

James W. Stegeman
President
CostQuest Associates, Inc.
6261 Ashbourne Place
Cincinnati, OH 45233

(513) 941-9009
jstegeman@costquest.com



April 3, 2012

VIA ELECTRONIC FILING

EX PARTE

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

Re: *Connect America Fund, WC Docket No. 10-90; High-Cost Universal Service Support, WC Docket No. 05-337*

Dear Ms. Dortch:

CostQuest Associates, Inc. (“CostQuest”) submits this ex parte letter to provide a brief comparison between the CQBAT model that is being considered to support the implementation of Phase 2 of the Connect America Fund to the FCC’s Synthesis Model (or HCPM) that was adopted by the Commission in its Fifth Report and Order (Fifth Report and Order) released on October 28 1998¹, for use in supporting the Forward-Looking Mechanism for High Cost Support for Non-Rural LECs.

Beginning at paragraph 21, the Fifth Report and Order proscribed certain necessary attributes for the Forward Looking Mechanism. When the FCC’s Synthesis Model was adopted, these necessary attributes were implemented into features of the software platform.

The comparison below is guided by the knowledge of the key attributes within the Synthesis model along with the key requirements required for the model used in the Connect America Fund. The first set of tables, captures the comparison to the key design, demand management, engineering and economic theory attributes within the Synthesis model.

¹ FCC 98-279

Design Attribute Comparisons

General		
	CQBAT	FCC Synthesis Model
Estimate forward-looking investment supporting basic local service for USF	Y	Y
Estimate forward-looking investment supporting broadband for USF	Y	N
Model “existing node” wireline network	Y	N
Model “scorched node” wireline network	Y	Y
Customer Location		
	CQBAT	FCC Synthesis Model
Model designs network to service locations	Y	N
Model moves service locations to designed network	N	Y
Model locates census data uniformly in Census Block	N	Y
Model locates census data via random controlled placement on "livable" road segments	Y	N
Customer Aggregation - Clustering		
	CQBAT	FCC Synthesis Model
Customer serving areas based on minimum spanning road tree path distance rather than rectilinear distance	Y	N
Cable Routing		
	CQBAT	FCC Synthesis Model
Model assumes all cable routes explicitly follow actual roads in wire center	Y	N
Model determines shortest road path for all cable routes	Y	N
Model “lays” cable from central office to each service location	Y	N

Engineering and Economics		
	CQBAT	FCC Synthesis Model
Model can engineer broadband service	Y	N
Dynamic DSLAM sizing	Y	N
Pedestals placed at the center of idealized lots to optimize locations to pedestal	N	Y
Pedestals placed along the road to serve customers within engineering parameters	Y	N
Central Office Terminal sharing	Y	N
All Fiber Feeder Network	Y	N
Use of copper T1 to feed small DLCs	N	Y
Copper gauge crossover	Y	Y
Fiber to the Prem (FTTp) option	Y	N
Service specific network design	Y	N
HiCap Network overlay	Y	N
Allocation of cost only on pair equivalents	N	Y
Allocation of cost based on best identified cost driver	Y	N
Capital Cost conversion to Cost of Money (COM), Tax and Depreciation	Y	Y
Use of levelized cost	Y	Y

The next tables compare the CQBAT to the Synthesis Model with respect to supporting additional objectives and requirements of the Connect America Fund, Phase 2.

CAF Requirements Comparisons

Geographic Detail		
	CQBAT	FCC Synthesis Model
Model can report cost by Wire Center	Y	Y
Model can report cost by County	Y	N
Model can report cost by CBG	Y	N
Model can report cost by CB	Y	N
Model can report cost by sub-CB	Y	N

Support		
	CQBAT	FCC Synthesis Model
Model provides variable Benchmark and Caps to develop Support	Y	N
Model provides ability to roll up on Price Cap and Rate of Return company level	Y	Y
Model provides ability to filter out "served" CBs	Y	N
Model can report cost by CB	Y	N
Model can report cost by sub-CB	Y	N

Model Distribution and Access		
	CQBAT	FCC Synthesis Model
Access to service location data via Protective Order	Y	Y
Inspection of model and logic	Y	Y
Access to a test dataset for testing	Y	Y
PC based Model	N	Y
Online access	Y	N

Based on this comparison, we believe CQBAT meets and many times exceeds the design attributes of the FCC's Syntheses model and meets or exceeds the requirements for supporting the Connect America Fund. As such, we believe the adoption of CQBAT provides a robust platform to support the implementation of the Connect America Fund.

Please include this letter in the records of the proceedings identified above.

Sincerely yours,

/s/ James W. Stegeman

James W. Stegeman

cc: Katie King
Steve Rosenberg