



NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION

The Voice of Rural Telecommunications

www.ntca.org

August 2, 2012

Ex Parte Notice

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th 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 Wednesday, August 1, 2012, Shirley Bloomfield, Chief Executive Officer, and the undersigned, on behalf of the National Telecommunications Cooperative Association (“NTCA”) met with Commissioner Jessica Rosenworcel and her Legal Advisor, Priscilla Argeris, to discuss certain matters in the above-referenced proceedings.

NTCA discussed concerns relating to the transparency, accuracy, and predictability of regression analysis-based caps on universal service fund (“USF”) support. NTCA raised the need for the Federal Communications Commission (the “Commission”) to address statistical and data-related issues with respect to the caps as identified in the Application for Review filed by NTCA and other associations. *See* Application for Review of NTCA, *et al.*, WC Docket No. 10-90 (filed May 25, 2012). NTCA also noted that the Commission still had yet to conduct or release the results of any testing to assess the caps’ validity and volatility. NTCA further notes that making the effort to more properly calibrate and test the caps should have minimal, if any, impact on the Commission’s budgetary objectives, given that the Wireline Competition Bureau itself has noted that the caps are anticipated to have at most a \$10 million per year net “budget” savings impact (or approximately 0.2% of the \$4.5 billion High-Cost Fund) once fully implemented in 2014. *See Connect America Fund, WC Docket No. 10-90, High-Cost Universal Service Support, WC Docket No. 05-337, Order, FCC 12-646 (rel. Apr. 25, 2012), at ¶5.* Finally, NTCA noted that the Commission’s broadband policy objectives can only be achieved through clear and well-tested “business rules” that provide sufficient support and 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.

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NTCA also highlighted the need for a data-driven assessment of whether the Commission's November 2011 reform Order is meeting its own defined performance objectives and the broader policy objectives of promoting rural broadband network deployment and adoption. 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 noted that the "dust has not even started to settle" on these "sweeping reforms," and that, among other things, many rural end users face the prospect of significant rate increases. NTCA also observed that numerous questions and substantial confusion persist even nine months later with respect to implementation of the November 2011 Order. NTCA therefore urged 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: Commissioner Jessica Rosenworcel
Priscilla Argeris