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The voice of mid-size communications companies

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July 9, 2015

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Federal Communications Commission
Office of the Secretary

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

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

Dear Ms. Dortch:

On July 7, 2015, Ken Pfister of Great Plains Communications, Cheryl Parrino of Parrino Strategic Consulting Group, Wendy Fast of the Consolidated Companies, and Genny Morelli and the undersigned of ITTA participated in a conference call with Carol Mattey, Alex Minard, and Suzanne Yelen of the Wireline Competition Bureau to discuss a proposed build-out methodology for a voluntary, model-based universal service support plan for rate-of-return carriers. A written description of the proposed methodology, which would provide for carrier-specific broadband build-out requirements for those carriers participating in the model-based plan, was included as Attachment C to the *ex parte* letter ITTA filed in this proceeding on June 29, 2015.[1] The purpose of the conference call was to provide further detail regarding the proposal, as indicated in the attached presentation.

In accordance with the procedures outlined in the Third Supplemental Protective Order adopted in this proceeding,[2] enclosed herewith are two copies of the redacted version of the presentation, which also has been filed electronically. Copies of the Highly Confidential version of the presentation have been submitted under seal and provided electronically to Commission staff and CostQuest's counsel of record as required by the Third Supplemental Protective Order.

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[1] *See* Letter from Genevieve Morelli, ITTA, to Marlene H. Dortch, FCC~~, WC Docket No. 10-90~~ (filed June 29, 2015).

[2] *Connect America Fund*, Third Supplemental Protective Order, 27 FCC Rcd 15277 (2012) (DA 12-1995).

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Please do not hesitate to contact the undersigned with any questions regarding this submission.

Respectfully submitted,

Mel Caldwell

Micah M. Caldwell
Vice President, Regulatory Affairs

cc: Carol Mattey
Alex Minard
Suzanne Yelen

Build-Out Obligation Methodology for Rate-of-Return Carriers Electing Model-Based Support

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July 7, 2015

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RATIONALE FOR THE METHODOLOGY

- **Funding is directed to unserved areas.**
- **Limited funding will likely result in build-out obligations of less than 100%.**
- **Diversity requires carrier specific build-out obligations.**
  - **Location costs vary greatly based on density and other factors.**
  - **Current broadband deployment varies by company.**
  - **The proportion of locations where support is limited to $230 varies by carrier.**
- **A-CAM provides data necessary to determine build-out obligations. A company's build-out obligation is based on its available funding, costs and current locations reached.**

DIFFERENCES NECESSITATE DIFFERENT POLICIES

Policy Difference	Price Cap Areas	Rate-of-Return Areas*
Cost Differences	Larger numbers of PC locations are relatively low cost.	More RoR areas are higher cost and thus require a unique build-out approach.
Existing Build-out Levels	Most high-cost areas are unserved.	Many high-cost areas are already served.
Different Outcomes for Highest-Cost Areas	Locations above PC extremely high cost threshold subject to RAF.	Locations above $230 subject to reasonable request.
Deciding Factors for Electing Model Support	If refused, model support will be auctioned.	Model support entirely optional.

* These statements are based on our assessment of the approach the Commission may adopt including FCC Illustrative Scenario 1.3.

