



June 28, 2013

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

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

Dear Ms. Dortch:

On June 26, 2013, the undersigned and Micah Caldwell of the Independent Telephone & Telecommunications Alliance (“ITTA”), Jeffrey Lanning of CenturyLink, Michael Saperstein of Frontier, Matthew Dosch of Comporium, Michael Shultz of Consolidated Communications, and Trey Judy of Hargray Communications, met with Margaret Weiner, Martha Stancill, Eliot Maenner, and Craig Bomberger of the Wireless Telecommunications Bureau, and Carol Matthey, Amy Bender, Doug Slotten, Katie King, Dania Ayoubi, Travis Litman, Kalpak Gude, Michael Jacobs, and Chin Yoo of the Wireline Competition Bureau, to discuss outstanding issues regarding the CAF Phase II incentive auction process¹ and the May 16, 2013 Public Notice² seeking comment on options to promote deployment of rural broadband in areas served by rate-of-return regulated carriers.

CAF Phase II Auction Program

ITTA stressed the need for the auction rules and procedures to be fully developed well before price cap carriers are required to make statewide model-based support elections to enable price cap carriers to make fully-informed business decisions as to whether to accept statewide model-based support.

ITTA suggested that census tracts be utilized as the minimum geographic areas for bidding and that bidders be permitted to flexibly aggregate census tracts of their choosing into package bids. Package bidding would benefit the auction by permitting carriers to incorporate

¹ See *In the Matter of Connect America Fund, et al.*, WC Docket Nos. 10-90, *et al.*, Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, ¶¶ 1189-1222 (rel. Nov. 18, 2011).

² “Wireline Competition Bureau Seeks Comment on Options to Promote Rural Broadband in Rate-of-Return Areas,” Public Notice, DA 13-1112 (rel. May 16, 2013).

potentially-significant network efficiencies into their bidding. The Commission should not target particular areas for priority treatment in the Phase II auction process, however. The auction process is likely to be complex (and novel) for both carriers and the Commission to navigate. The Commission should refrain from injecting additional complexity into the process by targeting areas currently without broadband service for preferential treatment.

ITTA registered its support for the proposal that a single provider be awarded support in a given geographic area. A single-provider approach will allow the Commission to maximize covered locations while keeping within the Fund's budget. With respect to provider eligibility, ITTA stated its position that price cap carriers that decline state-level model-based support be deemed eligible to participate in the competitive bidding process. Price cap carriers' participation will benefit the process by maximizing the number of potential bidders for supported areas. It is important, however, that the eligibility requirements for competitive bidders be the same as those that apply to price cap carriers eligible for statewide model-based support. All applicants for Phase II support must be designated as eligible telecommunications carriers ("ETCs") prior to participating at auction. Similarly, in order to ensure that all broadband customers are able to enjoy the benefits of the same high-level broadband performance standards, it is important that the service performance requirements and measurements (*i.e.*, download and upload speeds, latency and limits on monthly data usage) that apply to price cap carriers accepting statewide model-based support also apply to recipients of support awarded through the competitive bidding process. In addition, recipients of support through the auction process should be subject to the same requirements regarding comparable rates that apply to all recipients of CAF support.

ITTA stated that support awarded through the competitive bidding process should be subject to the same term (5 years) as support awarded on a statewide basis to price cap carriers. Also, the deployment milestones that apply to recipients through the competitive bidding process should be the same as those that apply to price cap carriers that accept statewide model-determined support. ETCs that receive support through the competitive bidding process should be permitted to partner with other providers to fulfill their obligations so long as both voice and broadband services are provided to customers utilizing the broadband network facilities for which support has been granted.

ITTA supported a two-stage application process that includes a pre-auction short-form application, review by staff, and an opportunity to cure minor defects, followed by bidding after issuance of a public notice indicating the entities eligible to participate in the auction. ITTA endorsed multiple rounds of bids with a short time period between rounds. Bidders should have the flexibility to modify their bids to add and/or delete locations between rounds. The Commission should establish a reserve price.

CAF Phase II for Rate-of-Return Carriers

ITTA reiterated its support for rule changes that would allow rate-of-return regulated carriers to receive support for standalone broadband service. Rate-of-return carriers' inability to receive support for broadband-only loops has resulted in significantly higher rates for consumers

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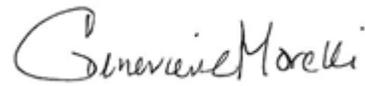
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who do not purchase broadband service as part of a bundle. ITTA pointed out that allowing such support is consistent with the Commission's goal of facilitating new broadband deployment in rural areas. ITTA urged the Commission to adopt modest technical changes to its rules – changes that minimize complexity and uncertainty – to permit cost recovery for standalone broadband loops.

ITTA pointed out that rate-of-return carriers may be reluctant to opt for model-based support given the uncertainty of how doing so would impact their business and suggested that adoption of the following incentives may help mitigate that uncertainty and facilitate their participation in CAF Phase II: (1) adopting a reasonable transition period in connection with receiving model-based support and/or converting to price cap regulation; (2) allowing rate-of-return carriers to continue to implement intercarrier compensation rate reductions pursuant to the timeline adopted in the *USF/ICC Transformation Order*; (3) allowing rate-of-return carriers the option to utilize NECA's tariffing and pooling operations when they elect model-based support; and (4) ensuring that any service and reporting obligations tied to receipt of model-based support do not discourage rate-of-return carrier participation in CAF Phase II.

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

Respectfully submitted,



Genevieve Morelli

cc: Margaret Weiner
Martha Stancill
Eliot Maenner
Craig Bomberger
Carol Matthey
Amy Bender
Doug Slotten
Katie King
Dania Ayoubi
Travis Litman
Kalpak Gude
Michael Jacobs
Chin Yoo