents and tribal members living off reservation need and deserve continued wireless communications from carriers that have served tribal communities with commitment. The FCC should reconsider its allocation of funding so that all who need service can get it.

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The FCC should provide for more than one wireless broadband company per area, to sufficiently accommodate consumer needs.

- ▶ American citizens need more cellular service. Regional carriers provide good value, local employment, and service tailored to local needs.

"Healthy competition produces greater innovation and investment, lower prices, and better service."

- FCC Chairman Genachowski, March 22, 2011



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Solutions

- **Oppose the FCC Plan.** Submit comments specifically emphasizing the need for rural wireless in Montana. In vast areas where an unsupported carrier may have a few sites or lines, support is necessary in order to provide continuous coverage as well as the service options, customer care, and affordable pricing that are available when competition exists. Support should be awarded based upon the cost of providing service in an area, not based upon auctions which are susceptible to manipulation.
- **Adopt Alternative Plans to Extend Coverage.** Taxes, fees and other items can be modified to make coverage of rural areas economically feasible.
- **Work with the Public Service Commission and the FCC** to reduce transport costs. Charges for fiber and microwave backhaul are exorbitant, and it would be helpful to ensure that charges are cost-based and neutral, not lower for particular companies or volume.

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Company Snapshots

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American jobs - local employees meeting local needs

University of MT Football

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We live in the communities we serve

MT Engineers - Infrastructure Jobs

Volunteering - NamiWalks Team MT - 2010

For its "Knock Your Socks Off" campaign, Cellular One donated over 1,000 pairs of socks to local shelters. Pictured here receiving socks: Lana Janssen, Executive Director of The Women's & Family Shelter

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Routine preventive maintenance: field engineers snowmobile to replace BB2F (transmitter controller card). Whitefish - Kallispell BTA. Elevation: 4,166 feet.

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Going the extra mile to provide reliable service




Our engineers navigate using not only maps, but also - since landmarks are often covered in snow, as with this half-buried signpost - using stars and compasses.

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Central Montana, South of Great Falls



Cellular One engineers snowshoe to "Hightop" cell site
Elevation: 6,629 feet

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Field Engineer hiking to a cell site southwest of Great Falls
Elevation: 4,688 feet



Engineers maintaining another Kallispell site
Elevation: 6,800 feet

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STATE OF MONTANA
DEPARTMENT OF JUSTICE
MONTANA HIGHWAY PATROL DIVISION

Steve Bullock
Attorney General



2550 Prospect
PO Box 201419
Helena, MT 59620-1419

May 16, 2011

The Honorable Julius Genachowski, Chairman
Federal Communications Commission
445 12th Street, Southwest
Washington, D.C. 20554-0005

RE: Universal Service Fund, Docket No. 10-90

Dear Chairman Genachowski:

As the Chief of the Montana Highway Patrol with over 26 years of experience in Montana public safety issues, I am writing with regard to the Commission's apparent plan to reallocate the monies from the Universal Services Fund.

Montana is a rural state with over 147,000 square miles and a population of less than one million. That equates to a population density of less than 7 people per square mile. However, if you remove the more urban areas from the calculation, the population density would fall dramatically. The Montana Highway Patrol is one of the agencies responsible for public safety in all of Montana, including the rural sparsely populated areas. In many areas, wireless communication is the only form of communication available to people. We have a lot of Montanans who live in these remote areas or visit for hunting, fishing, and other recreational activities. Wireless communication is their only form of contacting public safety offices, including the Montana Highway Patrol, and other services reachable through 911, in case of an emergency.

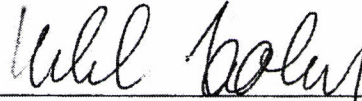
The use of the Universal Services Fund to support wireless communication in these areas is essential. Loss of such funding for any wireless networks could result in a reduction of communication services in these areas, therefore negatively impacting the Patrol's ability to respond to emergencies. As you evaluate the needs for various public service facilities, I ask you to keep in mind the necessity of having wireless communication available in these remote areas.



Chairman Genachowski
May 16, 2011
Page 2

Thank you for your consideration.

Sincerely,



Colonel Michael T. Tooley
Chief, Montana Highway Patrol

cc: Michael J. Copps, Commissioner
Robert M. McDowell, Commissioner
Mignon Clyburn, Commissioner
Meredith Attwell Baker, Commissioner
Marlene H. Dortch, Secretary



The Big Sky Country

MONTANA HOUSE OF REPRESENTATIVES

REPRESENTATIVE HARRY W. KLOCK
HOUSE DISTRICT 83

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PHONE: (406) 444-4800

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FISH, WILDLIFE & PARKS
VICE CHAIR - FEDERAL RELATIONS,
ENERGY & TELECOMMUNICATIONS

HOME ADDRESS:
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HARLOWTON, MT 59036-0308
PHONE: (406) 632-4139

April 27, 2011

The Honorable Julius Genachowski, Chairman
Federal Communications Commission
445 12th Street, Southwest
Washington, D.C. 20554-0005

RE: Universal Service Fund, Docket No. 10-90

Dear Chairman Genachowski:

I was recently informed that the FCC intends to restructure the financial support for telecommunication systems in rural areas. As chairman of the Federal Relations Energy and Telecommunications Committee in the House of the Montana Legislature, I am sensitive to the provision of telecommunication systems in rural Montana. The House District that I represent covers approximately 7000 square miles and is sparsely populated. So, on a personal level, I am intimately familiar with the difficulties that folks living in rural Montana have in obtaining good telecommunication service and in particular cell phone coverage. Any reduction in financial support will undoubtedly impact service to my constituents in a negative way.

