January 29, 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 Wednesday, January 27, 2016, the undersigned, on behalf of NTCA–The Rural Broadband Association, and Lynn Follansbee of USTelecom, met with Stephanie Weiner, legal advisor to Chairman Tom Wheeler; Rebekah Goodheart, legal advisor to Commissioner Mignon Clyburn; Robin Colwell, Chief of Staff to Commissioner Michael O'Rielly; Amy Bender, Commissioner O'Rielly's legal advisor; and Matthew DelNero and Carol Mattey of the Wireline Competition Bureau. Ms. Mattey and Ms. Follansbee participated via telephone.

During the meeting, we addressed methods for implementing updates of existing universal service mechanisms to enable support of standalone broadband services specifically. First, we discussed the potential benefits of establishing a simple mechanism that could work separate from, but alongside, existing mechanisms to support standalone broadband. For example, to the extent that the Federal Communications Commission (the "Commission") wishes to migrate ultimately away from existing mechanisms as previously articulated as a goal, such a separate mechanism would enable such a migration. Furthermore, if the Commission were to seek, for example, to represcribe the interstate rate-of-return in connection with any reforms – a proposition that the associations would oppose on both procedural and substantive grounds to the extent proposed – any such represcription should not disrupt existing mechanisms.

Our discussion also addressed potential operating expense limits that might be adopted as part of reforms being considered by the Commission. In particular, we observed that any regression formula should utilize not less than two standard deviations to establish such operating expense limits, because a lesser standard deviation would lack statistical integrity. We also stated that any limits adopted must be subject to reasonable transitions that provide carriers with realistic opportunities to adjust their operations to come into conformance without suffering a "flash-cut" loss of support.

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We also discussed potential buildout incentives as part of any reform. We noted concerns with "one-size-fits-all" solutions or unfunded mandates that could effectively compel buildout (and consume limited universal service resources) in areas that are already well-served on the whole, even as other aspects of reforms under consideration would hinder or even preclude buildout in those same areas. Moreover, we observed that, in every other context in which the Commission has imposed or is currently considering imposition of buildout obligations, those that would be subject to such obligations were receiving *incremental infusions of new universal service support*, whereas here there has been no indication that any additional universal service support sums will be provided to enable the buildout that would be mandated. While we committed to continuing discussions with the Commission on this topic, we continue to urge adoption of the accountability measures with respect to broadband deployment proposed by the associations in December 2015, explaining that those would provide the Commission with a highly effective way of tracking broadband advancement nationwide utilizing universal service resources and identifying those areas in which such advancement was still lacking despite the use of such resources. *See Ex Parte* Letter from Michael R. Romano, NTCA, to Marlene H. Dortch, Commission, WC Docket No. 10-90 (filed Dec. 16, 2015).

We further discussed possible means of addressing the Commission's interest in modifying the existing competitive overlap policy, under which study areas that are fully overlapped are subject to reductions in universal service support. In particular, we talked through how to identify study areas that are subject to substantial competitive overlap, the standards that should be applied to determine where an unsubsidized competitor is in fact present, and the fact that only new investments going forward in those granular portions of the study area that are found to be subject to such overlap should then be subject to application of the policy. *See, e.g.*, *Ex Parte* Letter from Michael R. Romano, NTCA, to Marlene H. Dortch, Commission, WC Docket No. 10-90 (filed July 16, 2015). We committed to provide the Commission with further details and thoughts on competitive overlap matters in the near future.

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: Stephanie Weiner
Rebekah Goodheart
Robin Colwell
Amy Bender
Matthew DelNero
Carol Mattey