



NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION

The Voice of Rural Telecommunications

www.ntca.org

October 21, 2011

Ex Parte Notice

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

Connect America Fund, WC Docket No. 10-90; A National Broadband Plan for Our Future, GN Docket No. 09-51; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135; High-Cost Universal Service Support, WC Docket No. 05-337; Developing a Unified Intercarrier Compensation Regime, CC Docket 01-92; Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Lifeline and Link-Up, WC Docket No. 03-109

Dear Ms. Dortch:

On Thursday, October 20, 2011, Shirley Bloomfield and the undersigned on behalf of the National Telecommunications Cooperative Association, together with John Rose and Stuart Polikoff of the Organization for the Promotion and Advancement of Small Telecommunications Companies, and Gerry Duffy and Robert DeBroux on behalf of the Western Telecommunications Alliance (collectively, the “Rural Association Representatives”) met with Chairman Julius Genachowski, Edward Lazarus, Zachary Katz, and Michael Steffen.

In the meeting, the Rural Association Representatives discussed potential avenues and proposals for reform of existing universal service fund (“USF”) and intercarrier compensation (“ICC”) mechanisms through adoption of an order in the above-referenced proceedings. We discussed implementation of USF and ICC reforms consistent with the plan filed by a number of national, regional, and state associations on April 18, 2011, as updated by the “Consensus Framework” joint letter submitted on July 29, 2011 (the “RLEC Plan”). See Comments of NTCA, *et al.* (filed April 18, 2011), at 7-36, 61-74, and Appendices A and C; *Ex Parte* Letter from US Telecom (filed July 29, 2011).

The Rural Association Representatives asked the Federal Communications Commission (the “Commission”) to adopt not only near-term USF reforms, but also to lay out its longer-term vision for promoting broadband-capable investment through a new Connect America Fund (“CAF”) for rate-of-return-regulated incumbent local exchange carriers (“RLECs”). Specifically, the Rural Association Representatives explained that the RLEC Plan provided a reasonable and workable roadmap for the ultimate transition from legacy mechanisms to a new CAF over time, and requested

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that the Commission use the RLEC Plan and associated rules as a proposed path for comprehensive reform and broader evaluation of the rate-of-return framework in a further notice of proposed rulemaking.

The Rural Association Representatives also urged the Commission to ensure that there is full and robust debate with respect to the policy and economic implications of potential new caps on recovery of USF support by RLECs before they take effect. We emphasized the importance of ensuring a full review by and vote of the Commission with respect to any such caps as they are developed and finalized, rather than treating the adoption, application, and implementation of such caps as a technical matter that will not give rise to significant policy or financial issues.

Finally, the Rural Association Representatives noted the essential nature of a restructure mechanism ("RM") as part of ICC reform and a rate-of-return cost recovery mechanism. Shortfalls in the recovery of interstate or intrastate switched access costs will lead to: (1) higher rates for consumers; (2) carriers retrenching on service in their highest-cost areas; and/or (3) carriers refusing to invest in newer, more efficient switching technologies (such as softswitches) for fear that such costs will be unrecoverable. The Rural Association Representatives therefore urged the Commission to adopt a fully compensatory RM, such as that set forth in the RLEC Plan and Consensus Framework.

Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed via ECFS with your office. If you have any questions, please do not hesitate to contact me at (703) 351-2016 or mromano@ntca.org.

Sincerely,

/s/ Michael R. Romano
Michael R. Romano

Senior Vice President - Policy

cc: Chairman Julius Genachowski
Edward Lazarus
Zachary Katz
Michael Steffen