



August 23, 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 an 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 Tuesday, August 21, 2012, the undersigned, on behalf of the National Telecommunications Cooperative Association, together with Stuart Polikoff from the Organization for the Promotion and Advancement of Small Telecommunications Companies, Gerard Duffy and Derrick Owens of the Western Telecommunications Alliance, Jeff Dupree from the National Exchange Carrier Association, Paul Cooper from Fred Williamson Associates, Larry Thompson from Vantage Point Solutions, and Robert DeBroux from TDS Telecom met with Julie Veach, Carol Matthey, Steve Rosenberg, Amy Bender, Joe Cavender, James Eisner, Patrick Halley, Paul Hartman, Katie King, Gary Siegel, Stephen Steckler, and Craig Stroup of the Wireline Competition Bureau (the "Bureau"). Messrs. Thompson, DeBroux, Hartman, and Siegel participated in the meeting via telephone.

The meeting participants discussed the mechanics by which rules that operate to limit recovery of certain expenses through federal Universal Service Fund ("USF") support might be applied only to limit recovery of additional investments made during specific periods. We noted that existing Federal Communications Commission (the "Commission") rules, including 47 C.F.R. §§ 54.305 (the former "parent trap" rule) and 36.611 (submission of data related to sales and transfer of exchanges), already operate in a comparable manner, providing for separate identification and differential treatment of investments associated with specific periods. The following was discussed as just one example of how such a mechanism might operate within the framework already adopted by the Commission:

- (1) Calculate and document study area costs based on investments in service as of a particular date.
- (2) Run the Commission's regression model using the study area's total costs (*i.e.*, combined "pre- and post-date certain" amounts) to establish the relevant benchmark limit.
- (3) Compare the values calculated for the "pre-date certain" investments to the relevant benchmark limit calculated in step 2.
- (4) If the amount calculated for the "pre-date certain" investments exceeds the relevant benchmark limit calculated in step 2, the benchmark limit would not apply and the preexisting costs would qualify for USF support calculations. However, no additional "post-date certain" investments would then be recognized in the loop cost calculation until such time as the costs associated with the "pre-date certain" investments calculated in the applicable algorithm step decline below the benchmark limit. At such time, costs associated with "post-date certain" investments would be included up to the benchmark limit.

For example, if a study area's "pre-date certain" cost was \$1,100 and its relevant benchmark limit was \$900, the carrier would use the full amount (*i.e.*, \$1,100) of costs associated with embedded expenses in calculating study area loop cost. Then, if in subsequent years the "pre-date certain" relevant cost were to fall below the then-current benchmark limit for the study area (*e.g.*, the relevant cost is \$800 and the benchmark limit is \$900), expenses related to "post-date certain investment" up to the benchmark limit would be eligible for inclusion in the study area loop cost.

Pursuant to 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 me at (703) 351-2016 or [mromano@ntca.org](mailto:mromano@ntca.org).

Sincerely,

/s/ Michael R. Romano  
Michael R. Romano

Senior Vice President - Policy

cc: Julie Veach  
Carol Matthey  
Steve Rosenberg  
Amy Bender  
Joe Cavender  
James Eisner  
Patrick Halley  
Paul Hartman  
Katie King  
Gary Siegel  
Stephen Steckler  
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