Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	**)**	
	)	
Connect America Fund	**)**	**WC Docket No. 10-90**
	)	

COMMENTS OF
ITTA – THE VOICE OF MID-SIZE COMMUNICATIONS COMPANIES

ITTA – The Voice of Mid-Size Communications Companies (ITTA) hereby submits its comments in response to the Commission's Further Notice of Proposed Rulemaking on funding for Alternative Connect America Cost Model (A-CAM) support.[1]

I. INTRODUCTION AND SUMMARY

In the March 2016 *Rate-of-Return Reform Order*, the Commission adopted a voluntary path for rate-of-return carriers to elect to receive model-based support via the A-CAM for a 10-year term in exchange for extending broadband service to a pre-established number of eligible locations.[2] The ensuing "significant demand"[3] for model-based support by rate-of-return carriers rendered the voluntary plan a huge success. The overall subscription level – 216 rate-of-return carriers initially agreed to accept model-based support, corresponding to 274 separate offers[4] – and especially the dozens of carriers that accepted such support notwithstanding seeing reductions in support relative to legacy rate-of-return support mechanisms, is testament to the

[1] *See Connect America Fund*, Report and Order and Further Notice of Proposed Rulemaking, 31 FCC Rcd 13775 (2016) (*Order* and/or *FNPRM*).

[2] *See Connect America Fund; ETC Annual Reports and Certifications; Developing a Unified Intercarrier Compensation Regime*, Report and Order, Order and Order on Reconsideration, and Further Notice of Proposed Rulemaking, 31 FCC 3087 (2016) (*Rate-of-Return Reform Order*).

[3] *Order and FNPRM*, 31 FCC Rcd at 13775, para. 1.

[4] *See Wireline Competition Bureau Announces Results of Rate-of-Return Carriers that Accepted Offer of Model Support*, Public Notice, 31 FCC Rcd 11966 (WCB 2016).

merit of the policies underlying the offering of model-based support for broadband deployment in rural America.

The *Order* culminated an intensive two-year period during which ITTA played a leading role in devising a voluntary model-based support mechanism for rate-of-return carriers as well as in proposing and promoting changes to legacy rate-of-return support mechanisms. ITTA is gratified that the Commission allocated an additional $50 million annually for the A-CAM plan over the *Rate-of-Return Reform Order*'s initial annual allocation of $150 million. The additional funds partially defrayed the funding shortfall which resulted from the significant demand by rate-of-return carriers for the plan. Nevertheless, even the additional $50 million annual allocation left the A-CAM plan $110 million short of "full" funding, i.e., of up to $200 per location.[5] Thus, in conjunction with the *Order*, the Commission released the *FNPRM*, seeking comment on whether to allocate additional funding to the A-CAM plan.[6]

ITTA supports the Commission fully funding the A-CAM plan. Moreover, ITTA supports the Commission fully funding all support mechanisms applicable to rate-of-return carriers, regardless of whether they have elected to participate in the A-CAM plan or remain under revised rate-of-return carrier support mechanisms.

II. DISCUSSION

A. The Commission Should Fully Fund the A-CAM Plan

In the *Order*, the Commission directed the Wireline Competition Bureau (Bureau) immediately to authorize carriers for which the offer of model-based support was less than the

[5] *See Order and FNPRM*, 31 FCC Rcd at 13780-81, para. 19; *Rate-of-Return Reform Order*, 31 FCC Rcd at 3107, para. 52 ("Even though the locations at or above the funding cap are not 'fully funded' with model support, carriers will receive a significant amount of funding – specifically, $200 per month for each of the capped locations – which will permit them to maintain existing voice service and expand broadband in these highest-cost areas to a defined number of locations").

[6] *Id.* at 13780, para. 17.

legacy support they received in 2015 to receive A-CAM support pursuant to their existing elections.[7] For the remaining electing carriers, the Commission adopted a methodology to make revised offers, with concomitantly modified broadband deployment obligations, based on the additional annual $50 million allocated in the *Order*. In doing so, the Commission also conditioned the revised offer of A-CAM support upon a requirement that carriers accepting the revised offer agree to meet the terms of the original offer if, in the future, the Commission decides to fund the original offers.[8] Noting this condition, the Commission seeks comment in the *FNPRM* generally on whether to allocate additional funding to the A-CAM plan and, specifically, whether it should increase the A-CAM budget to provide the full amount of the original offer for some or all of those carriers that accepted the revised offer of model-based support.[9] ITTA responds to these questions with a resounding yes.

There is ample justification for the Commission to allocate sufficient additional funding for the A-CAM plan to overcome the entire budgetary shortfall. Under the *Order*, doing so would require full broadband build-out pursuant to the terms of the original offers accepted by all carriers that accepted the revised offers of A-CAM support.[10] Thus, fully funding A-CAM support will lead to a significant increase in broadband deployment to unserved and underserved consumers across rural America. In fact, in the *FNPRM* the Commission concluded that if it were to fully fund all of the A-CAM offers elected by carriers, "collectively those electing

[7] *See id.* at 13775, para. 2.

