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February 24, 2012

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## Ex Parte

Austin Schlick, General Counsel  
Marlene Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

**Re: In the Matter of Connect America Fund A National Broadband Plan for Our Future High-Cost Universal Service Support, WC Docket No. 10-90; In the Matter of Federal -State Joint Board on Universal Service High-Cost Universal Service Support, WC Docket No. 05-337; Applications of Celco Partnership d/b/a Verizon Wireless and Atlantis Holdings LLC, for Consent to Transfer of Control of Licenses, Authorizations, and Spectrum Manager and De Facto Transfer Leasing Arrangements, WT Docket No. 08-95**

Dear Mr. Schlick and Ms. Dortch:

This letter responds to a February 23, 2012 letter by Lukas, Nace, Gutierrez & Sachs.<sup>1</sup> The Lukas Nace attorneys raise concerns with the level of detail disclosed in public filings regarding discussions between Verizon and Commission representatives. Those discussions related to the Commission's new rule phasing out legacy universal service high cost support to competitive eligible telecommunications carriers (CETCs) and application of that rule to Verizon Wireless' 2008 voluntary merger commitment to phase out its CETC support over five years. To address the Lukas Nace attorneys' concerns, additional information regarding these discussions is provided below.

In discussions with Commission representatives over the last several weeks, Verizon did not produce a financial analysis of its CETC funding. February 23 Letter at 1-2. In the course of these discussions (some of which were very brief follow-up discussions), Verizon did orally

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<sup>1</sup> See Letter from David LaFuria and Robert Koppel, Lukas, Nace, Gutierrez & Sachs, LLP to Austin Schlick, FCC, *Ex Parte Notification* (Feb. 23, 2012) (the "February 23 Letter" and the "Lukas Nace attorneys"); see also *Opposition to Petition for Clarification or, in the Alternative, for Reconsideration of Verizon, WC Docket No. 10-90* (Feb. 9, 2012) (filed by Lukas Nace on behalf of Nex-Tech Wireless LLC, et al.) (the "Lukas Nace Opposition").

address its expectations for CETC funding amounts under the *Alltel Order*<sup>2</sup> and under the *USF-ICC Transformation Order*<sup>3</sup> – with a focus on 2012 support. We indicated that the precise dollar amounts were not knowable because of many factors, several of which are outside of Verizon’s control. These factors include line growth and line losses by Verizon and other carriers in individual states and USAC adjustments. Nonetheless, the Verizon support amounts cited in the Lukas Nace Opposition are generally consistent with Verizon discussions with Commission representatives regarding this matter. Lukas Nace Opposition at 8. Depending on a number of variables and USAC calculations, nationwide Verizon would roughly expect to receive \$70-\$90 million in CETC support in 2012. In 2013, under the *Alltel Order* Verizon would receive no CETC support in markets that are subject to the *Alltel Order*. If all of Verizon’s remaining CETC support as of December 2011 were now phased out under the *USF-ICC Transformation Order*, Verizon would receive additional support over the next five years. Here, too, the Lukas Nace estimates (\$144 million in 2011; a total of \$360 million from 2012-2016) are roughly consistent with Verizon estimates and expectations – again, depending on a number of variables that are outside of Verizon’s control. Lukas Nace Opposition at 8-9.

The “options” for resolving Verizon’s Petition for Clarification or Reconsideration discussed with Commission representatives are as described in Verizon’s filings. February 23 Letter at 1-2.<sup>4</sup> Specifically, in our discussions with Commission staff we indicated that our primary objective is clarification regarding Verizon support so that all parties, including Verizon and the Lukas Nace clients, have certainty regarding available support and can make rational investment and deployment decisions as a result. To resolve Verizon’s petition, we – not surprisingly – suggested that the Commission could grant the petition. We also discussed, at a minimum, resolving Verizon’s petition through clarification that the *USF-ICC Transformation*

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<sup>2</sup> See Letter to from John T. Scott, III, Verizon Wireless, to Marlene H. Dortch, FCC, WT Docket No. 08-95 (filed Nov. 3, 2008); *Applications of Cellco Partnership d/b/a Verizon Wireless & Atlantis Holdings LLC for Consent to Transfer Control of Licenses, Authorizations & Spectrum Manager & De Facto Transfer Leasing Arrangements & Petition for Declaratory Ruling That the Transaction Is Consistent with Section 310(b)(4) of the Communications Act*, WT Docket No. 08-95, Memorandum Opinion and Order and Declaratory Ruling, 23 FCC Rcd 17444, 17531-32 (paras. 196-197) (2008) (“*Alltel Order*”).

<sup>3</sup> *Connect America Fund, et al.*, WC Docket No. 10-90 *et al.*, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161, ¶ 520 (rel. Nov. 18, 2011) (“*USF-ICC Transformation Order*”).

<sup>4</sup> See also Verizon’s *Petition for Clarification or, in the Alternative, for Reconsideration*, WC Docket No. 10-90 *et al.*, at 3-6 (filed Dec. 29, 2011) (“*Petition for Clarification or Reconsideration*”); Verizon’s *Reply to Oppositions*, WC Docket No. 10-90 *et al.*, at 2-3 (filed Feb. 21, 2012) (“*Verizon Reply*”).

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*Order* will not be interpreted and applied such that Verizon would receive insufficient support to meet its preexisting ETC obligations in 2012. In addition, we discussed the need for the Commission or the Bureau to act one way or the other on Verizon's petition with sufficient time for Verizon to appeal to court or seek further Commission review.

Moreover, it has always been Verizon's preference to resolve this matter amicably and to avoid distracting from the broader, critical universal service and intercarrier compensation reform efforts. To that end, we suggested that the Bureau could address this issue by clarifying the *USF-ICC Transformation Order* in a manner that is consistent with the Lukas Nace Opposition. Verizon Reply at 3. Specifically, we agree that the Bureau could properly resolve this aspect of the Petition for Clarification or Reconsideration by clarifying that the *USF-ICC Transformation Order* will be interpreted, and will be implemented by USAC, such that Verizon will receive the amount of CETC support in Verizon-controlled markets that it would have received pursuant to its voluntary commitment and the *Alltel Order* – but no more or no less CETC support in those markets as a result of the new industry-wide phase-out of legacy CETC support.

We hope that this additional information addresses the Lukas Nace attorneys' concerns as well as the substance of this matter. Should you have any questions, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Jonathan L. Stein". The signature is written in a cursive, flowing style.

cc: Julie Veach  
Diane Griffin Holland  
Marcus Maher  
Jim Bird  
Trent Harkrader  
Amy Bender  
Ted Burmeister