

**TWO-YEAR NETWORK IMPROVEMENT PLAN OF U.S. CELLULAR CORP.**

USCOC of Greater Missouri, LLC d/b/a U.S. Cellular ("U.S. Cellular") hereby submits its two-year plan for use of federal high-cost support, pursuant to the Commission's Order dated March 21, 2006.<sup>1</sup>

**I. Description of U.S. Cellular's Plan.**

U.S. Cellular's network improvement plan covers a period of two years that will commence following the Commission's timely filing of a certification to the FCC that U.S. Cellular has been designated and is qualified to receive support. The attached plan sets forth the proposed use of federal high-cost support to improve network coverage and capacity within its designated ETC service area. Specifically, U.S. Cellular proposes to use high-cost support for all appropriate purposes, including the construction of 39 new cell sites, the operation and maintenance of the new cell sites, and upgrades in switching infrastructure necessary to support the new cell sites.

On the maps included as Appendices 4 and 5, existing and proposed cell site coverage is based upon real-world propagation analysis the company performed. The propagation analysis is not of sufficient granularity to identify all potential "dead spots" within U.S. Cellular's coverage area. U.S. Cellular cannot know today where such dead spots will appear, or where capacity demands will require additional upgrades at the switch, back haul links, or cell sites. Based on its experience, U.S. Cellular believes that substantial additional cell site construction may be needed for "fill-in" cell sites and additional capacity to meet customer demand and to provide

<sup>1</sup> Application of USCOC of Greater Missouri, LLC for Designation as an Eligible Telecommunications Carrier Pursuant to the Telecommunications Act of 1996, Case No. TO-2005-0384, Order Directing Applicant to File Additional Information About Intended Use of High-Cost Support ("Order").

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high-quality service throughout its proposed ETC service area. In its annual updates to the Commission, U.S. Cellular will report how it is using support to “fill-in” dead spots and increase coverage and capacity.

The specific parameters of this two-year plan are subject to change, depending on a number of factors, including but not limited to, the amount of universal service support that U.S. Cellular actually receives, changes in federal rules for providing high-cost support to competitive ETCs, changes in the amount of support provided to ILECs in the areas where U.S. Cellular is an ETC, changes in market demand, and disaggregation of support by rural ILECs. Nonetheless, the network improvement plan described in the attached Appendices demonstrates U.S. Cellular’s commitment to use federal high-cost support to make measurable improvements in coverage for consumers throughout its proposed ETC service area, and to update the Commission on its progress every year prior to being recertified.

## **II. Projected High-Cost Support and Cost of Proposed Improvements.**

Based on USAC’s most recent projections, U.S. Cellular expects to receive approximately \$11 million in federal high-cost support per year, for a total of approximately \$22 million over the two-year period at issue.<sup>2</sup> The total cost of the network improvements proposed in U.S. Cellular’s two-year plan is projected to be approximately \*\* \_\_\_\_\_ \*\*, which is approximately \*\* \_\_\_\_\_ \*\* in excess of the amount of projected support for that period.

The projected cell site construction costs are based on an average cost per cell site of approximately \*\* \_\_\_\_\_ \*\*. In addition to construction costs for the 39 cell sites, the

<sup>2</sup> See Third Quarter Appendices – 2006, HC01 – High Cost Support Projected By State By Study Area, available online at <http://www.usac.org/about/governance/fcc-filings/2006/quarter3/default.aspx> (indicating \$2,745,672 in high-cost support for third quarter 2006). USAC’s projected support levels are subject to change based on a number of factors beyond U.S. Cellular’s control.

spreadsheet attached as Appendix 3 includes necessary capital expenditures to accommodate the new cell sites, including transmission, switch, and software upgrades, as well as associated ongoing operating and maintenance expenses. These additional capital expenditure costs are calculated as a percentage of the total budgeted capital expenditures corresponding to the 39 proposed sites. Also, the per-cell site capital expenditures for \*\* \_\_ \*\* of the 39 proposed sites will include the cost of additional microwave equipment which will be necessary to the operation of those sites.

**III. Estimated Population That Will Receive Improved Coverage and Capacity.**

As specified in Paragraph 3(E) of the Order, U.S. Cellular provides the following information regarding population served. Based on U.S. Cellular's analysis of the predicted coverage resulting from the proposed network improvements, U.S. Cellular estimates that the 39 proposed sites will provide improved coverage to 236,291 people, based on Census 2000 block data.

**IV. Information Required by Paragraph 3(F) of the Order.**

Paragraph 3(F) of the Order requires U.S. Cellular to explain the reasons why particular wire centers are not targeted within the two-year plan. To be clear, U.S. Cellular commits to use federal support to extend its network throughout its proposed ETC service area to the fullest extent possible. In order to meet this commitment however, far more than 39 cell sites will be required. Put simply, 39 cell sites do not provide coverage to every wire center. U.S. Cellular has targeted all available support to constructing and operating as many cell sites as possible. The wire centers shown on the attached map cannot be reached within U.S. Cellular's first two years as an ETC.

U.S. Cellular's plan is to use available high-cost support to cover as much area as possible within its ETC service area within the two-year period specified in the Order, and to continue aggressively expanding and improving coverage each year thereafter. U.S. Cellular commits to expand its network throughout its proposed ETC service area as rapidly as support levels permit. U.S. Cellular commits to provide this Commission with a report of its progress each year.

As stated in the underlying record of this proceeding, U.S. Cellular's support is based on the number of lines it reports to USAC each quarter. U.S. Cellular's support level can only increase after it has invested support and captured a customer. Because U.S. Cellular's federal support is limited by the number of customers it actually serves, it can only undertake network improvements at a pace commensurate with the support it is scheduled to receive. U.S. Cellular's initial draw of support is not sufficient to fund a build-out plan that covers its entire ETC service area within two years.

Whatever the outcome of federal policy debates for supporting competitive carriers, each year U.S. Cellular will provide to this Commission a report on its use of support and its upcoming plans for use of support, consistent with federal and state law. U.S. Cellular provides this information so that the Commission can, with confidence, certify to the FCC that U.S. Cellular is using support as required by federal law.

U.S. Cellular also notes that with each new cell site constructed, consumers in areas covered with new signal will see improved service levels, both in quantity and quality. In areas where there are overlaps with existing cell sites, consumers will see increased capacity, seamless hand-offs from one site to another, and network redundancies in the event of a cell site outage.

The provision of high-cost support will accelerate U.S. Cellular's ability to provide competitive service offerings in rural Missouri, while at the same time enabling rural consumers to depend on their wireless phones as they do in urban areas.

**V. Statement Regarding Incremental Nature of Proposed Improvements.**

As specified in Paragraph 3(G) of the Order, U.S. Cellular states that the network improvements proposed in this two-year plan would not be undertaken as proposed herein in the absence of federal high-cost support, and that the proposed expenditures are over and above what would be budgeted in the absence of such support. The cell sites proposed in this plan were selected from a list of sites that the company wishes to build in rural areas, but would not be able to for the next several years without such support.

**VI. Table of Attachments for Two-Year Network Improvement Plan.**

Appendix 1: List of Proposed Sites With Approximate Start and Completion Dates

Appendix 2: List of Wire Centers to Receive Improved Coverage or Capacity

Appendix 3: Spreadsheet Detailing Costs of Proposed Network Improvements

Appendix 4: Map of Existing Coverage Over ILEC Wire Center Boundaries

Appendix 5: Map of Proposed Cell Sites and Coverage Over ILEC Wire Center Boundaries