The support that the current cell phone systems receive from the Universal Services Fund are critical to maintaining and, hopefully, expanding that service coverage. Without such support, it is likely that service will diminish in rural Montana as the population levels do not justify the installation, operation, and maintenance of the necessary infrastructure. From a public safety standpoint, such loss would be harmful to the citizens of Montana. I therefore encourage you to maintain use of the Universal Service Fund at levels adequate to continue the existing infrastructure and the addition of the additional infrastructure in rural Montana.

It is my understanding that one of the Commission's goals is to expand availability of internet service to rural areas, and I would certainly support those objectives. However, the methods utilized to accomplish that goal should not operate to the detriment of cell phone coverage in rural Montana. In rural states, regional and local cellular carriers provide service that is important to consumers. Although national carriers make an effort to cover the nation, we find that

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Chairman Genachowski
April 27, 2011
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regional and small networks have been critical to providing contiguous coverage of rural areas, as well as often lower prices.

I urge you to explore options to accomplish your goals without negatively impacting telecommunication systems to these areas. Thank you for your consideration.

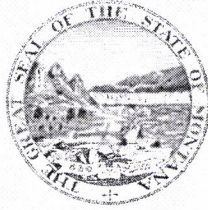
Sincerely,



Representative Harry Klock, Chairman
Federal Relations Energy and Telecommunications Committee

cc: Michael J. Copps, Commissioner
Robert M. McDowell, Commissioner
Mignon Clyburn, Commissioner
Meredith Attwell Baker, Commissioner
Marlene H. Dortch, Secretary

Montana State Senate



SENATOR ALAN OLSON
SENATE DISTRICT 23

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The Big Sky Country

COMMITTEES:
ENERGY AND
TELECOMMUNICATIONS - CHAIRMAN
RULES - VICE CHAIRMAN
FINANCE AND CLAIMS
LOCAL GOVERNMENT

SUBCOMMITTEES:
GENERAL GOVERNMENT - VICE CHAIRMAN

April 27, 2011

The Honorable Julius Genachowski, Chairman
Federal Communications Commission
445 12th Street, Southwest
Washington, D.C. 20554-0005

RE: Universal Service Fund, Docket No. 10-90

Dear Chairman Genachowski:

I recently learned that the FCC is considering reallocating the Universal Services Fund and have some thoughts and comments on the proposal, both from a personal and a official standpoint. While not acting on behalf of the Committee, I am Chairman of the Energy and Telecommunications Committee in the Montana Senate. As a result of my committee membership, I have become aware of the difficulties that rural Montana face in acquiring and maintaining adequate cell phone service.

The financial support that the cell phone systems in Montana receive through the USF is critical to maintaining communication systems in rural Montana. Montana is a very large and yet sparsely populated state. My senate district is 200 miles long and approximately 60 miles wide and yet contains only approximately 18,000 residents. Many of my constituents are located in very small rural communities, and many of them don't live in any community at all. They are many, many miles from the nearest post office. Cell phone coverage in these areas is critical, not only for communication purposes but for public safety purposes. Moreover, my private employment requires me to be located in isolated areas of Montana in which there is no land line communication system. Montana is currently undergoing an oil and gas boom and much of that activity is located in such areas. As a result, cell phone communication is absolutely critical to the economic development of our oil and gas resources in Montana. Personally, I live outside of Roundup, Montana. Obviously, internet access is imperative in today's modern world for those of us who live in rural areas. I receive my internet access via DSL, but many of my constituents receive internet through satellite uplinks or even through local cell networks. While I support the expansion of broadband system in Montana to provide folks with internet access, there are currently alternatives available for fixed data access. Mobile voice service, in contrast, has few

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Chairman Genachowski
April 27, 2011
Page 2

if any workable alternatives. Cellular voice services should not be negatively impacted in order to further provide internet access services.

As with most goals which lack adequate funding, it is a matter of balance for the FCC to accomplish both cell phone coverage goals and internet access goals. I encourage you to be cautious, however, in negatively impacting cell phone coverage through restrictions on the Universal Services Fund. I'd be glad to provide further information should you have any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Alan Olson".

Alan Olson, Chairman
Energy and Telecommunications Committee

cc: Michael J. Copps, Commissioner
Robert M. McDowell, Commissioner
Mignon Clyburn, Commissioner
Meredith Attwell Baker, Commissioner
Marlene H. Dortch, Secretary