



NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION

*The Voice of Rural Telecommunications*

www.ntca.org

July 13, 2012

***Ex Parte Notice***

Ms. Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

***Connect America Fund, WC Docket No. 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 Service 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; Universal Service Reform – Mobility Fund, WT Docket No. 10-208***

Dear Ms. Dortch:

On Thursday, July 12, 2012, Shirley Bloomfield and the undersigned on behalf of the National Telecommunications Cooperative Association (“NTCA”), met with Zac Katz, Chief of Staff to Chairman Julius Genachowski, and Michael Steffen, the Chairman’s Wireline Legal Advisor, to discuss certain matters in the above-referenced proceedings.

NTCA discussed the serious problems created by the lack of transparency and predictability in the regression analysis-based caps on universal service fund (“USF”) support. We noted that the vast majority of companies unaffected or affected only slightly by the caps have expressed overwhelming concern regarding their inability to plan for investments and operations beyond the next twelve to eighteen months because of the potential volatility and indecipherable nature of the caps.

We also highlighted the troubling fact that the caps appear to have been implemented without any testing – at least any that has been publicly disclosed – to confirm or deny their volatility. We explained that the raw data made available thus far with respect to the caps does not enable such testing or constitute such verification. NTCA therefore urged the Federal Communications Commission (the “Commission”) to produce the results of such testing (if it has been conducted), to suspend the caps and conduct such testing (if it has not been performed), and ultimately provide much clearer and more transparent “business rules” that will enable company managers in the field to understand with a reasonable degree of certainty what investments and operations will indeed be recoverable (or unrecoverable) through USF support prospectively. Absent such better communication and the production of meaningful test results for public review, NTCA cautioned that rural broadband investment by small rural carriers may grind to a halt.

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NTCA also expressed concern with the adoption of any further caps, cuts, and constraints on USF support and intercarrier compensation in the wake of the Commission's November 2011 reform Order. The Commission has described its own actions in that Order as "sweeping reforms" and an "overhaul [that] transforms the FCC's outdated universal service and intercarrier compensations systems into a new Connect America Fund, or CAF, representing the most significant policy step ever taken to connect all Americans to broadband." *FCC Releases 'Connect America Fund' Order to Help Expand Broadband, Create Jobs, Benefit Consumers*, Commission Press Release (rel. Nov. 18, 2011). NTCA notes that the "dust has not even started to settle" on these "sweeping reforms," and that end users face the prospect of significant rate increases as a result of the actions just taken. NTCA also observes that numerous questions and substantial confusion persist with respect to implementation of the November 2011 Order – including numerous intercarrier compensation tariffing issues and the aforementioned inability to operate and identify what might be a "prudent" investment in the face of the unclear regression analysis caps. NTCA therefore urges the Commission to work with other stakeholders to gather data and evaluate the effects of reform on consumers and broadband deployment *before* deciding upon what next steps, if any, might be necessary.

Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed via ECFS. If you have any questions, please do not hesitate to contact the undersigned.

Sincerely,

/s/ Michael R. Romano

Michael R. Romano

Senior Vice President – Policy

cc: Zac Katz  
Michael Steffen