



The voice of mid-size communications companies

October 16, 2014

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 October 15, 2014, Genny Morelli and the undersigned of ITTA met separately with Priscilla Argeris, wireline legal advisor to Commissioner Rosenworcel, and Amy Bender, wireline legal advisor to Commissioner O’Rielly, to discuss the Commission’s ongoing efforts to further implement Connect America Fund (“CAF”) Phase II.¹

At each meeting, ITTA discussed comments and reply comments filed by interested parties suggesting modifications to its proposal for a voluntary two-phase transition to alternative regulation for rate-of-return companies (the “ITTA Plan”). In addition, we provided an overview of ITTA’s proposed challenge process that would be used to determine locations in rate-of-return service areas that would eligible for CAF support under the ITTA Plan. The attached materials, which were provided to staff during the meetings, include additional detail on the topics discussed.

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

¹ *In the Matter of Connect America Fund; ETC Annual Reports and Certifications; Establishing Just and Reasonable Rates for Local Exchange Carrier; Developing a Unified Intercarrier Compensation Regime; Universal Service Reform – Mobility Fund; WC Docket Nos. 10-90, 14-58, 07-135, CC Docket No. 01-92, WT Docket No. 10-208, Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54 (rel. June 10, 2014).*

**ALTERNATIVE REGULATION PROPOSALS FOR RATE-OF-RETURN
CARRIERS**

MATRIX

ITTA	HOME TELECOM	RURAL BROADBAND ALLIANCE	NEBRASKA RURAL COMPANIES	GVNW
<p>Voluntary two-phase plan. Annual election on a study area-specific basis.</p>	<p>Voluntary three phase approach. Carriers may elect to participate for “specific areas.”</p>	<p>Voluntary plan.</p>	<p>Option for ROR carriers to move to model-based support with transition period whereby carriers get some portion of current HCLS/ICLS support and some support from the model. Annual election window. Election on a study area basis.</p>	<p>ROR carriers opting into the ITTA Plan should have to make a state-wide election.</p>
<p>Phase I – freeze HCLS and ICLS.</p>	<p>Phase I – freeze HCLS and ICLS and phase down portion attributable to capital investment over 10 years.</p>	<p>Voluntary. Limit HCLS and ICLS recovery to past investment simultaneous with adoption of a ROR CAF. HCLS/ICLS mechanisms transitioned down on either uniform or company-specific basis. If uniform, would cease in 10 yr (or period FCC determines is the average depreciation schedule of the capital investment). If company-specific, would continue until frozen capital investment fully depreciated.</p>		<p>Under the ITTA Plan, if model-based support is not implemented at the start of the calendar year after election, an electing carrier’s HCLS/ICLS support should transition down 10% a year but not go below 50% after year 5.</p> <p>50% of “freed up” money should be flowed back to the ROR budget and 50% should become part of any model-based support.</p>

ITTA	HOME TELECOM	RURAL BROADBAND ALLIANCE	NEBRASKA RURAL COMPANIES	GVNW
<p>Phase II – revised model-based support. Voluntary election of Phase II once model has been perfected. Not limited to new investment.</p>	<p>Phase II (“Interim CAF-ROR”) – support allocated to electing carriers using existing PC model to serve unserved CBs (less than 75% of locations can’t get 10/1 Mbps service). Must be used for new investment.</p>	<p>ROR CAF 1 – While HCLS/ICLS support is being transitioned. Funded from portion of ROR budget not needed for recovery of prior costs plus broadband reserve account \$ and used to support new investment and expenses. Apportioned based on carriers’ relative portion of eligible locations to total number of un/underserved locations of all ROR carriers that elect the HCLS/ICLS option.</p>		
	<p>Phase III – revised model-based support. If budget insufficient to fund total support calculated by the model, support reduced by model support times ratio of total budget support to total support calculated for all electing carriers.</p>	<p>Model-based CAF for ROR carriers. Must incorporate a “fail safe” waiver process for carriers to show they require support greater than that predicted by the model.</p>	<p>Build-out requirements for ROR carriers under model-based support should be at least 10 years and ROR carriers should be permitted to seek additional time through the waiver process.</p>	

ITTA	HOME TELECOM	RURAL BROADBAND ALLIANCE	NEBRASKA RURAL COMPANIES	GVNW
<p>Phase II support available for unserved census blocks determined based on an unsubsidized competitor's ability to serve at least the same % of locations served by the incumbent.</p>	<p>Phase III support available for all census blocks where no unsubsidized competitor provides service for all locations in the census block.</p>	<p>Not addressed.</p>	<p>Competitors must serve 100% of customer locations in ROR carrier's census block to successfully challenge award of either short-term model-based ROR CAF II or forward-looking CAF III support in a census block.</p> <p>All "in-town" census blocks presumed ineligible for CAF II or III support. All other ROR census blocks presumed to be non-competitive. Competitors have the burden of filing a challenge to these presumptions.</p>	
<p>Phase I until model perfected. Phase II CAF support for 10 years.</p>	<p>Phase I for 10 yrs. Phase II interim model applies during 10-yr phase-down of Phase I. No limit for Phase III ROR-specific model.</p>	<p>HCLS/ICLS mechanisms transitioned down on either uniform or company-specific basis. If uniform, would cease in 10 yr (or period FCC determines is the average depreciation schedule of the capital investment). If company-specific, would continue until frozen capital investment fully depreciated. No firm time period for ROR CAF 1 or model-based CAF for ROR carriers.</p>	<p>Model-based support should be ongoing.</p>	

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5-year transition if model support less than frozen support.	Where Phase III support less than Phase I or II support, carrier will continue to collect full amounts under Phases I and II until 10-yr Phase I/II fund obligations are met.	Not addressed.		Transition period if model support is less than frozen support under the ITTA Plan should be 3 years and such support should be flowed back to the ROR budget.
ICC rules unchanged from 2011 <i>USF/ICC Order</i> .	Not addressed.	Not addressed.		If, under the ITTA Plan, model-based support is not implemented as of the start of the 3 rd calendar year after a carrier's election, the carrier's scheduled ICC Eligible Recovery reduction should increase to 10% a year. The "freed up" support should be flowed back to the ROR budget.

DETERMINING AREAS ELIGIBLE FOR SUPPORT UNDER THE ITTA PLAN

The Commission should adopt the following process for determining where unsubsidized competition exists under Phase II of ITTA's Plan.

1. The Wireline Competition Bureau (WCB) would adopt revisions to Form 477 to require the filing of current customer counts on a census block level.
2. Revised Form 477 data would be used to develop and publish a list of all census blocks in rate-of-return areas where competitors are not actually providing service to at least 20 percent of total locations in the census block.
3. Those census blocks included on the list would be deemed eligible for the offer of model-based support unless successfully challenged.
4. Competitors challenging the inclusion of one or more census blocks on the list would have 45 days to provide evidence demonstrating they are able to provide service meeting the Commission's performance standards to the same or greater percentage of locations in the relevant census block(s) as the incumbent ROR carrier. ROR carriers challenging the exclusion of one or more census blocks on the list would have 45 days to provide evidence that no competitor is actually providing service meeting the Commission's performance standards to at least 20 percent of locations in the census block(s) and the competitor is not able to provide service meeting the Commission's standards to the same or greater percentage of locations in the census block(s) as the ROR carrier.
5. The Bureau would then publish a list of census blocks for which eligibility has been challenged and opponents would have 45 days to provide evidence refuting the challengers' claims.
6. The Bureau would review all evidence submitted by interested parties and would publish a final list of eligible census blocks.