



November 21, 2016

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, November 17, 2016, the undersigned on behalf of NTCA–The Rural Broadband Association (“NTCA”), together with Douglas Boone and Ryan Boone (participating by telephone) of Premier Communications and Denny Law of Golden West Telecommunications, held separate meetings with: (1) Lisa Hone, legal advisor to Chairman Tom Wheeler, and Carol Matthey, Alexander Minard, and Ryan Palmer of the Wireline Competition Bureau; (2) Claude Aiken, legal advisor to Commissioner Mignon Clyburn; (3) Nicholas Degani, legal advisor to Commissioner Ajit Pai; (4) Amy Bender, legal advisor to Commissioner Michael O’Rielly; and (5) Travis Litman, legal advisor to Commissioner Jessica Rosenworcel.

In these meetings, we urged additional funding in an amount of up to \$260 million for both the cost model and non-model universal service fund (“USF”) mechanisms to ensure that the intended effects of both mechanisms as reformed can in fact be achieved. *See Ex Parte* Letter from Michael R. Romano, Senior Vice President, NTCA, to Marlene H. Dortch, Secretary, Federal Communications Commission (the “Commission”), WC Docket No. 10-90 (filed Nov. 14, 2016).

With respect to the non-model mechanisms, the NTCA members shared recently available data indicating how the current lack of sufficient funding will directly and adversely affect rural consumers. Specifically, the members explained that the budget control that will apply as of January 1, 2017 due to the insufficient USF budget will result in broadband-only loop rates that are *\$20 per month to over \$100 per month higher* than the \$42 broadband-only benchmark specified in the Commission’s reform order. It must be noted that these are *not* the retail rates that consumers will actually pay; these are *only* the broadband-only loop components of the retail service provided to consumers. When these component costs are combined with unavoidable costs of: (a) mandatory imputed Access Recovery Charges; (b) “second mile” and “middle mile” network transport; (c) dedicated Internet access transit; (d) non-regulated operating functions such as Internet marketing and customer service help desk functions; and (e) federal USF contribution charges that apply to the broadband-only loop, we noted that the actual retail broadband prices to consumers (putting aside any prospect of actual return or profit margin) would need to be \$90 to \$110 per month in some cases, and in some very rural service areas with few standalone broadband consumers to start the rates could approach \$200 per month.

These data now becoming available confirm NTCA's long-standing concern, as first expressed in its Petition for Reconsideration, that the insufficient USF budget and the ensuing budget control mechanism will play a critical and troubling primary role in undermining the professed objective of these reforms – ensuring that consumers in areas served by rural local exchange carriers will have access to standalone broadband at rates that are reasonably comparable to those paid by urban consumers. Petition for Reconsideration and/or Clarification of NTCA, WC Docket No. 10-90, *et al.* (filed May 25, 2016) (“NTCA Petition”), at 2-9. We further observed that the USF contributions that will need to be paid as noted above actually include an assessment on the amount of the USF budget shortfall that must be recovered through increased broadband-only loop rates – put more simply, adding insult to injury, non-model carriers will now actually be forced to contribute more to USF specifically because they need to charge higher prices to rural consumers in the face of insufficient USF support. For these reasons, the Commission should grant NTCA's Petition with respect to remedying the patent insufficiency of the non-model USF budget.

NTCA further observes that a lack of sufficient funding on the model side in the amount of \$160 million to respond to election demand will lead to deployment of broadband to fewer locations and at lower speeds, leaving more rural consumers lacking access to reasonably comparable services. NTCA therefore continues to support full funding of the model elections; such sufficient funding is needed to enable the model mechanism to function as designed for the benefit of unserved rural consumers, and full funding would best help facilitate prompt distribution of additional support (and thus initiation of additional buildout) starting January 1, 2017. In the absence of providing such sufficient funding for the model, however, it will be important to ensure proper, thoughtful recalibration of buildout obligations to available funding levels, and we highlighted the fundamental importance of ensuring at the very least that such a lack of funding will not have an adverse effect on those companies that did not or could not participate in those elections. *See Ex Parte* Letter from Michael R. Romano, Senior Vice President, NTCA, to Marlene H. Dortch, Secretary, Commission, WC Docket No. 10-90 (filed May 12, 2016); NTCA Petition, at 12-14.

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 –
Industry Affairs & Business Development

cc: Lisa Hone
Carol Matthey
Alexander Minard
Ryan Palmer
Claude Aiken
Nicholas Degani
Amy Bender
Travis Litman