



March 14, 2013

**Ex Parte**

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

Re: Connect America Fund, WC Docket No. 10-90; Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92

Dear Ms. Dortch:

In prior meetings with Bureau staff, USTelecom and industry representatives have explained the tension between language in the *USF/ICC Transformation Order* and rules that, on one hand, appears to direct companies to allocate certain legacy high-cost support (IAS, ICLS and LSS) to the calculation of interstate access charges<sup>1</sup> but, on the other hand, also appears to direct companies to spend increasingly larger amounts of this same legacy high-cost support on building and operating broadband networks in certain areas.<sup>2</sup> The attached table illustrates potential fiscal effects of this tension on support, access, and subscriber charges. We have discussed this issue in further detail in earlier ex partes.<sup>3</sup>

Please contact me if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Jonathan Banks".

Jonathan Banks  
Senior Vice President, Law & Policy

Attachment (1)  
c: Deena Shetler  
Lynne Engledow

---

<sup>1</sup> Connect America Fund, et al., WC Docket No. 10-90, et al., 26 FCC Rcd 17663, ¶ 152 (2011) (*USF/ICC Transformation Order*); 47 C.F.R. § 54.312(a)(3).

<sup>2</sup> 47 C.F.R. § 54.313(c)(2)-(4).

<sup>3</sup> See, e.g., Letter from Jonathan Banks, USTelecom, to Marlene Dortch, FCC, WC Docket No. 10-90 and CC Docket No. 01-92 (filed Feb. 27, 2013); Letter from David Cohen, USTelecom, to Marlene Dortch, FCC, WC Docket No. 10-90 (filed Jan. 31, 2013); Letter from Jonathan Banks, USTelecom, to Marlene Dortch, FCC, WC Docket No. 10-90 (filed Dec. 20, 2012).

IMPACT OF BROADBAND REQUIREMENT ON FROZEN LEGACY SUPPORT

Price Cap Company	Total Frozen Support (A)	Frozen Support related to IAS, ICLS, and LSS (legacy access replacement) (B)	All Other Frozen Support C = (A – B)	Potential 2013 Broadband Spend Obligation (D) = (A * 1/3)	Reduction in Legacy Access Replacement support due to potential broadband spend obligation (E) = (B*1/3)	SLC and ARC <sup>1</sup> Increase if 1/3 reduction in Legacy Access Replacement (F)	Reduction in Legacy Access Replacement support recovered from SLC, ARC and CAF-ICC changes (G)	Unrecovered reduction in Legacy Access Replacement (H) = (E-G)
Verizon	\$112 M	\$112 M	\$0 M	\$37 M	\$37 M	\$0 - \$1.16 res \$0 - \$2.48 bus	\$24 M	\$13 M
Windstream	\$101 M	\$84 M	\$17 M	\$34 M	\$28 M	\$0 - \$.84 res \$0 - \$2.05 bus	\$6 M	\$22 M
FairPoint	\$39 M	\$27 M	\$12 M	\$13	\$9 M	\$0 - \$.50 res \$0 - \$1.00 bus	\$2.5 M	\$6.5 M
Alaska Communications	\$19 M	\$15 M	\$4 M	\$6 M	\$5 M	\$0 - \$1.31 bus	\$1 K	\$5 M
CenturyLink	\$346 M	\$242 M	\$104 M	\$115 M	\$80 M	\$0-\$1.35 res \$0-\$4.48 bus	\$35 M	\$45 M
AT&T	\$176 M	\$91 M	\$85 M	\$58 M	\$30 M	\$.02 - \$.54 res \$.02 - \$.54 bus	\$30 M	\$0

<sup>1</sup> FairPoint, which has a number of study areas operating under the rate-of-return ICC Transition, receives frozen CAF support for former LSS support. This is treated by NECA in the ICC-Transition calculations as a reduction of Eligible Recovery Amounts. If the Eligible Recovery Amount is reduced because of the one-third broadband spend obligation, that reduction will increase the amount of ICC Transition to be recovered through the ARC and CAF-ICC mechanisms, subject to the maximum ARC rates.