1634 Eye Street NW
Suite 510
Washington, D.C. 20006

Joe A. Douglas
Vice President
Government Relations
PH 202-682-0153
FX 202-682-0154
jdouglas@neca.org

January 27, 2011

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

RE: Notice of Ex Parte Presentation
Connect America Fund, A National Broadband Plan for Our Future High-Cost Universal Service Support, WC Docket No. 10-90; A National Broadband Plan for Our Future, GN Docket No. 09-51; Federal-State Joint Board on Universal Service High-Cost Universal Service Support, WC Docket No. 05-337

Dear Ms. Dortch:

On January 26, 2011, representatives of rural service providers met with Commission staff to discuss aspects of the National Broadband Plan, including the proposed Connect America Fund (CAF) and its interaction with a revised Universal Service Fund. Commission staff present at this meeting were: Sharon Gillett, Carol Mattey, Patrick Halley, Rebekah Goodheart, Elise Kohn, Jennifer Prime, Marcus Maher, Al Lewis, Kevin King, Rohit Dixit, Amy Bender, Alexander Minard, Joseph Cavender, Michael Steffen, Margaret Wiener, and Trent Harkrader. Commission staff also participating by telephone were: Kenneth Burnley and Victoria Goldberg. Meeting participants for rural service providers were: Michael Romano (NTCA); James Frame and Jeff Dupree (NECA); Stuart Polikoff (OPASTCO); Derrick Owens and Gerard Duffy (WTA); Paul Cooper (Rural Alliance); Robert DeBroux (TDS Telecom); Jean Thaxton (Randolph Telephone); Bill Squires (Blackfoot Telecommunications); Roger Nishi (Waitsfield and Champlain Valley Telecom). Also participating by telephone were the following rural industry representatives: Mark Gailey (Totah Telephone Cooperative); Rich Coit (South Dakota Telecommunications Association); Ron Laudner (OPASTCO); Glenn Brown (Rural Alliance); Keith Oliver (Home Telephone Company); Jason Hendricks (RT Communications); and NECA Representatives, Regina McNeil and Colin Sandy, and the undersigned.

Rural group representatives discussed these issues, which their constituents view as critical elements in a rational design to advance broadband deployment and adoption in rural America: assuring a broadband support mechanism is consistent with the existing statute governing USF; promoting job growth and economic development; encouraging incentives for broadband deployment and customer adoption; recognition of carrier of last resort obligations and protections for consumers; and an implementation timetable that will help ensure regulatory certainty. Positions of the rural associations and service providers are outlined in the attached material, presented during this discussion.

Questions regarding the meeting may be directed to the undersigned.

Sincerely,

Joe A. Douglas

Attachment

cc: Sharon Gillett
Marcus Maher
Trent Harkrader
Carol Mattey
Al Lewis
Patrick Halley
Victoria Goldberg
Rebekah Goodheart
Kevin King
Elise Kohn
Rohit Dixit
Jennifer Prime
Amy Bender
Alexander Minard
Joseph Cavender
Michael Steffen
Margaret Wiener
Kenneth Burnley

The Rural Alliance

Implementing the Connect America Fund for RLECs

WC Docket Nos. 10-90, 05-337,
GN Docket No. 09-51

Reform Considerations

- Complex issues for FCC and industry.
  - Effective incentives for future rural broadband deployment.
  - Avoiding adverse impacts on rural consumers.
  - Perception of “rural/rural divide”; statutory mandate for reasonable comparability.
  - Meeting statutory goals of predictability and sufficiency.
  - Existing investments made under current rules need to be recovered.
  - Assuring efficiency and accountability.
  - Keeping fund size reasonable.
  - ICC reform for changing markets is a critical complement to USF reform.

Rural Group CAF Objectives

- Develop a specific Broadband support mechanism for Rural Rate of Return Local Exchange Carriers (RLECs) that:
  - Is consistent with existing statute and legal framework governing USF (specific, predictable and sufficient);
  - Promotes job growth and economic development in rural areas;
  - Incorporates effective and efficient incentives for deployment, network maintenance and upgrades, and customer adoption;
  - Recognizes critical carrier of last resort (CoLR) responsibilities and protects consumers;
  - Is ready to begin implementation by 1/1/2012, in order to restore regulatory certainty.