[8] *See id.* at 13778-79, paras. 8-13.

[9] *Id.* at 13780, para. 17.

[10] *See Wireline Competition Bureau Authorizes 182 Rate-of-Return Companies to Receive $454 Million Annually in Alternative Connect America Cost Model Support to Expand Rural Broadband*, Public Notice, DA 17-99 (WCB Jan. 24, 2017) (announcing rate-of-return carriers that accepted revised offers of A-CAM support). Of course, ITTA beseeches the Commission to complete in 2017 its work to fully fund the A-CAM, in order to capitalize on the *quid pro quo* established by the *Order* for the Commission additionally funding A-CAM support this year.

carriers would be required to extend 10/1 Mbps or better service to more than 50,000 additional unserved locations," compared to what would have been required if all initially electing carriers had chosen to accept their revised offers.[11] Similarly, the Nebraska Companies, which include ITTA member Great Plains Communications, estimate that an increase from the current revised offers to full A-CAM plan funding would result in over 70,000 additional underserved or unserved locations receiving 10/1 Mbps or better service.[12]

Fully funding A-CAM support will lead to other efficiencies. For instance, the actual deployment return will outweigh the incremental investment, insofar as build-out to A-CAM funded locations will actually lead collaterally to increased speeds for underserved and other locations that are passed in the course of build-out to funded locations, *without such collateral deployment costing the federal universal service fund an additional penny*. Furthermore, the deployment that full A-CAM funding will lead to is a predicate to the fulfillment of other universal service goals, such as increased broadband adoption via the Lifeline program.

With efficiencies of fully funding the A-CAM plan abounding as described, the benefits of doing so are manifest.[13] Correspondingly, the costs of not doing so lie primarily in the lost opportunity cost of failing to capitalize on the ready-made opportunity to stimulate broadband deployment to tens of thousands of unserved or underserved consumers without having to unroll another inch of regulatory red tape.

B. In the Absence of Fully Funding the A-CAM Plan, the Commission Should Allocate Additional Funds Using the Same Methodology as in the *Order*

In the *Order*, the Commission adopted a methodology to make revised offers to carriers for whom the offer of model-based support was greater than the legacy support they received in

[11] *Order and FNPRM*, 31 FCC Rcd at 13781, para. 19.

[12] *See* Nebraska Companies Comments at 9 (filed Feb. 13, 2017).

[13] *See Order and FNPRM*, 31 FCC Rcd at 13781, para. 19 (inviting comment on the costs and benefits of allocating limited additional funding for A-CAM support).

2015, prioritizing support to those carriers that have the lowest deployment of at least 10/1 Mbps. Specifically, the Commission offered carriers with lower current deployment a higher percentage of the adjusted offer amount.[14]

In the unfortunate event that the Commission does not fully fund A-CAM support, ITTA urges the Commission to employ the same methodology as it did in the *Order* to allocate additional funds and make further revised offers.[15] The same reasons why that was a good approach in the *Order* make it the best policy here: higher-cost carriers' average support per location will be higher than if the Commission was to allocate funding shortfalls uniformly for all carriers; and this approach will result in a broader geographic diversity of A-CAM supported deployments.[16]

There are two other points ITTA emphasizes in the event that the Commission does not fully fund A-CAM-based support. First, in the *FNPRM*, the Commission asks, in the event of this scenario, whether the Bureau should prioritize funding to those with the least broadband deployment *using the same data set as that utilized* for the revised offer.[17] In the *Order*, the Commission utilized the same FCC Form 477 data set for purposes of making the revised offers that it had used in the *Rate-of-Return Reform Order* to determine how to prioritize the

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[14] Carriers with less than 20 percent deployment at 10/1 Mbps in eligible areas were offered 95.96118 percent of the capped funding amount; carriers with at least 20 percent but less than 40 percent deployment were offered 95 percent of the capped funding amount; carriers with at least 40 percent but less than 60 percent deployment were offered 90 percent of the capped funding amount; carriers with at least 60 percent but less than 80 percent deployment were offered 85 percent of the capped funding amount; and carriers with at least 80 percent but less than 90 percent deployment were offered 80 percent of the capped funding amount. *See id.* at 13778, para. 8.

[15] *See id.* at 13780, para. 18 (seeking comment on whether, if the increased budget for A-CAM were insufficient to cover all participants, the Bureau should prioritize funding to those with the least broadband deployment, and should revise the offers again to another amount less than the original offer).

[16] *See id.* at 13778-79, para. 9.

