

## FCC Responses to Questions

### A-CAM Path

**Question:** how and on what schedule will A-CAM funds be distributed?

**Answer:** USAC will disburse A-CAM support monthly.

**Question:** Will Forms 508 still be required of A-CAM electors after the initial filing?

**Answer:** All companies – whether they intend to elect A-CAM support or not – should have filed their FCC Form 508 on October 3. After this year, those carriers authorized to receive A-CAM support will not have to file this form anymore.

**Question:** Say a company has two study areas in a state. One study area benefits under ACAM and the other does not. Given the fact that the ACAM election is at a statewide holding company level, is it safe to assume that the 2015 legacy support to be published by the bureau or USAC for potential glide path purposes (the order contemplates such a public notice – see 54.311(e)(4)) be reflected at a statewide holding company level as well (such that the company may even be a net winner and thus not eligible for glide path transition to the model)?

**Question (similar):** Can you clarify if one of my study areas will be losing support by going to ACAM but on a whole by state we decide to go to ACAM, will there be transitional payments for the one study area that is losing in support?

**Answer:** The transition payment is calculated at the holding company state-level, as shown in the transition payment schedule that USAC published on October 5. There is no transition payment in a situation when the company receives more support from A-CAM computed at the state-level, even if an individual study area is receiving less support.

<http://www.usac.org/res/documents/hc/xls/tools/A-CAM-Transition-Support.xlsx>

**Question:** Will companies electing model support no longer be subject to the rate floor?

**Answer:** Correct, model recipients are no longer subject to the rate floor. That rule only applies to recipients of HCLS. 47 C.F.R. § 54.318(d).

**Question:** If a company wishes to elect into A-CAM, is there any particular format for this notification letter?

**Answer:** There is no required format. The carrier must submit a letter signed by an officer of the company confirming that the carrier elects the model-based support amount as specified in the Bureau's August 3rd Public Notice announcing the offers of support and commits to satisfy the specific service obligations associated with that amount of support.

### **A-CAM deployment obligations**

**Question:** How do existing locations with 10/1 that are upgraded to 25/3 figure into the milestone calculations?

**Answer:** Locations upgraded from 10/1 to 25/3 will count towards a carrier's obligation to provide 25/3 to a defined number of locations.

**Question:** Under A-CAM, are the number of locations in a CB in the model the maximum number of locations in which a company can count towards their A-CAM obligation even if actual locations "on the ground" exceed that? Ex. Model says 1 but there are 10 in reality.

**Answer:** No. If there actually are more locations on the ground in a particular census block, a carrier is free to count all of them towards its deployment obligation. Compliance will be determined at the state level – and not at the census block level.

### **Number of locations in the A-CAM**

**Question:** The model appears to require more locations for buildout than exist in my study area/eligible census blocks. How do I get this reconciled – what if I do build to 100% of the locations that actually exist in my blocks/area, but that's still less than the # stated in the model?

**Question (similar):** What, if any, specific obligations do carriers have to confirm accuracy of the location quantities within ACAM? Specifically, what if there are significant differences between household quantities and ACAM locations – how to/need to reconcile?

**Answer:** The Commission recognized that "facts on the ground" may necessitate some flexibility in the required number of locations, and thus allowed a carrier to deploy to 95% of the required number of locations, without a reduction of model-based support. (*Rate-of-Return Reform Order* at para. 33). The Commission also indicated that carriers should have an opportunity to seek an adjustment of the deployment obligation if there is a widely divergent number of locations, and delegated authority to the Wireline Competition Bureau to adjust the required number of locations and reduce support accordingly. (*Rate-of-Return Reform Order* at para. 34). The Wireline Competition Bureau will evaluate those on a case-by-case basis. Given the Bureau is working on implementing all of the other reforms, however, we are not in a position to handle such requests before the Nov. 1<sup>st</sup> election deadline.

### **Timing/Information regarding various aspects of the reforms**

**Question:** What is the status of releasing company specific AALPI and other items associated with Capital Investment Allowance?

