

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of

Connect America Fund

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WC Docket No. 10-90

**COMMENTS OF
ITTA – THE VOICE OF AMERICA’S BROADBAND PROVIDERS**

ITTA – The Voice of America’s Broadband Providers (ITTA) hereby submits its comments in response to the Notice of Proposed Rulemaking and Order in the above-captioned proceeding.¹ The *NPRM* seeks comment on whether the Commission should make any changes to the current rate floor methodology, or eliminate the rate floor and its accompanying reporting obligation.²

I. DISCUSSION

As noted by the Commission in the *April 2014 Order*, the underlying purpose of the rate floor is one of fairness.³ In adopting the rate floor in 2011, the Commission concluded that it is inappropriate to provide federal high-cost universal service support to subsidize local rates

¹*In the Matter of Connect America Fund*, Notice of Proposed Rulemaking and Order, FCC 17-61 (rel. May 19, 2017) (*NPRM*).

² *NPRM* at ¶ 6.

³ *Connect America Fund, et al.*, Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, 29 FCC Rcd 7051, ¶ 77 (2014) (*April 2014 Order*).

beyond what is necessary to ensure reasonable comparability between urban and rural areas.⁴ To do so, the Commission noted, would “place[] an undue burden on the Fund and consumers that pay into it.”⁵ Thus, the rate floor was created to address situations in which customers were paying artificially low local rates in rural areas.⁶

At the same time, the Commission has acknowledged and taken into account the potential negative impact of the rate floor on rural rate-of-return companies.⁷ The Commission’s concern regarding the rule’s application to rate-of-return companies and the significant rate hikes some companies would have been forced to implement led the Commission, in 2014, to delay implementation and to adopt a four-year transition to mitigate “unreasonable effects on carriers and consumers.”⁸ The Commission’s action was taken at the behest of ITTA and other rate-of-return company representatives concerned that local rate increases necessitated by implementation of the rate floor would create rate shock for consumers.⁹

The same balancing of interests between the need to ensure reasonable local rate comparability in rural and urban areas on the one hand and to prevent unreasonable effects on companies and consumers on the other is evident in the *NPRM*. It underlies the Commission’s decision to temporarily freeze the monthly rate floor at \$18 pending its review of the record and

⁴ *Connect America Fund, et al.*, WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 17751, ¶ 237 (*USF/ICC Transformation Order*).

⁵ *Id.*

⁶ The Commission noted in the *USF/ICC Transformation Order* that “there are local rates paid by customers of universal service recipients as low as \$5 in some areas of the country.” *USF/ICC Transformation Order* ¶ 235.

⁷ *Id.* ¶ 236.

⁸ *April 2014 Order* ¶ 80.

⁹ See Reply Comments of ITTA and USTelecom on the Petition for Extension of Time to Comply with the New Local Rate Floor, WC Docket No. 10-90, at 3 (filed Mar. 31, 2014).

possible future action.¹⁰ ITTA applauds the Commission for taking the reasonable step of freezing the rate floor while it undertakes an analysis of whether there are changes to the rate floor methodology that should be adopted to make it more equitable.

Along those lines, ITTA supports an exploration of whether to disaggregate the current single national rate floor. As the *NPRM* points out, nothing in the statute compels adoption of a single, national rate floor.¹¹ Incomes often are lower in rural areas¹² and a geographically disaggregated rate floor would allow that fact to be taken into account. Moreover, a state-specific rate floor could permit individual states greater flexibility to address the particular circumstances of serving customers within their jurisdiction.

ITTA also believes there is merit in permitting carriers to charge a rate that is one standard deviation below the average urban rate, as has been proposed by several interested parties.¹³ As pointed out by NTCA, since a standard deviation approach is used to set the upper bound of reasonable comparability, it would be reasonable to adopt a similar methodology to identify reasonable comparability's lower bound.¹⁴

II. CONCLUSION

ITTA appreciates the Commission's willingness to consider whether changes to the current rate floor methodology or elimination of the rate floor and its accompanying reporting obligations is in the public interest. ITTA urges the Commission to use the current two-year rate

¹⁰ *NPRM* ¶ 14.

¹¹ *Id.* ¶ 9.

¹² *Id.*

¹³ *Id.* ¶ 10.

¹⁴ See Letter from Michael Romano, Senior Vice President, NTCA, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 10-90 at 3 (filed Nov. 2, 2015).

floor freeze to explore possible changes to the rate floor methodology such as disaggregation or permitting carriers to charge rates that are one standard deviation lower than the average urban rate.

Respectfully submitted,

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