[17] *Id.* at 13780, para. 18.

availability of model support to carriers having deployed 10/1 Mbps broadband to less than 90 percent of their eligible areas.[18] Though ITTA recognizes the "administrative convenience and consistency" that influenced that decision in the *Order*,[19] that data set, updated as of March 30, 2016, now is nearly a year old. Using current data instead will more accurately "prioritize[] support to those areas of the country that have the lowest deployment of broadband."[20]

Second, the Commission states that it "expect[s]" in this scenario that the Bureau will make a further revised offer "limited to the carriers that originally elected the first offer and accepted the revised offer."[21] ITTA wholeheartedly agrees. For purposes of budget predictability, the plan should not now be reopened to newcomers.

C. The Commission Should Fully Fund Legacy Rate-of-Return Support Mechanisms

In the *Rate-of-Return Reform Order*, the Commission adopted a budget control mechanism to ensure that high-cost support disbursements to rate-of-return carriers remain within the two billion dollar annual budget established by the Commission over five years ago.[22] Pursuant to such budget controls, carriers still subject to legacy rate-of-return support

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[18] *See id.* at 13778, para. 8 n.18.

[19] *Id.*

[20] *Id.* at 13775, para. 2. All that said, ITTA stresses rapid action in response to the *FNPRM* regardless of what the outcome is ultimately regarding the level of funding. A decision this year would be beneficial to help carriers plan their broadband deployments and to help consumers reap the benefits of such deployments sooner, as well as to capitalize on the *quid pro quo* established by the *Order* for the Commission additionally funding A-CAM support this year. If ironing out the details regarding updated data sets turns out to threaten timely Commission action, ITTA instead advocates that the Commission use the same data set upon which it relied in implementing the *Rate-of-Return Reform Order* and the *Order*. *See Connect America Fund*, Order on Reconsideration and Memorandum Opinion and Order, 31 FCC Rcd 12232, 12234, para. 9 (2016).

[21] *Id.* at 13780, para. 18.

[22] *Rate-of-Return Reform Order*, 31 FCC Rcd at 3144-45, paras. 150-53; *see also Wireline Competition Bureau Announces Availability of Budget Control Mechanism Calculations for Rate-of-Return Carriers for the Period from January 1, 2017 Through June 30, 2017*, Public Notice, 31 FCC Rcd 11838 (WCB 2016).

mechanisms are currently suffering a nine percent reduction in support.[23] Not only does such a significant reduction act to stifle further broadband deployment by rate-of-return carriers under legacy support mechanisms, it threatens to contravene Section 254(b)(3) of the Communications Act of 1934, as amended (Act), which establishes the fundamental universal service principle that consumers in rural, insular and high cost areas of the Nation should have access to advanced telecommunications and information services that are reasonably comparable and available at reasonably comparable rates to similar services in urban areas.[24] Though the *FNPRM* focused on increased A-CAM plan funding, ITTA supports fully funding all support mechanisms applicable to rate-of-return carriers regardless of whether they have elected to participate in the A-CAM plan or remain under revised rate-of-return carrier support mechanisms. As ITTA has emphasized previously to the Commission, increased funding of rate-of-return support mechanisms is needed to enable rural local exchange carriers "'actually to offer supported broadband-only services at reasonably comparable rates, and to avoid support reductions'" from the budget control mechanisms.[25]

III. CONCLUSION

Within the last year, the Commission has taken giant steps to bring long-awaited and needed stability and predictability to rate-of-return high-cost support mechanisms. It now must capitalize on this momentum not only to finish the job, but also to do so in a manner that will best promote its fundamental policy goal of stimulating broadband deployment to unserved and

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[23] *See* Universal Service Administrative Company, Budget Control Mechanism for Rate of Return Carriers, http://www.usac.org/hc/program-requirements/budget-control-rate-of-return.aspx (last visited Feb. 1, 2017) (link to spreadsheet detailing "2017 1st Half Budget Analysis").

[24] 47 U.S.C. § 254(b)(3).

[25] Letter from Genevieve Morelli, President, ITTA, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 10-90, at 2 (filed Nov. 11, 2016) (quoting Letter from Gerard Duffy, WTA Regulatory Counsel, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 10-90, at 2 (filed Nov. 11, 2016)).

underserved areas. Fully funding the A-CAM plan is the most efficient way for the Commission to do so. Moreover, fully funding legacy rate-of-return support mechanisms promotes the sustainability of carriers remaining on those mechanisms, and facilitates those carriers' services comporting with bedrock universal service principles established in the Act. If the Commission does not fully fund the A-CAM plan, at a minimum it should allocate expeditiously any additional funds it does authorize for model-based support using the same methodology as the *Order* employed to distribute partial funding, and only carriers that previously have chosen model-based support should be eligible for such additional funds.

Respectfully submitted,

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