



December 17, 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 Tuesday, December 15, 2015, the undersigned on behalf of NTCA–The Rural Broadband Association (“NTCA”), met with Carol Matthey, Steve Rosenberg, Pam Arluk, Victoria Goldberg, Alex Minard, and Suzanne Yelen of the Wireline Competition Bureau to discuss matters in the above-referenced proceeding.

During the meeting, NTCA discussed the current state of the “bifurcated approach price-outs” that have been filed in this proceeding, and what potential changes might be made or under consideration to address whether those are showing results consistent with the stated objectives of the Federal Communications Commission (the “Commission”) with respect to universal service fund reform. *See Ex Parte* Letters from Michael R. Romano, Senior Vice President-Policy, NTCA, to Marlene H. Dortch, Secretary, Commission, WC Docket No. 10-90, *et al.* (filed Oct. 26, 2015, Nov. 6, 2015, Nov. 9, 2015, and Nov. 24, 2015); *see also Ex Parte* Letters from Regina McNeil, General Counsel, NECA, to Marlene H. Dortch, Secretary, Commission, WC Docket No. 10-90 (filed Nov. 6, Nov. 17, and Nov. 19, 2015); *Ex Parte* Letter from B. Lynn Follansbee, Vice President, Law & Policy, USTelecom, to Marlene H. Dortch, Secretary, Commission, WC Docket No. 10-90 (filed Dec. 7, 2015).

NTCA also specifically addressed the need both to ensure that sufficient budget is available for model electors to achieve reasonable but responsible and well-defined incremental build-out obligations, and also to ensure that any model elections will not have any adverse impact on USF budgets available to other carriers that do not elect the model. *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 Dec. 15, 2015). NTCA further discussed the need for reasonable transitions, particularly with respect to any reforms that would undermine recovery of costs incurred prior to the date of such reforms taking effect.

NTCA next raised questions about incentives for prospective investment and mechanical complications arising under the bifurcated approach currently being contemplated. For example, we discussed the varying rates of return contained with the bifurcated approach price-outs at the direction of the Commission, and the technical complications these inject into the reform debate that still require resolution. NTCA further notes that there are still significant legal procedural and substantive analytical evidentiary questions surrounding any potential changes in this regard. *See, e.g.*, Comments and Reply Comments of NTCA, USTelecom, WTA, NECA, and ERTA, WC Docket No. 10-90 (filed July 25, 2013 and Aug. 26, 2013, respectively); Comments of Moss Adams, LLP, 3 Rivers Telephone Cooperative, *et al.*, WC Docket No. 10-90 (filed July 25, 2013); Comments of Alexicon, the Rural Broadband Alliance, and the Small Company Coalition, WC Docket No. 10-90 (filed July 25, 2013). NTCA finally raised questions about the effects of such proposals on carriers' ability to understand how to operate under such reforms without increased and expensive reliance upon accountants, consultants, and lawyers and whether such changes would suppress, rather than stimulate, incentives to invest and extend broadband going forward.

NTCA further addressed the need for granular reviews of market conditions and actual levels of service capabilities in identifying any would-be unsubsidized competitors and, in particular, for careful thought regarding how costs can and should be allocated to reflect networks operated and services provided in distinct areas. *See, e.g.*, *Ex Parte* Letters from Michael R. Romano, Senior Vice President, NTCA, to Marlene H. Dortch, Secretary, Commission, WC Docket No. 10-90 (filed July 16, 2015, Oct. 26, 2015, and Oct. 29, 2015). NTCA indicated a desire to work with the Commission and other stakeholders to ensure these issues are resolved with the greatest degree of accuracy. NTCA also maintains that any such policies as developed and implemented should not apply in ways that change recovery of sunk investments and associated costs.

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

cc: Carol Matthey
Steve Rosenberg
Pam Arluk
Victoria Goldberg
Alex Minard
Suzanne Yelen