**Answer:** On September 30th, USAC posted preliminary information regarding the capex allowances. <http://www.usac.org/hc/tools/default.aspx>. On September 30, NECA submitted the 2015 carrier data to the FCC. The Bureau set October 7 as a deadline for making any further corrections to carrier FCC Form 477 deployment data, which is part of the calculation. We expect the final numbers for the capital investment allowance (incorporating any corrections) will be released by the end of October.

**Question:** What is the status on estimates for 2017 and outlook years for the Pro-rata adjustment factor to be applied to HCLS and CAF-BLS?

**Question (similar):** When will we see the competitive overlaps information and the reductions due to the \$2 billion dollar program cap?

**Answer:** The Bureau released the December 2015 competitive overlap information on September 30<sup>th</sup>. <https://transition.fcc.gov/wcb/OverlapBlocks2016ForPub.xlsx>

The adjustments due to the \$2 billion budget cap will be announced by USAC on or before November 1<sup>st</sup>; we're working to get those numbers out before November 1. Keep in mind that the budget adjustments will be calculated based on the information that we have on hand now – the CAF-BLS forecast submitted by NECA and HCLS as calculated based on information that we currently have – and will not reflect the outcome of the A-CAM election or carriers electing to receive support pursuant to the Alaska Plan. Depending on those elections, the budget control figures could well be different from the second half of 2017. USAC will update the budget control on May 1<sup>st</sup>, for the upcoming tariff year. At that time, the numbers will reflect the budget in place once carriers have been authorized to receive A-CAM support or support pursuant to the Alaska Plan.

**Question:** Has the FCC submitted for approval from OMB of the data collection needed to implement the competitive overlap rule? What other rules are pending OMB approval?

**Answer:** Not yet. The Bureau expects to seek approval under the Paperwork Reduction Act (PRA) for the competitive overlap rule later this fall. PRA for the collection of deployment location information is in process.

### **Operating Expense Limit**

**Question:** What year is the HCLS opex in the USAC information? 2014 year-end? 2015 year-end? Latest quarterly update? Is the figure a “hard” reduction in the 2017 payment?

**Answer:** The opex regression is based on 2014 expenses. It will not be a hard reduction. After true-ups, a carrier will only experience reductions if its operating expenses exceed the cap.

**Question:** Please explain how the OpEx caps affect average schedule companies in more detail.

**Answer:** The opex limit applies to both HCLS and CAL BLS. For average schedule companies, HCLS and CAF BLS, like ICLS previously, rely on the average schedule formulas for pool settlements in place of revenue requirements. The average schedule formulas are submitted by NECA for approval by the Commission. The Commission will work with NECA to ensure that formulas properly reflect the effect of opex limits.

**Question:** Will the OpEx caps be re-run every year or periodically – if so, but not every year, how often and does the FCC have any sense of how volatile those changes could be?

**Answer:** The *Rate-of-Return Reform Order* doesn't specify how often to refresh the opex limits with new data. The Bureau intends to monitor the situation to see whether there are significant changes in reported costs over time.

**Question:** Will CAF-BLS OpEx data be trued up once the final 2017 cost study is completed, or is the figure USAC provided for the 2017 OpEx cap a “hard” reduction that will never be trued up even if the company’s OpEx actually turns out to be less than the cap?

**Answer:** CAF BLS will ultimately have true ups. Data submitted on Form 509 will reflect opex limitations. If final expenses are below the cap, all of the expenses are eligible for support.

### **Capital investment allowance**

**Question:** The Capital Investment Allowance includes an exception for construction contracts entered into prior to the effective date of the rule. To clarify, is the effective date of the rule May 25, 2016 (30 days after publication in the Federal Register)?

**Answer:** Yes.

### **Budget control mechanism**

**Question:** The ROR order states that budget control shortfalls on can be recovered by adding the budget control impact to my consumer broadband loop rate. How do I make up the budget control impact on ICLS if I have no broadband-only customers?

