

ROR Reform Q&A Webinar (October 6, 2016)
FCC Responses to Selected Questions
Part II

A-CAM Support

Question: Is there a certain date where we would have to notify the Bureau if we planned on only building to 95% of eligible locations?

Answer: No, whether a carrier deploys only to 95% of the required number of locations will be determined at the end of year 10.

However, the Commission has encouraged carriers “to identify any census blocks where they expect not to extend broadband, so that such census blocks may be included in an upcoming auction where parties, including the current provider, may bid for support. The Bureau will announce a date by public notice, no sooner than 60 days after elections are finalized, by which carriers electing model-support may identify any such census blocks.” *See ROR Reform Order*, para. 26.

Question: It appears more and more likely that the A-CAM will be oversubscribed and exceed the established budget. Is there any further indication of the approach that will be utilized to maintain the budget?

Answer: Not at this time. We do not expect to announce anything regarding this topic before the November 1 deadline.

Question: The rules appear to permit a company that became 90% or greater 10/1 capable through FTTH or other investments after 6/30/15 to elect the model. Is that correct?

Answer: That is correct. The Commission concluded that the Bureau should finalize the offer of support based on the state of deployment reflected in carrier-submitted June 2015 FCC Form 477 data, including any updates or corrections to that data set as of the date of release of the Order. We cannot address specific situations without a full understanding of the facts, but as a general matter, if a company subsequently exceeded the 90% threshold for broadband deployment, it still would be eligible to receive A-CAM support for the full term. It would be required annually to report it is offering service and to certify that it is using the support for the intended purpose.

Question: If a company has fiber deployed to all of its serving territory but has not turned it up at this point for one reason or another, does their ACAM support go away immediately after turning up the fiber and immediately meeting the 10/1 1st step requirement?

Answer: We cannot address specific situations without a full understanding of the facts, but as a general matter, if a company authorized to receive A-CAM support fully meets its specific deployment obligation early in the ten-year term, it will continue to receive A-CAM support for the full term. It would be required annually to report it is offering service and to certify that it is using the support for the intended purpose.

Question: Was the FCC Form 477 March 2016 submission used to calculate the ACAM model support?

Answer: No. The Commission directed the Bureau to use June 2015 Form 477 data, as modified by the ACAM challenge process.

Question: If a company elects A-CAM, will those revenues be netted against any subscriber line charges as when they were in the CL pool? Or is that revenue simply in addition to what they will be receiving from A-CAM?

Answer: They will continue to receive subscriber line charges, in addition to A-CAM support.

Question: Will there be any support after the 10 year transition period or is that expected to cease?

Answer: The Commission said it expects the Commission will conduct a rulemaking in year 8 (which would be 2024) to determine how support will be determined after the end of the 10-year period.

Question: What happens if a company elects A-CAM support and an unsubsidized competitor starts offering service in their study area? Does it get phased out or totally removed?

A: No. A-CAM support does not get phased out or removed if an unsubsidized competitor enters the market at some future date. The presence of an unsubsidized competitor was determined prior to making the offer.

Capital Investment Allowance and Operating Expense Limits

Question: What effect does a RUS loan application placed before the new reform order but not yet awarded have on CAPX limits?

Answer: An RUS loan application placed before the effective date of the new reform order would have no effect on the loan applicant's Capital Investment Allowance. The Capital Investment Allowance is only affected by loan disbursements made prior to the effective date of the reform order.

Question: If a company believes that the Operating Expense Limitation or the Capital Investment Allowance has been calculated incorrectly for its study area, how should it rectify this?

Answer: We would suggest that you contact USAC if you believe a mathematical error has been made. The FCC rules require parties that disagree with an action taken by USAC first to seek review from USAC. 47 U.S.C. § 54.719.

Question: For Housing Units, why was the decision made to use data from the 2010 Census rather than the updated Census data each year. We are now using "old" data and if a company is having growth in housing units this appears to be a detriment to the OpEx Cap.

Answer: The 2010 Census block-level housing unit data is the most recent publicly available census block-level data available to the public at no cost. More recent updates at the census block level are typically done by private entities and are only available for a fee. More recent updates that are available from Census are available only at a higher level of aggregation, such as at the census block group level.

CAF-BLS

Question: Will carriers who opt for legacy support who do not currently receive ICLS be eligible to receive BLS?

Answer: All carriers are potentially eligible for CAF BLS; whether they will actually receive support depends on the costs they report.

Question: When CAF BLS is distributed, will this reflect all broadband funding or will it reflect voice as well? In any scenario does BLS require a voice obligation?

Answer: CAF BLS support is available for lines on which the carrier provides: (1) voice service only; (2) voice and broadband services; and (3) broadband services only. For (1) and (2), support will be calculated in a manner similar to what was previously used to calculate ICLS. For (3), support will be calculated based on the methodology adopted in the *Rate-of-Return Reform Order*.

CAF-BLS Deployment Obligation

Question: I assume the calculation takes total 5 year projected CAF-BLS, multiplied by a factor reflecting current 10/1 deployment, divided by an average cost per loop. For example,

$\$200,000$ projected annual CAF-BLS x 35% x 5 years = $\$350,000$
Average annual cost per loop = $\$1,000$
Deployment Obligation = $\$350,000 / \$1,000 = 350$ locations

Can you please confirm that the above represents a correct interpretation of the calculation?

Answer: This is a correct calculation.

Budget

Question: Will the FCC re-calculate the \$2 billion size of the fund after A-CAM models exit the legacy funds?

