



April 10, 2015

Ex Parte Notice

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

RE: *Connect America Fund, WC Docket No. 10-90*

Dear Ms. Dortch:

On Thursday, April 9, 2015, the undersigned, on behalf of NTCA–The Rural Broadband Association (“NTCA”), met with Travis Litman, legal advisor to Commissioner Jessica Rosenworcel, to discuss issues presented in the above-referenced proceeding.

Consistent with prior advocacy, NTCA encouraged the Federal Communications Commission (the “Commission”) to move forward not only with consideration of a voluntary model for those small rural carriers who might seek such an option, but also to redouble efforts on much-needed updates to the “baseline” foundational programs that enable universal service in areas served by all such carriers. *See Ex Parte* Letter from Michael R. Romano, Senior Vice President-Policy, NTCA, to Marlene H. Dortch, Secretary, Commission, WC Docket No. 10-90, *et al.* (filed Oct. 31, 2014). A chart showing the “\$110 DSL problem” faced by consumers in areas served by small rural carriers – a problem that requires resolution through reform right away, and which a voluntary model-based path (while important) will not solve – was provided during the meeting and is attached hereto.

Thank you for your attention to this correspondence. Pursuant to Section 1.1206 of the Commission’s rules, a copy of this letter is being filed via ECFS.

Sincerely,

/s/ Michael R. Romano
Michael R. Romano
Senior Vice President – Policy

Enclosure

cc: Travis Litman

**EFFECT ON RURAL CONSUMERS OF PROVIDING OR NOT PROVIDING
DATA CONNECTION SUPPORT**

Benchmark Component	Benchmark/Retail Rate/Other Amount Needed for Cost Recovery From Individual Consumer	Relevant Costs Covered	
	Provide Support Per Group Proposal	<u>Not</u> Providing Support	
Broadband SLC	\$26.00	NA	Regulated Local Loop Costs (developed on Title II basis pursuant to Parts 32, 36, 64, and 69)
Wholesale Transmission Tariff Rate	\$18.64 ¹ plus \$15.32 ²	\$103.58 ³	Regulated Facilities-Based Network Costs of Loop and Transmission to Enable Broadband Internet Access (developed on Title II basis pursuant to Parts 32, 36, 64,
Total Benchmark for Supported/Regulated Network Elements	\$59.96 ⁴	\$103.58	Regulated Facilities-Based Network Costs of Loop and Transmission to Enable Broadband Internet Access
Middle Mile and Access Service Connection Point	\$6.75 ⁵	\$6.75	Unsupported regulated and unregulated network costs for transmission through the Broadband Access Service Connection Point
Other ISP Costs	\$X ⁶	\$X ⁶	Unsupported unregulated non-network costs associated with provision of Broadband Internet Access to consumers (e.g., marketing, help desk)
Total Approximate Consumer Rate for Finished Broadband Internet Access	\$66.71 PLUS (banded)	\$110.33 PLUS (banded)	Finished Broadband Internet Access Service

¹ January 16, 2015 Filing (Transmittal No. 1444)– DSL Voice-Data 1/6 Mbps, Rate band 9, 3 Year – Rates for rate bands 1-17 range from \$9.27 to \$24.64.

² This represents the estimated additional charge to customers to recover loop costs resulting from the effects of the DCS budget constraint. Assuming a \$2B annual budget for RLEC High Cost Support and 50% transition to DCS, support is adjusted approximately 26% below required support level as a result of budgetary constraint.

³ January 16, 2015 Filing – DSL Data-Only 1/6 Mbps, Rate band 8, 3 Year – Rates for rate bands 1-17 range from \$50.54 to \$134.44.

⁴ Note this is a rate banded total, and that the total benchmark would actually range from \$35.27 to \$50.64 depending on the rate band (*i.e.*, the relative distance and density of the market) in addition to the \$15.32 facilities based costs not covered by support due to budgetary constraints.

⁵ The middle mile cost of \$6.00 per broadband line is calculated using actual middle mile costs (from NECA’s 2014 Company Services Questionnaire), divided by actual broadband lines. Add to this \$0.75 per line for the Broadband Access Service Connection Point. Based on 2014 Annual Filing (Transmittal No. 1423), and using an Ethernet Basic Port and Channel Termination with representative capacity, the Rate band 11 connection point rate was divided by the average number of broadband lines per company. Although support should be provided for such costs and apparently is included to some degree in the price cap model, such costs are currently unsupported for RLECs.

⁶ “X” represents the additional unsupported, unregulated non-network costs that the typical ISP would incur to deliver a finished Broadband Internet Access Product to a consumer. Such costs may include sales and marketing functions, help desk operations, etc. While such costs may vary widely based upon company size, size of addressable customer market, and other factors, a typical business’ sales and marketing budgets, for example, will each often equal approximately 7% to 8% of revenue.