**Answer:** These amounts can continue to be carried forward to be recovered later once the carrier is offering standalone broadband. That is the only method for recovering these costs.

**Question:** Can you please explain the true-up process with respect to the budget control on CAF-BLS/HCLS? If the budget turns out to have been over or under the estimated budget control in a given period, will that be trued up and if so, when?

**Answer:** The Commission did not adopt a true-up process for CAF-BLS and HCLS reductions occurring due to the budget control.

### **Implementation of competitive overlap rule**

**Question:** Since it’s the last data that predates the ROR order, much like the FCC used the last available data prior to the order for model elections to avoid “gaming,” will the 12/31/15 Form 477 data be used in the non-model competitive overlap process?

**Answer:** Not necessarily. The Commission directed the Bureau to use “the most recent publicly available data at the time it releases the initial Public Notice” commencing the challenge process. (*Rate-of-Return Reform Order* at para. 123). Given that we still need to get PRA approval for the challenge process, and that takes a number of months, we do not expect to start the challenge process until sometime in the 2017, and it’s possible that a new data set will be publicly available by then (the June 2016 data set that carriers just submitted).

**Question:** Will the competitive challenge process and resulting reductions in legacy support be applied on a prospective basis only, or will it also be applied retroactively to 1/1/2017?

**Answer:** The reductions in support will be applied only on a prospective basis.

## **Deployment obligations for carrier receiving CAF BLS**

**Question:** In determining the number of locations for broadband deployment under the Legacy program (paragraphs 169-171), the calculation involves dividing projected 5 year CAF-BLS (adjusted by a factor to reflect current 10/1 deployment) by an average cost per loop to determine the number of locations to which a carrier must deploy 10/1. What happens if the calculated number of locations is greater than the actual number of potential eligible locations (locations in census blocks that do not have 10/1 and are not competitive)? Based on some preliminary calculations, this anomaly can occur.

**Answer:** We just released the schedule showing deployment obligations under the two methods (weighted average cost and A-CAM) for CAF BLS on October 6<sup>th</sup>. We encourage carriers to look at the actual figures. <https://transition.fcc.gov/wcb/SacBuildoutSheetDisplay.xlsx>

## **Tariffing**

**Question:** As a non-model company, if the FCC's broadband-only loop cost estimation method (common line revenue requirement at 100% allocation) materially exceeds my broadband-only loop costs assigned to interstate special access in my cost study, what costs are removed from special access?

**Answer:** After moving the costs, if the special access rates produce revenues that would result in the carrier exceeding the permissible rate of return, those rates should be adjusted. The reallocated costs would be included in the new Broadband-only Loop category and would be included in developing the resulting broadband loop rate.

**Question:** Carriers must exit the NECA common line pool to receive model support. But a LEC can only leave the pool on July 1 of each year – is that going to change for this year only to permit model support as of January 1?

**Answer:** Yes. The Commission has already decided the carriers slated to receive A-CAM support will exit the pool mid-year.

**Question:** on the question relative to ACAM support that begins January 1st and the timing of exiting the CL pool, I believe you said the FCC has addressed this and that the exit will occur at mid-year. Is that correct?

**Answer:** Yes, in paragraph 195 of the *Rate-of-Return Reform Order*, the Commission determined that carriers electing model support must leave the NECA common line pool. For these carriers, the pool exit will occur mid-year. If the A-CAM model-based support elections are not finalized in time for carriers to meet the December 19, 2016 filing date, the Bureau will issue a Public Notice concerning the timing of tariff filings to implement those elections.

**Question:** For a company that elects the A-CAM, what consumer broadband only rate can they charge? Are they limited to the \$42.00, or can it be higher or lower?

**Answer:** A carrier electing A-CAM is permitted but not required to charge a wholesale consumer broadband only loop rate that does not exceed \$42 per loop per month.

**Question:** Will companies electing model support be able to charge SLCs using the NECA tariff or will they need to file their own interstate tariffs?

