



April 16, 2014

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

**Re: *Ex Parte* Communication: WC Docket No. 10-90**

Dear Ms. Dortch:

On April 14 and April 15, 2014, Genny Morelli and the undersigned of ITTA met separately with Priscilla Argeris, legal advisor to Commissioner Rosenworcel; Amy Bender, legal advisor to Commissioner O’Rielly; Nick Degani, legal advisor to Commissioner Pai; Daniel Alvarez, legal advisor to Chairman Wheeler; and Rebekah Goodheart, legal advisor to Commissioner Clyburn. Bob DeBroux of TDS Telecom joined the April 15 meetings with Mr. Degani, Mr. Alvarez, and Ms. Goodheart.

At these meetings, ITTA discussed the *Report and Order* and *Further Notice of Proposed Rulemaking* (“*FNPRM*”) on Connect America Fund (“CAF”) issues that is scheduled to be considered at the Commission’s April 23 Open Meeting.<sup>1</sup> ITTA expressed concern regarding any proposal in the *FNPRM* to increase speed obligations for recipients of CAF support without any change in the funding parameters of the CAF program.

The *USF/ICC Transformation Order* struck a delicate balance to ensure that as implicit universal service support is phased out, explicit model-based support will be made available to enable price cap carriers to leverage their existing networks to bring broadband to greater numbers of Americans.

To the extent the *FNPRM* proposes to increase speed requirements for price cap carriers accepting statewide model-based support to 10 Mbps from the 4/1 Mbps standard adopted in the *USF/ICC Transformation Order*, it would upset this delicate balance. Providing 10 Mbps service to 100% of locations within five years would take substantially more funding than the

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<sup>1</sup> See FCC Announces Tentative Agenda for April Open Meeting (rel. Apr. 2, 2014), Connect America Fund; Universal Service Reform - Mobility Fund: The Commission will consider a Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, and Seventh Order on Reconsideration taking significant steps to continue the implementation of the landmark reforms adopted in the 2011 *USF/ICC Transformation Order* to modernize universal service for the 21<sup>st</sup> century. An accompanying Further Notice of Proposed Rulemaking proposes measures to update and further implement the framework adopted by the Commission in 2011.

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model will provide under the CAF budget and will make it impossible for carriers to accept a statewide commitment to deploy broadband service through the CAF program. This outcome would be wholly inconsistent with the Commission's universal service objectives. It would delay implementation of CAF Phase II due to the complexities and costs of implementing a competitive process in numerous states and likely would leave many consumers in the nation's highest-cost areas without broadband.

The Commission should not change course at this time, and certainly cannot do so without modifying other critical parameters of the CAF program to mitigate the impact of the increased speed requirement. We discussed increasing the term of support for price cap carriers who elect model-based support to 10 years, consistent with the approach the Commission is planning to take with respect to the competitive bidding process; modifying the eligibility criteria so that areas are considered unserved based on lack of broadband at 10 Mbps as opposed to the current 4/1 Mbps standard and partially-served census blocks are eligible for funding; and relaxing the requirement to build out to 100% of locations if higher speeds are required.

In addition, ITTA expressed concern about the schedule for phasing in the local rate floor. The proposed \$3.00 increase to be implemented January 2, 2015, followed 18 months later by another increase in excess of \$3.00 would result in rate shock for consumers and would exceed the threshold established in several states for the level of local rate increases that can be implemented without time-consuming and expensive state rate cases. Should the Commission decline to freeze the local rate floor at its current amount of \$14 pending further consideration, it should provide for a more gradual increase of the local rate floor through a \$2.00 cap to be implemented annually beginning on January 2, 2015 until the rate floor benchmark is reached.<sup>2</sup>

Please do not hesitate to contact the undersigned with any questions regarding this submission.

Respectfully submitted,



Micah M. Caldwell

Vice President, Regulatory Affairs

cc: Priscilla Argeris  
Amy Bender  
Nick Degani  
Daniel Alvarez  
Rebekah Goodheart

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<sup>2</sup> See Reply Comments of ITTA and USTelecom on the Petition for Extension of Time to Comply with the New Rate Floor, *In the Matter of Connect America Fund*, WC Docket No. 10-90 (filed Mar. 31, 2014).