



October 2, 2015

**Ex Parte**

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

Re: Connect America Fund, Docket No. 10-90

Dear Ms. Dortch:

On September 30, 2015, B. Lynn Follansbee of USTelecom – The Broadband Association, Mike Romano of NTCA – The Rural Broadband Association, Genny Morelli of ITTA – The Voice of Mid-Size Communications Companies, Derrick Owens and Gerry Duffy of WTA – Advocates for Rural Broadband, Chad Duval of Moss Adams, and Vince Wiemer of Alexicon (collectively, “the Associations”) met with Matt DelNero, Carol Matthey, Alex Minard, Joe Sorrosso, Craig Stroup, Roger Woock, Suzanne Yelen, Ted Burmeister and Christopher Cook of the Wireline Competition Bureau (“WCB”), as well as Amy Bender, Legal Advisor to Commissioner O’Rielly and Stephanie Weiner, Legal Advisor to Chairman Wheeler.

The subject of discussion at the meeting was the September 25, 2015 letter filed by the Associations in the above-referenced docket and the status of industry efforts to develop technical assumptions for a bifurcated approach to reform of current rate-of-return (“RoR”) universal service support mechanisms as has been suggested by the Commission.<sup>1</sup> The Associations answered clarifying questions posed by WCB staff and staff, in turn, asked the Associations what questions the Associations had with respect to various elements of the bifurcated approach that still require examination and analysis. In response to that request, the Associations submit the following list of questions:

- Are the description and calculation methodology for the new Broadband Common Line Support (“BCLS”) mechanism described in Para. 5 of the September 25, 2015 *ex parte* acceptable to the Commission/Bureau? If not, what revisions should be made before drafting rules for the BCLS mechanism?

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<sup>1</sup> See e.g. *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 29 FCC Rcd 7051 (2014).

- Are the description and calculation methodology for the new Broadband Universal Service Support ("BUSS") mechanism described in Paras. 6 through 10 of the September 25, 2015 *ex parte* acceptable to the Commission/Bureau? If not, what revisions should be made before drafting rules for the BUSS mechanism?
- Is the description of the allocation of investment and expenses by date certain described in Paras. 1 through 3 of the September 25, 2015 *ex parte* acceptable to the Commission/Bureau? If not, what revisions should be made before drafting rules for the allocation of investment and expenses?
- Specifically, are the following proposed technical concepts/assumptions used in the accompanying illustrative model acceptable? If not, what revisions should be made?
  - The basis of allocation between Existing and New Investment is gross Broadband Loop Cost which includes Cable & Wire Facility ("CWF") Category 1- Exchange Line, CWF Category 2 - Wideband Exchange Line, Central Office Equipment ("COE") Category 4.13 – Basic Exchange Line Circuit and the amortizable CWF and COE assets attributable to broadband loop.
  - All other assets and operating expenses, except depreciation, are allocated between Existing and New Investment based on relative gross Broadband Loop Cost.
  - Depreciation Expense and Accumulated Depreciation are calculated separately for Existing and New investments.
- What would the benchmark in the new BUSS mechanism be? How would the Commission ensure that the benchmark, when combined with the additional costs of broadband Internet access service, affords RoR customers access to services at reasonably comparable rates?
- What changes, if any, to the application of the benchmark in the new BUSS mechanism or the other "benchmarks" currently applicable to HCLS and ICLS are the Commission/Bureau considering?
- Is the description of how investment and expenses would be recoverable through HCLS and ICLS as set forth in Para. 4 acceptable to the Commission/Bureau? If not, what revisions should be made before drafting rules to reflect the recovery of existing investment and expenses via HCLS and ICLS support?
- Specifically, are the following technical concepts/assumptions included in the proposal acceptable? If not, what revisions should be made?

- Recovery of Existing Investments through HCLS and ICLS will continue for the remaining life of the assets.
  - The Corporate Operations Expense Limitation is calculated using the current mechanism with total investments and total loops. It is then allocated to Existing and New Investment based on relative gross Broadband Loop Costs.
  - The appropriate portion of the allocated Corporate Operations Expense Limitation is used in the calculation of HCLS and ICLS.
  - The National Average Cost per Loop benchmark attributed to Existing costs is calculated using the frozen \$647.87 NACPL multiplied by the relative percentage of Existing Study Area Cost per Loop to Total SACPL.
  - A Subscriber Line Charge (“SLC”) will be assessed on Common Line end users. For support calculation purposes, the SLC will be allocated between ICLS and the BUSS based on the relative Common Line Revenue Requirements.
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- What is a “reasonable but timely” transition for HCLS and ICLS, and how does any acceleration of that transition reconcile with the purpose of a bifurcated approach, which is to enable recovery of past investments consistent with the rules in place at the time those investments were made?
  - The Associations have proposed certain limits on Operating Expenses and prospective Capital Investment.<sup>2</sup> Are those proposals acceptable to the Commission/Bureau, and if not, how might they change? What other limits, changes, or reforms, if any, might the Commission/Bureau be considering that could have the effect of reducing or eliminating carrier support, and how would they apply?
  - The Associations have discussed with the Commission/Bureau the prospect of budget controls applicable to some or all of the mechanisms. Where is the Commission/Bureau thinking of applying any such budget control (i.e., to the “old” mechanisms, the new mechanisms, or both) and how would any such budget control be calculated? How would the Commission ensure that such budget controls are administered in a manner that ensures reasonable predictability with respect to universal service support?
  - Will all rules that affect support calculations be stated fully in a final order, or will some items require a Further Notice or be delegated? If so, which items, and would those be further noticed or delegated?

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<sup>2</sup> See *Letter to Marlene H. Dortch, Secretary, Federal Communications Commission from NTCA*, WC Docket No. 10-90, (August 28, 2015) and *Letter to Marlene H. Dortch, Secretary, Federal Communications Commission from WTA*, WC Docket No. 10-90 (May 29, 2015).

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Greater clarification and confirmation with respect to the foregoing issues would help the Associations and their respective members to engage in a more informed evaluation of the effects of the proposal for a bifurcated approach suggested by the Commission/Bureau, and will be necessary for each organization and other stakeholders to determine whether such an approach is workable, reflective of good public policy, and comports with the statutory mandates of universal service. Moreover, as noted during the meeting, it is important to identify the details of such an approach and to resolve all outstanding questions prior to adoption by the Commission of any reforms.

Please contact the undersigned should you have any questions.

Respectfully submitted,



B. Lynn Follansbee  
Vice President, Law & Policy