**Answer:** Carriers will be free to charge SLCs using the NECA tariff, or file their own tariffs.

**Question:** In the context of RoR carriers electing ACAM model support, has the FCC established any rules or requirements for either interstate OR intrastate tariffs for special access and/or consumer broadband loops?

**Answer:** On October 6, the Bureau released a tariff procedures order addressing these implementation issues in more detail.

[http://transition.fcc.gov/Daily\\_Releases/Daily\\_Business/2016/db1006/DA-16-1145A1.pdf](http://transition.fcc.gov/Daily_Releases/Daily_Business/2016/db1006/DA-16-1145A1.pdf)

## **Deployment Reporting**

**Question:** It would be great if you were to cover reporting timelines, reported information, etc.

**Answer:** The Wireline Competition Bureau is working on a Public Notice summarizing the reporting requirements, so we'll just hit the highlights here. Form 481 will still be due on July 1. There will still be a state certification on October 1. Location reporting will begin as soon as we have PRA approval, which we are currently seeking, and the location reporting portal is ready to accept filings, which USAC is currently developing. Going forward, carriers will be able to report newly deployed locations throughout the year, but they must be reported and certified no later than March 1 for the prior calendar year.

**Question:** Will the FCC be providing greater clarification and guidance on how a company is to define a "location" for buildout reporting purposes?

**Answer:** The Bureau is working on a Public Notice that will provide further guidance regarding location reporting.

**Question:** What is the specific definition of a new (served) location?

**Answer:** The Bureau will issue additional guidance in the future, but at a high level, we're using the definition of a housing unit as adopted by the U.S. Census. Big picture, a housing unit is a house, an apartment, a group of rooms, or a single room occupied or intended for occupancy as separate living quarters. The Census definition goes on in more detail to specify a variety of situations that are excluded from the definition.

**Question:** When is a location considered Served? (e.g., ability to turn up 10/1 or 25/3 service w/i 10 days?)

**Answer:** The carrier has to be holding itself out to the public as offering the service and be willing and able to provide service to a requesting customer within ten (10) business days.

**Question:** To report the geocode for locations that do not take our service, would it be acceptable to use the 911 addresses in the blocks that we can serve?

**Answer:** Carriers are required to submit geocodes under the rules. We expect the upcoming Bureau Public Notice to provide further guidance regarding methods for obtaining location data.

**Question:** If a company's Broadband build out meets the compliance requirements of the Order with the exception of not having built a solution for the middle mile, will this affect any eligible support the company is entitled to or has already received?

**Answer:** Compliance is determined based on actually offering service meeting the requisite requirements to end users. It is not enough to extend facilities but not be able to offer service. What the Commission is focused on is whether the consumer can call up the carrier and get 10/1 Mbps service. If the carrier is unable offer that to the required number of locations due to insufficient middle mile, then it would not be complying with the rules. It would be subject to the applicable rules for reductions in support for non-compliance. 47 C.F.R. § 54.320(d).

It's worth noting that A-CAM support recipients are not limited to using the support only for last mile facilities that traditionally have been supported through HCLS and ICLS, but may use support anywhere in their network to upgrade their ability to offer the requisite service levels in those census blocks where support is provided.

### **Reporting to state PUCs**

**Question:** The order eliminates the requirement for ETCs to file duplicate copies of Form 481 with state PUCs. Are there any other forms that ETCs will not be required to submit to state PUCs, such as Form 690 or Rate Floor Data Forms? Estimated effective date?

**Answer:** Actually, the FCC has not, to date, eliminated the requirement for ETCs to file copies of Form 481 with their state commission. Rather, the Further Notice sought comment on whether to eliminate the state filing requirement if states instead were able to access all of the information directly from USAC; that proposal remains pending. Carriers thus should be prepared to file Form 481 in 2017 with states and Tribal government as appropriate. Meanwhile, USAC is working on a broader initiative to improve online tools regarding high-cost program information.