



The voice of mid-size communications companies

June 3, 2015

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

Re: Connect America Fund: WC Docket No. 10-90

Dear Ms. Dortch:

Representatives of the rate-of-return (RoR) carrier industry have been meeting in large and small groups and via conference call over the past six weeks in an effort to develop a comprehensive plan for future high-cost universal service support for RoR carriers. As has been previously reported to the Commission, the representatives have reached agreement on a two-path framework that includes (1) changes to existing RoR high-cost support mechanisms; and (2) a voluntary, model-based support plan.¹ Consensus also has been reached on major elements of the two-path approach to the extent described herein. The purpose of this submission is to describe the results to date of the RoR industry's efforts regarding the two-path framework.

Voluntary Model-Based Plan

Under the general parameters of the voluntary, model-based plan, which would be open to all RoR carriers, there would be at least a ten-year term of support. Carriers could choose to participate on a study area-by-study area basis. The industry agrees that adoption of both components of the two-path approach (*i.e.* changes to existing support mechanisms and adoption of a model-based plan) should occur simultaneously by the end of this year. Implementation of each component of the two-path approach would follow as soon as possible thereafter.

There would be two opportunities to opt in to the model-based plan – one at the beginning of Year 1 and a second at the beginning of Year 3. Between Year 1 and Year 3, the Commission would conduct a comprehensive review of the A-CAM.² The goal of the two-year review would be to adopt the modifications necessary to tailor the model specifically for use by RoR carriers.³ Those

¹ See Letter from Gerard J. Duffy, WTA Regulatory Counsel, to Marlene H. Dortch, Secretary, Federal Communications Commission, WC Docket No. 10-90 (May 29, 2015) (“*May 29th Letter*”).

² This A-CAM review process would be separate from and in addition to the more general model-based plan review proceeding the RoR industry believes the Commission should undertake in Year 8 of the ten-year plan.

³ A subgroup of RoR industry representatives has been created to identify those issues the Commission should include in its comprehensive review of the A-CAM. That subgroup plans to present its findings to the Commission in the next several weeks.

carriers choosing to participate in the model-based plan in Year 1 would receive support for the full ten-year term pursuant to the A-CAM adopted by the end of this year. Those carriers choosing to participate in Year 3 would receive support under the modified cost model (B-CAM). The term of support for carriers choosing to participate in Year 3 would be seven years.⁴ Some RoR industry representatives also urge the Commission to undertake a limited review of certain aspects of the A-CAM in advance of the Year 1 election becoming available.⁵

There is agreement among the RoR industry representatives that those carriers electing to opt into the model in Year 1 or Year 3 should be able to begin receiving model-based support on a flash-cut basis. One area in which there is lack of consensus at this time, however, relates to whether and to what degree there should be an opportunity for those carriers that do not wish to begin receiving support under the model on a flash-cut basis to phase-in model-based support over time.⁶ Related matters such as the structure and length of any transition, the performance obligations that would apply during the transition period, and the use of support dollars freed-up during the transition also remain subject to review and discussion.

As previously noted, the RoR industry representatives agree that the budget for the model-based plan should be established when the plan goes into effect.⁷ For those carriers participating in the plan in Year 1 whose existing support is less than the amount of support the A-CAM determines they are eligible to receive, CAF reserve dollars would be used to fund the difference between their then-current existing support and A-CAM support. To the extent CAF reserve dollars are insufficient to fully fund the A-CAM for Year 1 participating carriers, CAF reserve dollars should be focused on those areas that have lower percentages of 10/1 broadband build-out.

There is agreement that the broadband speed requirement for the ten-year term of the model-based plan should remain 10/1. However, the RoR industry representatives suggest that some carriers may be interested in voluntarily committing to deploy broadband at speeds greater than 10/1 in return for a longer than ten-year term of model-based support.

With respect to a participating carrier's 10/1 broadband build-out obligations under the model-based plan, the RoR industry representatives agree that the total number of eligible locations to which a participating carrier must deploy 10/1 capability should be less than the carrier's total eligible locations because the model is not fully funded and per-location support would be capped by the Commission.⁸ More specifically, each carrier's build-out requirement should be calculated based

⁴ Of course, as previously stated, the model-based plan would continue in effect for all participating carriers beyond the applicable term if changes are not adopted and implemented by the end of the overall ten-year period. *May 29th Letter* at 2.

⁵ Further filings from those parties suggesting specific aspects for near-term review will be forthcoming.

⁶ Some representatives would like a transition mechanism to be made available to carriers choosing to participate either in Year 1 or Year 3 while other representatives would like to limit the potential availability of a transition period to those carriers choosing to participate in Year 3.

⁷ *May 29th Letter* at 3.

⁸ Illustrative Run 1.3 assumes a cap of \$230 per location, although that amount has not been finalized by the Commission and other amounts may be considered.

on the model-based cost characteristics of the carrier, the CAF reserve support dollars made available, and the current build-out level of the carrier.

There is consensus that model-based support should be provided to Year 1 participating carriers for eligible locations pursuant to the general parameters of A-CAM Illustrative Run 1.3. There also is consensus that the FCC Form 477 data that will form the basis for determining eligible locations under Run 1.3 may contain flaws that could lead to inaccurate results. The RoR industry representatives believe it is important for carriers to have the opportunity to challenge perceived inaccuracies in the Form 477 data before the results are finalized. We continue to work to develop a simple straightforward mechanism to permit carriers to challenge location eligibility and will be bringing our approach to the Commission in the near future.

Existing Support Mechanisms

Since the report contained in the *May 29th Letter*, the RoR industry representatives have continued to discuss how to achieve their shared goal of updating existing high-cost support mechanisms for those RoR carriers that elect not to voluntarily opt into the model-based plan as they deploy and operate their broadband-capable networks. The RoR industry associations that have developed and supported the Data Connection Support (DCS) plan continue to believe that it is the most reasonable and equitable approach that has been detailed to date. Moreover, the RoR industry representatives have identified and are supportive of an alternative recently proposed in response to certain Bureau concerns that would operate fully within existing mechanisms. This alternative to the DCS proposal entails limited, targeted updates to the existing High-Cost Loop Support (HCLS) and Interstate Common Line Support (ICLS) mechanisms to enable continuing cost recovery even where a consumer chooses to take only broadband and to cease purchasing voice services from a RoR carrier.

The RoR industry representatives remain committed to seeking creative solutions to the concerns raised by the Commission and are eager to continue discussions with the Commission on those outstanding issues, including the structure of prospective expense limits that provide effective and efficient incentives for investment and operations, budgetary implications of such proposals, and the development of alternatives to the current Five-Year Construction Plans that balance reporting burdens with the need for greater visibility by the Commission into the use of USF resources for network deployment, network-related loan repayment, and maintenance of networks.

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

Respectfully submitted,



Genevieve Morelli
President