



PUBLIC NOTICE

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WIRELINE COMPETITION BUREAU ANNOUNCES AVAILABILITY OF VERSION ONE OF THE CONNECT AMERICA FUND PHASE II COST MODEL

WC Docket Nos. 10-90, 05-337

Today, the Wireline Competition Bureau (Bureau) announces the availability of version one of the Connect America Cost Model, which provides Commission staff and interested parties the ability to calculate costs using a variety of different inputs and assumptions. Parties may access this version of the cost model at <http://www.fcc.gov/encyclopedia/caf-phase-ii-models>. Parties also will be required to execute the relevant acknowledgement of confidentiality, licensing, and nondisclosure documents that will be released as attachments to a Third Supplemental Protective Order.

On November 18, 2011, the Commission released the *USF/ICC Transformation Order and FNPRM*, establishing the Connect America Fund Phase II to provide ongoing support for voice services and the extension of broadband-capable networks to millions of unserved locations using “a combination of a forward-looking cost model and competitive bidding.”¹ Thereafter, the Bureau released the *Request for Models Public Notice*, inviting interested parties to submit proposed forward-looking cost models.² In response, parties submitted two separate models into the record,³ and on June 8, 2012, the Bureau sought comment on these models as well as “on a number of threshold decisions regarding the design of and data inputs to the forward-looking cost model.”⁴ The Bureau also hosted an in-person workshop in September 2012 to discuss the design and mechanics

¹ See *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, 17673, para. 23 (2011) (*USF/ICC Transformation Order and FNPRM*), *pets. for review pending sub nom. In re: FCC*, No. 11-9900 (10th Cir. filed Dec. 18, 2011).

² *Request for Connect America Fund Cost Models*, WC Docket Nos. 10-90 and 05-337, Public Notice, 26 FCC Rcd 16836 (Wireline Comp. Bur. 2011) (*Request for Models Public Notice*).

³ Letter from Jonathan Banks, USTelecom, to Marlene H. Dortch, Secretary, FCC, WC Docket Nos. 10-90 and 05-337 (filed Feb. 13, 2012) (attaching updated documentation of CQBAT model). This submission updated the ABC Coalition’s prior proposal for a forward-looking model, which had been submitted prior to the release of the *USF/ICC Transformation Order and FNPRM*. Letter from Robert W. Quinn, Jr., AT&T, Steve Davis, CenturyLink, Michael T. Skrivan, FairPoint, Kathleen Q. Abernathy, Frontier, Kathleen Grillo, Verizon, and Michael D. Rhoda, Windstream, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 10-90 et al., Attach. 1 at 13 (filed July 29, 2011). The ABC Coalition model was submitted pursuant to a protective order adopted by the Bureau. See *Connect America Fund; High-Cost Universal Service Support*, WC Docket Nos. 10-90 and 05-337, Second Supplemental Protective Order, 27 FCC Rcd 1503 (Wireline Comp. Bur. 2012). Alaska Communications Systems Group, Inc. also submitted a model that estimates the cost of serving Alaska only. See Comments of Alaska Communications Systems Group, Inc., WC Docket Nos. 10-90 and 05-337 (filed Feb. 1, 2012). This model also was submitted pursuant to a protective order adopted by the Bureau. *Connect America Fund; High-Cost Universal Service Support*, WC Docket Nos. 10-90 and 05-337, Second Protective Order, 27 FCC Rcd 1494, 1494, para. 1 n.2 (Wireline Comp. Bur. 2012).

⁴ *Wireline Competition Bureau Seeks Comment on Model Design and Data Inputs for Phase II of the Connect America Fund*, WC Docket Nos. 10-90 and 05-337, Public Notice, 27 FCC Rcd 6147 (Wireline Comp. Bur. 2012).

of the cost models in the record and, more recently, commenced a virtual workshop soliciting input on a variety of topics related to the development and adoption of the cost model.⁵

The Administrator of the Universal Service Fund, the Universal Service Administrative Company, has procured the services of a contractor to assist with the public hosting, execution, and support of the Connect America Cost Model, under policy direction from the Commission. Version one of the Connect America Cost Model will provide the ability to calculate costs using a variety of different inputs and assumptions, allowing the Bureau to examine various options for different network deployments to serve funded locations (*e.g.*, fiber to the premises or fiber-fed digital subscriber line), different assumptions about the amount of existing facilities assumed to exist (*e.g.*, green-field or brown-field deployments, the mix of aerial, buried or underground plant), as well as different assumptions about unit costs for capital and operating expenses. While version one of the Connect America Cost Model is similar to the CQBAT model submitted into the record by the ABC Coalition, it contains a number of key differences, including an estimate of the cost of providing not only broadband services, but also voice services, and an updated calculation of brown-field costs to include replacement capital expenditures.

The Bureau emphasizes that it has not adopted this version of the Connect America Cost Model, and the inclusion of various capabilities does not represent a preliminary finding about the approach that the Bureau will ultimately adopt in this proceeding. The Bureau will continue to develop the cost model platform and inputs before finalizing and adopting a forward-looking cost model for Connect America Phase II as directed in the *USF/ICC Transformation Order and FNPRM*. The Bureau anticipates that a second version of the Connect America Cost Model will be available in the coming weeks and will include an update to 2010 census geographies and updated State Broadband Initiative (SBI) data. The Bureau is soliciting input in the virtual workshop whether there are any other functionalities or capabilities that should be added to the Connect America Cost Model platform. Comment in response to that virtual workshop question should be submitted no later than **January 11, 2013**.

After an opportunity for further public comment on additional issues, the Bureau will adopt an order at a subsequent date in 2013 that adopts a final version of the Connect America Cost Model that will be used for purposes of estimating support amounts in price cap areas. The Bureau encourages interested parties to access the Connect America Cost Model (v.1 and any subsequent version) to provide input on whether it provides reasonable estimates of forward-looking efficient costs and what adjustments, if any, should be made before the Bureau finalizes and adopts the Connect America Cost Model.

For further information, please contact David Zesiger in the Wireline Competition Bureau at (202) 418-1500, or via e-mail at David.Zesiger@fcc.gov.

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⁵ *Wireline Competition Bureau Announces Connect America Phase II Cost Model Workshop*, WC Docket Nos. 10-90 and 05-337, Public Notice, 27 FCC Rcd 9882 (Wireline Comp. Bur. 2012); *Wireline Competition Bureau Announces Commencement of Connect America Phase II Cost Model Virtual Workshop*, WC Docket Nos. 10-90 and 05-337, Public Notice, 27 FCC Rcd 11977 (Wireline Comp. Bur. 2012).