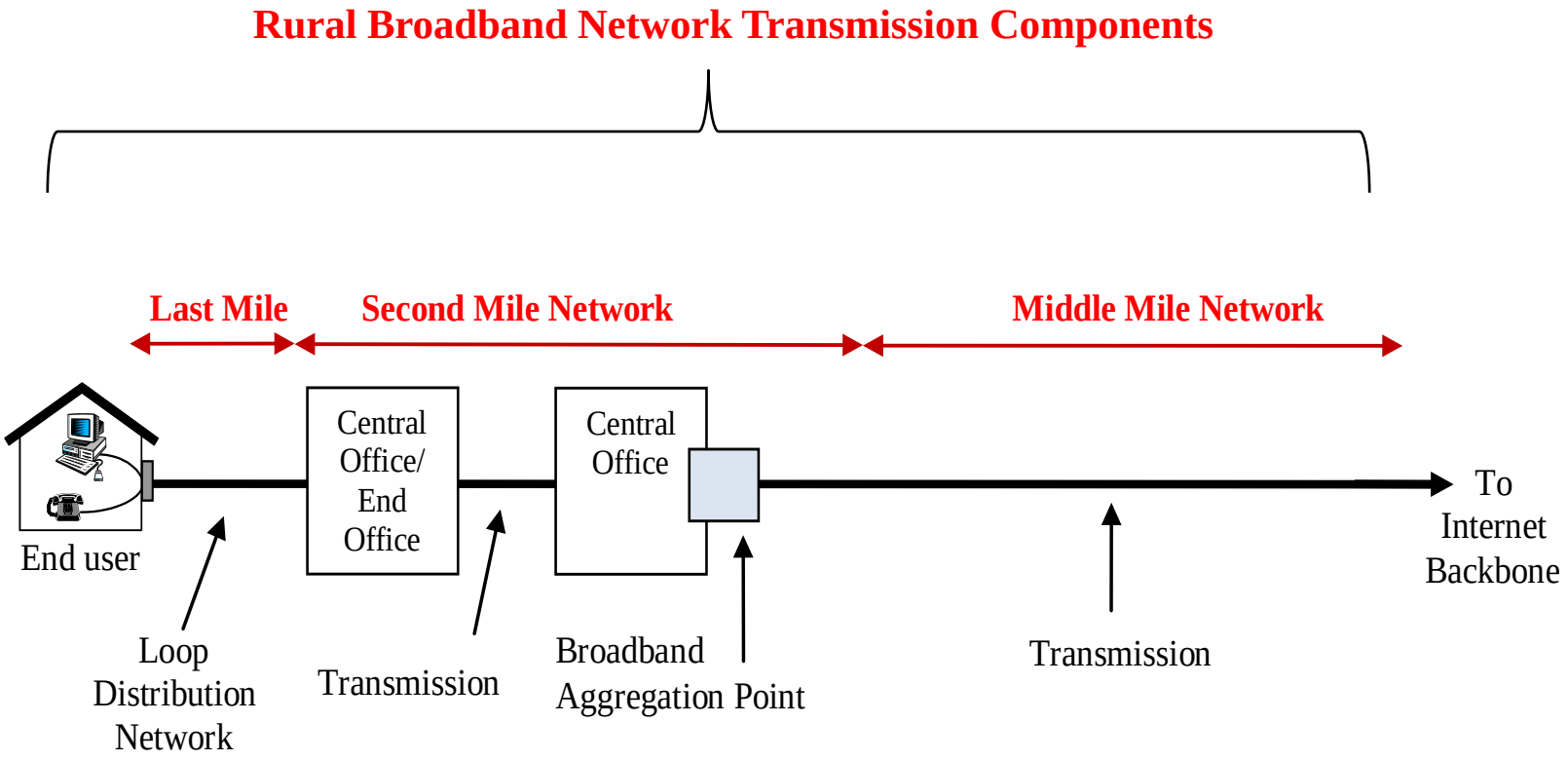
RLEC Proposal for CAF

- Basic approach compares actual RLEC network broadband transmission costs to an urban broadband transmission cost benchmark.
- Funding based on difference between rural and urban costs.
- Goal is to assure rural end users have access to broadband services that are reasonably comparable to urban services, at reasonably comparable rates.
- Flexible approach – can include incentives for broadband adoption, efficiency and accountability measures.
- May provide for increase in last-mile line costs assigned to interstate.
- Administrative ease for implementation and transition from existing rules and programs.
- ICC reform issues are also important – address consistent with recent Rural Association proposals.

RLEC CAF

- Identify Interstate Broadband Last Mile Costs.
- Add Second Mile, Middle Mile, Internet Connection costs.
- Total is Rural Broadband Costs.
- Subtract Urban Benchmark.
- Result equals support recoverable under RLEC CAF.

Rural Broadband Transmission Costs



The Urban Benchmark

- The Urban Benchmark captures the transmission costs associated with providing end-to-end Internet access service in urban areas.
- Actual urban cost data not required for benchmark:
  - Benchmark could be determined on the basis of surveys of prices for Internet access service in metropolitan areas, less a factor to account for non-transmission costs.
- Goal is to make rural rates and services reasonably comparable to urban by providing support where costs are in excess of the benchmark.

Transitioning from Existing Programs

- Reasonable transition for recovery of existing investments under current rules:
  - Shift of broadband costs to interstate jurisdiction and potential CAF recovery could be “phased in” over multi-year period.
  - HCL amounts would be phased out as additional last mile costs are migrated to CAF recovery.
  - As support for broadband lines is transferred to the CAF, ICLS is phased out, by being used only to support voice-only switched access lines during transition to all broadband network.
  - Limited modifications to existing rules needed to begin implementation by 2012.
  - Allows time for comprehensive review of various accounting, separations and other rules while transition is underway.
- Future investments to be included in CAF recovery will be a function of how Broadband is defined, CoLR responsibilities, and funding levels.

A Plan for Success

- Proposed framework would include features, such as the benchmark, to encourage efficient and effective operations and network deployment based upon customer demand and requirements.
- Proposed framework ensures accountability:
  - Existing cost accounting, verification, and audit procedures remain in place.
  - Funding linked to satisfying reasonable but meaningful CoLR obligations, ensuring support is reinvested in the network in rural, high-cost areas.

Issues for Further Consideration

- What should be required of CAF recipients?
  - Quality voice and broadband?
  - How and when to (re)evaluate reasonable comparability?
- What does it mean to be a CoLR?
- What is the role of the States with respect to broadband-capable networks?

Summary of RLEC CAF Goals

- Ensure consistency with statutory universal service mandates and policies.
  - Achieve “reasonably comparable” rates & services.
  - Support remains “specific, predictable and sufficient.”
- Recognize critical RLEC Carrier of Last Resort responsibilities.
  - Specific CoLR obligations linked to funding.
- Ensure recovery of existing investment made under current rules.
- Provide sufficient funding for maintenance and upgrades.
- Include incentives for efficient and effective broadband deployment and adoption.
- Workable and easy-to-implement -- builds on and improves existing network and regulatory structures.
- Avoid endless battles over cost models & reverse auctions.
- Avoid disruptions for consumers.