February 3, 2016

Ex Parte

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

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

Dear Ms. Dortch:

On February 1-2, 2016, Walter B. McCormick, CEO of USTelecom – The Broadband Association and Shirley Bloomfield, CEO of NTCA – The Rural Broadband Association, had multiple meetings with Federal Communications Chairman Tom Wheeler, Commissioner Michael O'Rielly and Rebekah Goodheart, Legal Advisor for Commissioner Mignon Clyburn. In the course of those meetings, they discussed a set of high-level principles upon which the rural telecommunications industry could agree to in regard to Universal Service Rate-of-Return reform. At the February 2nd meeting, Stephanie Weiner, the Chairman's Legal Advisor, attended the meeting on the Chairman's behalf.

The discussions amongst the parties focused primarily on overall elements of rate-of-return reform for those entities not electing the model. First, the associations discussed the FCC looking to set rates that are reflective of small company operations in rural areas and that any changes to the current rate should include a reasonable transition. Second, the associations discussed working with the Commission to effectuate build-out benchmarks that are consistent with the Commission's goals of ensuring that a portion of future investment reaches previously unserved areas within the carrier's service territory. Finally, the associations discussed a competitive screen that would ensure that where there is a genuine competitor that meets specific qualifying voice and broadband service standards, the incumbent carrier's support would be reasonably disaggregated such that carriers do not continue to receive USF support where there is a genuine competitor.

Please contact the undersigned should you have any questions.

Respectfully submitted,

B. Lynn Follansbee

B. Lynn Follansbee
Vice President, Law & Policy

Enclosure

A Roadmap for Simple But Comprehensive USF Reform

February 2016

Shared Goals of Reform

- Sustaining Voice and Broadband in Areas Already Served
- Edging Out Broadband into Unserved Areas
- Improving Regulatory Certainty with Respect to Recovery of Both Past and Future Investments
- Providing Transparent and Accurate Voluntary Model Option
- Ensuring Efficient, Effective, and Fair Use of USF Resources

Modules of Reform

1. **Distribution Reform Module**
   a. Simple, Straightforward Standalone Broadband Fix
   b. Voluntary Model Option
2. **RoR Limits Module**
   a. OpEx Limits – reasonable limits on operating expenses
   b. CapEx Limits – reasonable budgets for prospective capital expenses, with adjustments to enable greater investment in unserved areas
   c. Budget Control – reasonable overall limits on support and other measures
3. **Competitive Overlap Module** – reasonable policies limiting recovery of certain investments in areas that are in fact substantially served by qualified unsubsidized competitors
4. **Buildout Module** – reasonable targets for use of USF support (model or non-model)

Module 1: Distribution Reform

- **Simple, Straightforward Standalone Broadband Fix**
  - Recover standalone broadband costs via simple updates to existing mechanisms like ICLS

- **Voluntary Model Option**
  - FCC would use $200M in CAF Reserves to facilitate a model option

Module 2: RoR Limits

- **OpEx Limits**
  - FCC can use a reasonable formula to establish new OpEx limits for purposes of USF recovery, subject to reasonable transition
- **CapEx Limits**
  - Capital Budget Mechanism (CBM) as previously filed can be used to set budgets for prospective investments
  - CBM includes a feature to increase future CapEx budgets to reach unserved areas and to decrease future CapEx budgets where customers are already served by robust broadband
- **Budgets/Cost Recovery**
  - FCC could adopt budget control and other changes in the rate-of-return context regarding cost recovery

Module 3: Competitive Overlap

- Under RoR mechanisms, FCC could limit recovery of investments in census blocks served by a minimum specified percentage by unsubsidized competitors
  - Competitive coverage must be determined based on verifiable data for locations both served and unserved by unsubsidized competitor
  - Transition period for reductions given magnitude of impact
- Determination of competitive presence should follow same process as current competitive overlap on study area basis, but now applied at census block level
  - Competitor must verify service to a specified percentage of locations in the census block with both quality voice and quality broadband
- Reasonable disaggregation of costs between competitive and non-competitive areas ensuring each carrier retains sufficient support to sustain high-cost service

Module 4: Buildout

- RLECs share the FCC's objective of delivering quality voice and broadband to every rural consumer.
- Reasonably tailored buildout measures tied to replacement of depreciated plant over time and use of a reasonable portion of future support to reach unserved consumers

Summary

- A modular approach to reform can be done in a simple way and yet achieve comprehensive, long-term reform
- This modular framework provides a useful roadmap to enact reform quickly and to achieve shared objectives after reform
- We are committed to obtaining reform to help restore regulatory certainty and promote broadband-focused updates in universal service