Advocates for Rural Broadband
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May 22, 2015

Filed Via ECFS
Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

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

Dear Ms. Dortch:

On Wednesday, May 20, 2015, Genny Morelli of ITTA – The Voice of Mid-Size Communications Companies (ITTA); Jeff Dupree of the National Exchange Carrier Association, Inc. (NECA); Michael Romano of NTCA – The Rural Broadband Association (NTCA); Lynn Follansbee of the United States Telecom Association (USTelecom); Bob DeBroux of TDS Telecom; Denny Law of Golden West Telecommunications Cooperative; Larry Thompson of Vantage Point Solutions; and Derrick Owens and Gerry Duffy representing WTA – Advocates for Rural Broadband (WTA) (collectively, the "RoR representatives") met with Nicholas Degani, Legal Advisor – Wireline to Commissioner Ajit Pai, to report on the status of the ongoing negotiations by a variety of rural telephone industry representatives looking toward the development of a comprehensive plan for future high-cost support for rate-of-return (RoR) carriers.

The RoR representatives indicated they have been meeting in large and small groups and via conference calls at least once a week (and multiple times most weeks) since April 16, 2015. They have reached agreement on a significant number of elements, but are still seeking to narrow or overcome differences regarding some issues and to develop more specific and detailed proposals with respect to others.

The RoR representatives have agreed upon a basic two-path approach composed of: (1) updates to existing mechanisms; and (2) a Model-Based Path.

The parties agree that updates to existing mechanisms should provide support for data-only connections in addition to lines already supported by High Cost Loop Support and Interstate Common Line Support. While there is agreement among the RoR representatives that such updates should be made as soon as possible, consensus has not yet been reached regarding such a broadband-only support mechanism. There is substantial agreement that a broadband-only support option would not disrupt existing mechanisms and would include separate prospective limitations on capital expenditures and operating expenses, but the specific features of the limitation on operating expenses have not yet been finalized and agreed upon.

The parties agree that a Model-Based Path should be voluntary, have at least a ten-year term of support, be open to participation on a study area by study area basis, and be implemented as soon as possible. The RoR representatives recognize that the Alternative Connect America Cost Model (A-CAM) with some modifications is likely to serve as the basis for the Model-Based Path. Parties that have concerns about certain aspects of and inputs to A-CAM intend to identify such issues for consideration and resolution as soon as that can be achieved.

There is agreement that there should be two opportunities for RoR carriers to opt into the Model-Based Path – one at the beginning in Year 1 and the second at a later date to be determined.

The RoR representatives agree that the budget for the Model-Based Path should be established when the proposed plan goes into effect. To enable elections of a Model-Based Path without disrupting existing support mechanisms, CAF reserve dollars should be dedicated to RoR carriers that receive less in existing support than the amount the A-CAM determines they are eligible to receive. In the event that the dedicated CAF reserves are insufficient to fully fund model-based support, such CAF reserves should be focused upon study areas that have lower percentages of 10/1 broadband build-out.

The RoR representatives agree that RoR carriers that wish to do so should be able to opt into the Model-Based Path on a flash-cut basis. There has also been significant discussion of potential transition options, but there is no agreement yet on the nature and length of such transitions, the applicable performance obligations during the transitions, or the distribution of the dollars made available by support reductions during transitions.

It has been agreed that model-based support should be provided to all eligible locations pursuant to the general parameters of A-CAM Illustrative Run 1.3. While mindful of the difficulties of designing and implementing an efficient and effective challenge process, the RoR representatives believe that one is necessary to offset potential flaws and inaccuracies in FCC Form 477 data, and are discussing design of a mechanism that will enable accurate challenges of the exclusion or inclusion of locations as eligible for model-based support.

The RoR representatives agree that the build-out requirement for those opting into model-based support should be 10/1 capable infrastructure, and that this condition for receiving support should not be increased during the term of the adopted plan. The number of eligible locations a carrier is required to serve during the term of the plan should be set to reflect both (a) actual funding levels available to that carrier; and (b) the Year 1 build-out level of the carrier. In order to avoid unfunded mandates, build-out obligations must reflect the fact that the proposed maximum model-based support of $230 per location (or any subsequently revised and adopted cap) may not be sufficient to serve certain high-cost eligible locations even if alternative technologies are used.

Finally, the RoR representatives agree that the Commission should commence a review of the adopted plan during Year 8 of the ten-year model plan, and that the model plan should continue in effect if changes are not adopted and implemented by the end of its initial ten-year term.

This ex parte reflects the current status of the negotiations. The RoR representatives are committed to continuing to work together on this process and will report our progress to the FCC in two weeks.

Pursuant to Section 1.1206(b) of the Commission's Rules, this submission is being filed for inclusion in the public record of the referenced proceedings.

Respectfully submitted,

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