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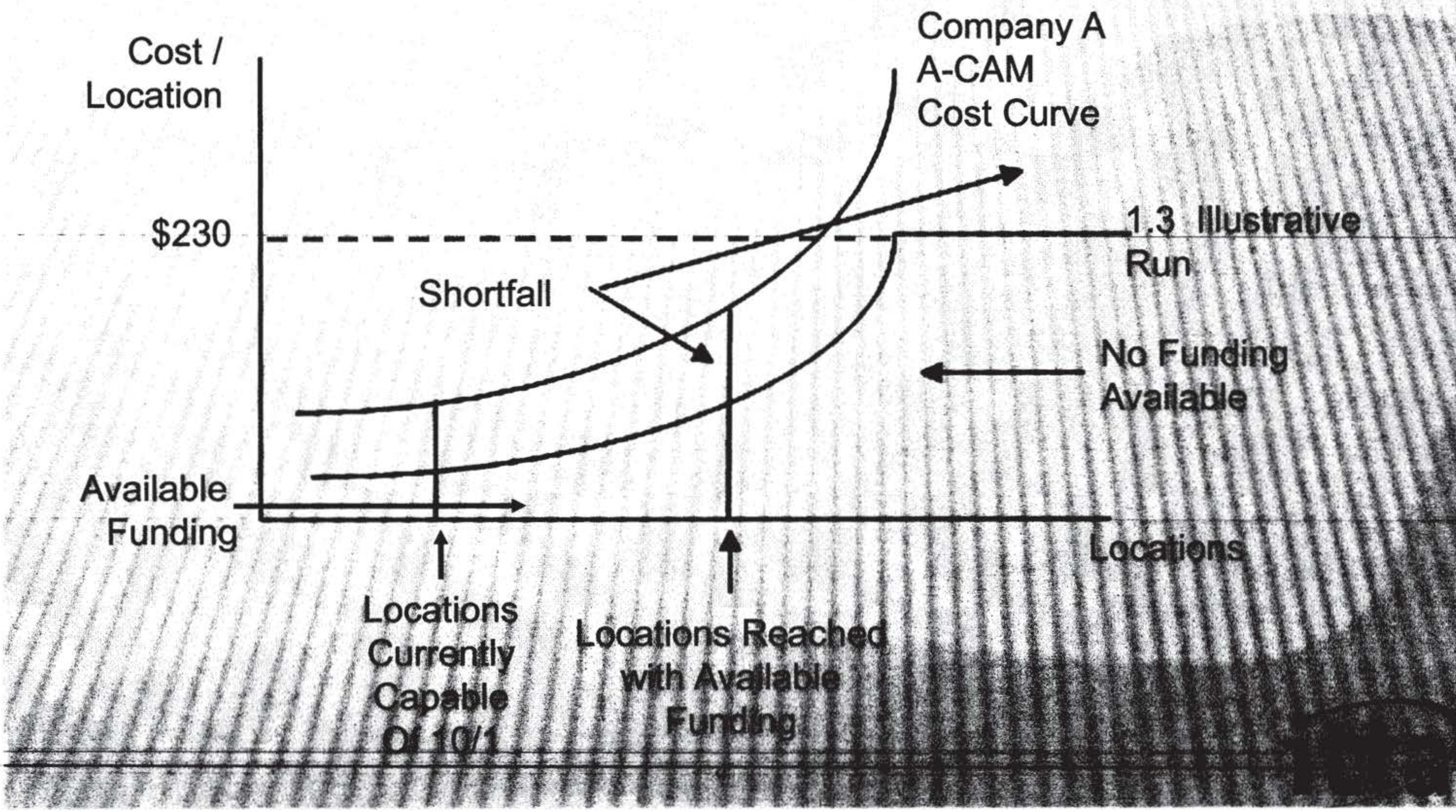
SIMPLIFIED OVERVIEW OF THE METHODOLOGY



CALCULATION OF BUILD-OUT OBLIGATION

- **Determine CAF reserves available for each company.**
- **Sort each company's census blocks in order of increasing A-CAM costs.**
- **Count eligible locations with costs above \$52.50.**
- **Beginning with the lowest cost census block, sum the capital cost and the locations for each block until all available funding has been used.**

$$Support\ Used\ in\ Census\ Block_i = Capital\ Expenditure\ Cost_i$$
$$= 0.433 \times Number\ of\ Locations_i \times (\,Cost\ per\ Location_i - \$52.50)$$

- **Multiply the resulting eligible locations by 95%.**
  - **Companies don't deploy by census block therefore they may not deploy to the lowest cost census block first.**
  - **Legitimate cost differences exist between model and actual costs.**

CALCULATION FOR ILLUSTRATIVE STUDY AREA D

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ILLUSTRATIVE COMPANY RESULTS

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CONCLUSION

- Differences between rate-of-return and price-cap areas and policies require a different approach.
- The proposed methodology matches the obligation to the factors that impact rate-of-return deployment:
  - The cost to serve various locations;
  - The available CAF funding; and
  - The current level of 10/1 deployment.