



July 11, 2011

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

Notice of *Ex Parte* Meeting

Re: *Ex Parte* Contact in Connect America Fund, WC Docket 10-90; A National Broadband Plan for Our Future, GN Docket No. 09-51; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135; High Cost Universal Support, WC Docket No. 05-337; Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92; Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Lifeline and Link-Up, WC Docket No. 03-109

Dear Ms. Dortch:

On behalf of the Ad Hoc Telecommunications Users Committee (Ad Hoc), Colleen Boothby, Andrew Brown and the undersigned, from this office, and Susan M. Gately of SMGately Consulting, LLC met with Dan Ball, Amy Beier, Amy Bender, Rebekah Goodheart, Trent Harkrader, Albert Lewis, Carol Matthey and Douglas Sloten from the Wireline Competition Bureau on July 8, 2011.

The discussion followed the attached outline, which was distributed to all meeting attendees. During discussion of point I. B.2, in the attached outline, the staff inquired about methodologies for analyzing data regarding average revenues for recipients of High-Cost fund support and invited Ad Hoc to submit a more detailed proposal for the Commission to consider.

The balance of the meeting focused on issues raised by the data submissions of some rural local exchange carriers ("RLECs") and difficulties Ad Hoc has encountered in gaining access to data submitted by NECA and other parties. WCB staff advised that they were aware of the data access dispute and were working on resolving the issue.

Ad Hoc emphasized that the RLEC data to which it has had access simply demonstrate the impact of proposed High-Cost reform proposals on RLEC



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revenue but do not demonstrate any need to preserve the same level of High-Cost Fund support. While some RLECs may need High Cost subsidies, not all RLECs need the same level of subsidization as they receive at present. Preservation of existing revenue streams as a general proposition would be inconsistent with freeing up USF High Cost money to support efficient broadband build-out. Reducing High Cost subsidy flows would likely encourage RLECs to seek more cost effective means of operating. Ad Hoc pointed to an article in the June 28, 2011 edition of "Telecompetitor" that seems to suggest that in some circumstances RLECs may extend broadband service to remote locations through wireless deployments rather than more expensive landline alternatives.

Ad Hoc suggested that in evaluating RLEC data the Commission should consider corporate structures and lines of business, affiliate relationships, charges and revenue flows between affiliates, affiliate earnings from regulated and unregulated and landline and wireless offerings, the extent to which regulated and unregulated lines of business share employees and other costs, and the impact of familial relationships on corporate overhead. Ad Hoc also observed that the owners of RLECs organized as cooperatives are also its subscribers and therefore can choose to provide service at artificially low rates rather than create taxable income when rates are set at more profitable levels. Finally, many RLECs are not subject to state rate regulation and thus are free to increase local service rates to cover their stated costs.

If you have any questions regarding this submission, please, contact the undersigned.

Sincerely,

A handwritten signature in black ink, appearing to read 'James S. Blaszak', written in a cursive style.

James S. Blaszak
Counsel, Ad Hoc Telecommunications Users
Committee



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Cc: Dan Ball
Amy Beier
Amy Bender
Rebekah Goodheart
Trent Harkrader
Albert Lewis
Carol Matthey
Douglas Slotten

Attachment



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ATTACHMENT - OUTLINE
(Ex Parte Meeting on Universal Service and Intercarrier Compensation
Reform July 7, 2011)



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**Ad Hoc Telecommunications Users Committee
Ex Parte Meeting on Universal Service and Intercarrier Compensation
Reform
July 7, 2011**

I. Ad Hoc's Positions on USF and ICC Reform

- A. Ad Hoc supports many of the Commission's near-term reform proposals:
1. Eliminate Local Switching Support;
 2. Reduce reimbursement rates for High Cost Loop Support;
 3. Eliminate support for corporate operations expense;
 4. Eliminate the identical support rule;
 5. Adopt a per line cap on total high cost support with a rebuttable presumption if need for support above cap is shown but with a commitment to revisit the 11.25% authorized rate of return;
 6. Transition Interstate Access Support to the CAF immediately in 2012.
- B. Ad Hoc additionally proposed that the Commission do the following:
1. Reform the USF contribution methodology soon;
 2. Adopt a "low price offset" to HCF disbursements;
 3. Replace the current ICC regime with a "bill and keep" rate structure;
 4. Include non-regulated revenues and imputed, benchmarked local service revenues in any support calculation;
 5. Set SLCs to recover loop costs, not implicit subsidies;
 6. Base support on need, not unjustified demands for revenue neutrality.

II. Decisions on Reform should be Data Driven

- A. The Commission should continue its efforts to gather specific data from carriers.



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- B. Carriers opposing reforms that would reduce high cost USF subsidies must make a showing of need, not revenue neutrality, supported by data entered into the record.
- C. The Commission must seek additional information if a carrier submits incomplete or misleading data.
- D. Any joint industry proposal must be supported by data and subjected to the same rigorous analysis.

III. Resolving Obstructions to Data Requests/Data Analysis

- A. The Commission needs to enforce its Protective Orders to enable commenters to analyze data in the record.
- B. Secret data undermines the integrity of the rulemaking process and violates the rights of interested parties under the Administrative Procedure Act.
- C. The Commission is denied the benefit of additional review and analysis of data by third parties.

IV. The Commission should consider deferring ICC reform issues unique to the RLECs so it can focus on comprehensive USF reform without further delay.