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May 18, 2016

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Ex Parte

Ms. 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 May 16, 2016, Kathleen Grillo, Tamara Preiss, and Alan Buzacott of Verizon met with Stephanie Weiner, Senior Legal Advisor to Chairman Wheeler, and Matthew DelNero, Chief of the Wireline Competition Bureau, to discuss the Connect America Fund. Also on May 16, 2016, Ms. Preiss and Mr. Buzacott met with Rebekah Goodheart, Wireline Legal Advisor to Commissioner Clyburn. On May 17, 2016, Ms. Preiss and Mr. Buzacott met with Travis Litman, Senior Legal Advisor to Commissioner Rosenworcel, and with Matt Butler and Nick Degani, Wireline Legal Advisor to Commissioner Pai. On May 18, 2016, Ms. Preiss and Mr. Buzacott met with Amy Bender, Wireline Legal Advisor to Commissioner O’Rielly.

In the meetings, we described wireline and wireless technology options for providing high-speed broadband service in rural areas. We explained that the Connect America Fund should provide participants with the flexibility to use a variety of technologies, in order to most effectively extend high-speed broadband to consumers in high-cost areas and to allow for the evolution of technology.

We also explained that the Commission should use lowest-cost per location to select winning bidders. By using lowest-cost per location, the Commission would maximize the number of locations that would receive broadband service using the limited competitive bidding budget. We noted that the primary factor that led the Commission to use “cost-effectiveness” as the criterion for evaluating rural broadband experiment proposals – the goal of selecting projects in a variety of geographic areas – is not relevant to the CAF II competitive bidding process.

In addition, we discussed proposals to assign “weights” to particular service “tiers” or to particular speed, usage allowance, and latency thresholds. We explained that the Commission

should limit the number of weights (i.e., the number of service tiers or speed, usage, and latency thresholds) in order to limit the complexity of the auction and the potential for unanticipated consequences.

We emphasized that the Commission should not determine the weights in the order on circulation; instead, the Commission should seek comment on the appropriate weights after it has defined the service tiers or speed, capacity, and latency thresholds. The Commission should, however, make clear in the order on circulation that it will set the weights such that a bidder that does not meet all dimensions of the CAF II offer standard (i.e., the speed, capacity, and latency required of a price cap LEC that accepted a statewide offer) must bid a substantially lower amount in order to be selected over a bidder that meets all dimensions of the CAF II offer standard. On the other hand, the weights assigned to bids that exceed the CAF II offer standard's speed or capacity requirements should appropriately reflect those bids' superior performance.

Finally, we explained that the competitive bidding phase of CAF II should provide greater location flexibility than the 95 percent threshold adopted for the statewide offers. Because the area covered by a competitive bid could be smaller than the area covered by a statewide offer, it will be less likely that inaccuracies in the modeled location count will offset each other.¹ Consequently, the Commission should set the location flexibility threshold for the competitive bidding phase at 90 percent.² At a minimum, the Commission should eliminate, for the competitive bidding phase, the requirement that carriers identify up front two percent of eligible locations in which they do not expect to deploy broadband.³ Instead, carriers should be permitted the flexibility to identify location issues during the entire buildout term.

¹ See Connect America Fund, Report and Order, WC Docket No. 10-90, 29 FCC Rcd 15644, 15659 (2014), at ¶ 38 (“While these minor inaccuracies in [in location counts] should cancel one another out in most instances across multiple census blocks, we recognize that in particular areas that may not be the case....”).

² *Id.* at ¶ 40.

³ *Id.* at ¶ 39.

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This letter is being filed electronically pursuant to Section 1.1206 of the Commission's rules. Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Alan Beyaroff". The signature is written in a cursive style with a large initial "A".

cc: Stephanie Weiner
Matthew DelNero
Rebekah Goodheart
Travis Litman
Nick Degani
Amy Bender

Attachment