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November 17, 2009

Ex Parte

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

Re: National Broadband Plan, GN Docket No. 09-51

Dear Ms. Dortch:

On November 16, 2009, Maggie McCready, Chris Miller and the undersigned of Verizon met with Tom Koutsky, Rebekah Goodheart, and BJ Neal of the Commission's National Broadband Plan team.

In the meeting, Verizon discussed mechanisms for subsidizing second mile and middle mile transport using universal service funds. The conversation was consistent with the attached handouts and with Verizon's November 4, 2009 comments on National Broadband Plan Public Notice No. 11. The attachments provide an example of a support calculation that the Commission could use to help offset a portion of a rural broadband provider's recurring cost of middle mile transport. We explained that such support should be provided only for a limited period of time, and only in areas that (1) have limited broadband availability; (2) have low population density; and (3) are more than a threshold distance from the closest long-haul network point of presence. In addition, we discussed a proposal for project-based infrastructure grants that could help offset the cost of constructing middle mile and second mile facilities in areas where such facilities would not be deployed in the foreseeable future without support.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Alan Buzacott".

cc: Tom Koutsky
Rebekah Goodheart
BJ Neal

Attachment 1: Example Middle Mile Support Calculation (assuming DS3 transport)

Example Calculation

Support =

(mileage in excess of threshold distance) *
(prevailing rural per-mile DS3 rate) *
(capacity requirement for service area, in DS3s)

Definitions

Mileage in excess of threshold =

(distance to closest long-haul network POP) – threshold distance

- The threshold distance would be selected by the Commission. The Commission should analyze unserved or underserved areas (for example, by using Form 477 reports or the national broadband map that NTIA is assembling pursuant to the Broadband Data Improvement Act (“BDIA”)) in order to determine where the high cost of middle mile facilities likely explains the lack of broadband deployment. That analysis may show, for example, that there is generally a threshold distance (*e.g.*, 100 miles from an Internet or long-haul network POP) beyond which broadband is not generally available.

Prevailing rural per-mile DS3 rate:

- The Commission would determine the prevailing per-mile DS3 rate in rural areas beyond the threshold distance. In some parts of the nation, it may be reasonable to use a per-mile DS3 rate found in NECA Tariff FCC No. 5. In other parts of the nation, it may be more appropriate to use a blend of a NECA rate and the rates of other carriers.

Capacity requirement for service area, in DS3s =

$$\frac{(\text{households in service area}) * (20\% \text{ adoption rate})}{(\text{broadband subscribers per DS3})}$$

- The 20 percent adoption rate represents a target for the supported area, reflecting an assumption that the supported service area currently has only limited broadband availability and adoption.
- The “broadband subscribers per DS3” variable would be specified by the Commission, based on analysis of current engineering practices.
- Because the formula is not a cost model, but is instead used only to calculate a support amount, the capacity requirement is not rounded up or down to a “whole” DS3.

Attachment 2: Illustrative Application

Supported area:

Census Tract 9752.00, Uinta County, Wyoming
Rural status: Rural (under FCC Rural Health Care definition)
LATA: 654 (Wyoming)

Mileage in excess of threshold:

Closest long-haul network POP: Casper, WY (AT&T, Qwest, Global Crossing)
Distance to closest long-haul network POP: 215 miles
Assumed threshold distance = 100 miles

mileage in excess of threshold = $(215-100) = 115$ miles

Prevailing rural DS3 per-mile rate:

Assumed, for this example, to be the NECA “Band 5” DS3 per mile rate (5 year term):
\$74.51 per mile¹

Capacity requirement for service area, in DS3s:

Households (from 2000 Census): 2,054
Assumed broadband subscribers per DS3: 450²

Capacity requirement, in DS3s = $\frac{2,054 * 20\% \text{ adoption rate}}{450} = 0.92$ DS3s

Support

= 115 miles * \$74.51 per mile per DS3 * 0.92 DS3s

= \$7,883 per month

¹ NECA Tariff FCC No. 5, §§ 17.3.8(B)(1); 17.3.8(C) (\$93.14 per month per mile less 20 percent term discount).

² The 450 customers/DS3 figure used in this example is derived using the same assumptions that NECA uses in its DSL service rate development. See NECA Tariff FCC No. 5, Transmittal No. 1245, filed June 16, 2009, Volume 5, Exhibit 8, Workpaper 1 of 10, line 14. In its DSL service rate development, NECA assumes that 1 Mbps of transport capacity is required for every 60 customers provided with 1 Mbps DSL service. For higher-bandwidth DSL services, NECA’s rate development scales the transport bandwidth. For example, while NECA assumes that 1 Mbps of transport bandwidth would support 60 1 Mbps DSL customers, NECA assumes that 1 Mbps of transport bandwidth would support only ten 6 Mbps DSL customers. Using NECA’s assumptions, a DS3 (44.736 Mbps) circuit could support approximately 450 customers provided with 6 Mbps DSL service ($44.736 * 60 / 6 = 447.4$).

State of Wyoming

- 100 Mile
- Long Haul Network POP
- Tract 9752
- Census Tract
- Census Tract

