



April 18, 2013

Ex Parte Notice

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

Re: *Connect America Fund, WC Docket No. 10-90; High-Cost Universal Service Support, WC Docket No. 05-337; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135; Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92*

Dear Ms. Dortch:

On April 16, 2013, Jeff Smith of GVNW, Douglas Meredith of John Staurulakis, Inc., Michael Romano and Rick Schadelbauer of NTCA–The Rural Broadband Association, Derrick Owens of the Western Telecommunications Alliance (WTA), Gerard Duffy, Counsel to WTA and I (collectively, the Rural Parties) met with Amy Bender, James Eisner, Rebekah Goodheart, Travis Litman, Steve Rosenberg, Craig Stroup, Rodger Woock and Suzanne Yelen to discuss the quantile regression analysis (QRA) used in the determination of High-Cost Loop Support that may be received by rural, rate-of-return regulated local exchange carriers (RLECs). Edit Kranner of Consortia Consulting joined the meeting via phone.

Given that the QRA will remain in effect pending additional review pursuant to and in connection with the recently released *Sixth Reconsideration Order*, and subject to any legal rights, the Rural Parties expressed their interest in working with the Commission and staff to examine, adjust, and refine the latest iteration of that model. This inquiry would be aimed at improving the transparency, accuracy, predictability, and methodological integrity of the model, with the aim of facilitating effective rural broadband investment and fulfillment of the goal of increased broadband deployment to the extent feasible under a QRA model approach. We discussed the process by which specific proposals or thoughts could be put forward on these points and others in the record by either the Rural Parties or staff for further consideration. The Rural Parties acknowledged the challenge of refining such a complex mechanism even as it is already in effect, but noted that such an effort was specifically contemplated by the *Sixth Reconsideration Order* and thus identified issues that the Rural Parties and staff can and should explore further.

By way of example, the Rural Parties suggested that the variables utilized in the current QRA should each be evaluated to determine their usefulness in defining cost criteria going forward, and proposed that modification of certain variables could improve the relative accuracy of the device. The Rural Parties also suggested examination of whether a cost-per-loop dependent variable would provide a more appropriate and effective approach. We further suggested reviewing whether different variations would provide better vehicles, if any can be identified, for marrying the use of a mathematical model to the realities of

operating in challenging, high-cost rural areas, and the need to consider proposals on how better to tie census blocks to actual serving areas. Finally, we noted that it was important in the very near-term to address these issues, and related questions as to how carriers can reasonably manage multi-year investment plans and operating practices, given the potential for significant changes in the model and resulting caps when data updates and recalculations of variables and coefficients are introduced for 2014 even if no other changes are made.

Above all, the Rural Parties emphasized their interest in restoring certainty and confidence to the markets. The Rural Parties noted that demand for Rural Utilities Service loans has plummeted and that private lenders, including small community banks, are demurring to extend loans to small and community-based communications providers. These data are supported by an industry survey, the outcome of which was previously shared with the Commission, reporting that nearly 70% of RLEC respondents have cancelled or postponed new investment due to concerns with respect to regulatory uncertainty. The Rural Parties believe these outcomes could not have been and were not the intended goals of the Commission's efforts. It is therefore essential that both the Commission and the industry commit collaboratively to seeking solutions that will fulfill the mandates of the Communications Act of 1934, as amended, to extend advanced communications services throughout the Nation.

Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed via ECFS. Please do not hesitate to contact me if you have any questions or require additional information.

Submitted respectfully,

s/ Joshua Seidemann
Joshua Seidemann

cc: Amy Bender
James Eisner
Rebekah Goodheart
Travis Litman
Steve Rosenberg
Craig Stroup
Rodger Woock
Suzanne Yelen