Answer: Reductions to meet the \$2 billion rate-of-return budget for the January – July 2017 period will be announced on or about November 1, 2016. These reductions will be calculated based on an assumption that all carriers remain on the legacy mechanisms because no carriers are currently authorized to receive A-CAM support. Reductions to meet the overall rate-of-return budget for the July - December 2017 time period will take into account any carriers authorized to receive A-CAM support.

Alaska

Question: How does data-only affect support for companies in the "Alaska Plan"?

Answer: Alaska rate-of-return carriers with approved performance plans will not receive CAF-BLS support. Pursuant to the *Alaska Plan Order*, they will receive Connect America funding in Alaska regardless of whether their customers subscribe to voice in conjunction with broadband service. Like all other rate-of-return carriers, they must refile their special access tariffs removing the cost of broadband-only loops from the special access category, under the procedures set forth in the Bureau's recent tariff procedures order.

http://transition.fcc.gov/Daily_Releases/Daily_Business/2016/db1006/DA-16-1145A1.pdf

Like carriers receiving A-CAM support, Alaska carriers with approved performance plans must leave the NECA common line pool, although they may elect to have NECA tariff their common line rates, including their subscriber line charges. Once USAC confirms these steps have been taken, support as set forth in the Alaska Plan will be disbursed. (*Alaska Plan Order* at para. 46)

Carriers authorized to receive support pursuant to the Alaska Plan are permitted – but not required – to assess a wholesale consumer broadband-only loop charge that does not exceed \$42 per month. They are not required to offer a separate broadband-only transmission service, on either a tariffed or detariffed basis. If they choose to offer a consumer broadband-only loop service, they may elect to have NECA tariff the consumer broadband-only loop rate.

Tariffs

Question: For companies that participate in the NECA pools, will the Consumer Broadband Only Benchmark Rate be rate banded and/or speed sensitive, or will the benchmark rate be the same for all companies and speeds?

Answer: The consumer broadband-only loop calculations will be carrier-specific.

Reporting

Question: With the new reporting guidelines, will companies that remain on legacy support have to file Form 481's?

Answer: Yes, all ETCs that receive high-cost support (whether A-CAM support or HCLS and CAF-BLS support) must continue to file Form 481s. Once the Bureau has received Paperwork Reduction Act approval of the broadband location reporting portal, ETCs will no longer have to file updates to their 5-year plans.

Question: What format will geo-coded locations be in and how would a small telco get at those locations? It is my understanding that there are many, many formats for geocoding.

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

Question: Will you explain the difference between a location and an address in the A-CAM model?

Answer: As explained further in the A-CAM Model Methodology (A-CAM version 2.3.1, Document version 2.3.1, Revised 08/12/2016), the model used GeoResults address data, trued up with 2010 Census data and updated with 2011 Census county estimates, for residential data. For business data, the model used GeoResults address data.

Question: What constitutes a location for purposes of meeting my deployment obligations (either A-CAM or CAF BLS)?

Answer: A location is a housing unit or small business that would typically subscribe to mass market “best efforts” residential broadband Internet access service. (Note: this does not mean the home or small business actually is subscribing to this service, but rather this is a location where the carrier is commercially offering mass market broadband Internet access service to end users and would provide this type of service if the customer requested it.)

Carriers may not count as “locations” undeveloped land lacking any housing unit, as defined by the U.S. Census, or subdivisions where homes are planned for the future. If and when a home is built at a future date, the carrier could then at that time count that location towards its deployment obligation.

The U.S. Census defines a housing unit as follows:

Census Definition of Housing Unit. 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. Separate living quarters are those in which the occupants do not live and eat with other persons in the structure and which have direct access from the outside of the building or through a common hall. For vacant units, the criteria of separateness and direct access are applied to the intended occupants whenever possible. If the information cannot be obtained, the criteria are applied to the previous occupants.

Living quarters of the following types are excluded from the housing unit inventory: Dormitories, bunkhouses, and barracks; quarters in predominantly transient hotels, motels, and the like, except those occupied by persons who consider the hotel their usual place of residence; quarters in institutions, general hospitals, and military installations except those occupied by staff members or resident employees who have separate living arrangements.

Miscellaneous

Question: Please explain what happens when I decide not to offer a broadband transmission service.

Answer: Carriers are free to offer retail broadband Internet access through the incumbent LEC; they are not required to offer such service through an affiliated Internet service provider. Rate-of-return incumbent carriers are not required to offer a broadband transmission service. If an incumbent LEC no longer is offering a broadband transmission service at all, then there are no revenues to report for that service, and no universal service assessment. The carrier would continue to report the revenues for retail broadband Internet access service on Line 418 of the FCC Form 499, as it does today.

When the Commission granted blanket approval for discontinuance of broadband transmission services in the 2005 *Wireline Broadband Classification Order*, it established a set of obligations with which discontinuing carriers must comply: (1) provide affected customers with advance notice of the discontinuance including the carrier’s name and address, the date of the planned discontinuance, the geographic areas where service will be discontinued, and a brief description of the service to be discontinued; and (2) on or after the date it provides the advance notice to its customers and at least 30 days prior to the date on which service will be discontinued, the carrier must file with the Commission notice of its intent to discontinue service (para. 101 of FCC 05-150). More recently, the Commission concluded in the *Open Internet Order* that if a rate-of-return carrier that previously had voluntarily offered broadband transmission on a common carrier basis chooses to take advantage of the forbearance framework adopted in that order, it must provide 60 days notice to the Wireline Competition Bureau prior to implementing that change.