



PUBLIC NOTICE

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WIRELINE COMPETITION BUREAU RELEASES NEW AND IMPROVED ILLUSTRATIVE RESULTS FOR CONNECT AMERICA COST MODEL VERSION 4.0 AND UPDATED METHODOLOGY DOCUMENTATION

WC Docket No. 10-90

On December 2, 2013, the Wireline Competition Bureau (Bureau) announced the release of version 4.0 of the Connect America Cost Model (CAM v4.0), and sought comment on whether to adopt this version of the model and the associated default inputs for purposes of calculating costs in price cap areas.¹ Today, the Bureau announces the release of illustrative model outputs from running CAM v4.0, and updated model documentation.²

As part of the Bureau's continuing open, transparent, and deliberative process to adopt a cost model,³ the Bureau has improved upon its previously released illustrative results reports to provide additional information regarding model outputs and explanatory material to assist stakeholders that may not be familiar with terminology used in the prior reports. For the first time, these reports depict the number of locations that would newly receive broadband for each funding threshold. These reports also depict the number of locations in price cap areas that would fall above the extremely high-cost threshold. The Bureau also is releasing lists of census blocks that would be funded under alternative thresholds, so that the public can determine where funding would be targeted.

¹ See *Wireline Competition Bureau Announces Availability of Version 4.0 of the Connect America Fund Phase II Cost Model and Seeks Comment on Adopting Current Default Inputs in Final Version of Model*, WC Docket No. 10-90, Public Notice, DA 13-2304 (Wireline Comp. Bur. rel. Dec. 2, 2013). The Bureau also released publicly the default inputs for CAM v4.0 on the Commission's website. See *Wireline Competition Bureau Releases Default Inputs for Connect America Cost Model Version 4.0*, WC Docket No. 10-90, Public Notice, DA 13-2325 (Wireline Comp. Bur. rel. Dec. 4, 2013).

² The methodology documentation has been, and will continue to be, revised to reflect any changes made in the Connect America Cost Model. This documentation replaces the version 3.2 methodology documentation that was posted in August. See *Wireline Competition Bureau Announces Availability of Version 3.2 of the Connect America Fund Phase II Cost Model, and Illustrative Results; Seeks Comment on Several Modifications for Non-Contiguous Areas*, WC Docket No. 10-90, Public Notice, 28 FCC Rcd 12833, 12841 (Wireline Comp. Bur. 2013).

³ 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*), *pets. for review pending sub nom. In re: FCC 11-161*, No. 11-9900 (10th Cir. argued Nov. 19, 2013). The Commission delegated to the Bureau the task of selecting a specific engineering cost model and associated inputs, consistent with the parameters set forth in the *USF/ICC Transformation Order*, to determine support amounts to be offered to price cap carriers that make a state-level commitment. See *USF/ICC Transformation Order*, 26 FCC Rcd at 17735, para. 187.

In the *USF/ICC Transformation Order*, the Commission directed the Bureau to set a funding threshold and an extremely high-cost threshold that will determine areas eligible for Connect America Fund Phase II support.⁴ Price cap carriers will be offered model-based support, in exchange for a statewide commitment,⁵ for the census blocks where the average cost per location is equal to or greater than the funding threshold, but less than the extremely high-cost threshold, excluding census blocks that are determined to be served by an unsubsidized competitor.⁶ To demonstrate how the funding threshold the Bureau selects will impact the number of funded locations in price cap areas, the illustrative results reports for CAM v4.0 were run with funding thresholds of \$48 and \$52. The reports summarize information on estimated support and locations for the funded census blocks as determined by CAM v4.0. The figures that are shown in the report—both estimated price cap carrier support amounts and the number of price cap carrier locations funded—are the sum of the relevant figures for the census blocks that would be funded in a given study area or state. The reports are available at <http://www.fcc.gov/encyclopedia/connect-america-cost-model-illustrative-results>.

The Bureau has made these reports more user-friendly by including additional explanatory notes to assist the public in understanding what is portrayed in the reports' various rows and columns. Users are able to filter the results to view potential support amounts and the number of supported price cap carrier locations, by price cap carrier, by state, and by study area. These reports depict the number of locations that would be funded and, of that, the number that would newly receive broadband for each funding threshold. The reports also now show the number and percentage of total price cap locations where the average cost per location would exceed the extremely high-cost threshold—areas where the price cap carrier would not be obligated to extend broadband if the Bureau were to adopt CAM v4.0. As a general matter, these illustrative reports show that at a lower funding threshold, more price cap carrier locations would be supported nationwide, but there also would be more price cap carrier locations above the extremely high-cost threshold than if a higher funding threshold were adopted.

As noted, the Bureau also is publishing, for each illustrative funding threshold, a list of the census blocks that would be funded if the Bureau were to adopt CAM v4.0. This information will assist consumer groups, state commissions and others to see at a granular level the geographic areas served by price cap carriers that potentially will receive Connect America support.⁷ It also will assist parties that potentially would want to challenge the eligibility of specific census blocks in the future. The lists are available at <http://www.fcc.gov/encyclopedia/connect-america-cost-model-illustrative-results>.

To the extent interested parties would like the Bureau to publish additional illustrative results with other funding thresholds, they should contact the Bureau staff listed below. Because the Bureau has not yet finalized and adopted a cost model or funding thresholds, the results that we release today are not

⁴ *Id.* at 17728-29, paras. 167-69.

⁵ Price cap carriers making a statewide commitment in exchange for model-based support must accept the public interest obligations associated with all the eligible census blocks in its territory, including the provision of broadband service, for five years. *Id.* at 17729, para. 171.

⁶ *Id.*

⁷ See Letter from Charles Acquard, Executive Director, National Association of State Utility Consumer Advocates, to Marlene H. Dortch, Secretary, Federal Communications Commission, WC Docket Nos. 10-90, 05-337, at 7 (filed Oct. 25, 2013).

final support amounts.⁸ Moreover, if the Bureau makes further changes to version 4.0 of the model, the funded price cap census blocks, the number of locations that would newly receive broadband, and the number of locations above the extremely high-cost threshold will change.

The updated methodology documentation is available at: <http://www.fcc.gov/encyclopedia/price-cap-resources>.

For further information, please contact Katie King at (202) 418-7491 or via email at Katie.King@fcc.gov, or Heidi Lankau at (202) 418-2876 or via email at Heidi.Lankau@fcc.gov.

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⁸ The Bureau has not yet selected input values or the funding thresholds for purposes of calculating the offer of support to price cap carriers. We also note that no decisions have been made regarding whether, and if so, how, the model could be used to determine support for rate-of-return carriers. A number of parties have provided suggestions on how the model might be used for rate-of-return carriers that voluntarily elect to receive model-based support. *See, e.g.*, Comments of the Nebraska Rural Independent Companies in Response to May 16, 2013 Public Notice, WC Docket No. 10-90 (filed June 17, 2013); Comments of NTCA—The Rural Broadband Association, the National Exchange Carrier Association, Inc., the Western Telecommunications Alliance, and the Eastern Rural Telecom Association, WC Docket No. 10-90 (filed June 17, 2013); *see also Wireline Competition Bureau Seeks Comment on Options to Promote Rural Broadband in Rate-of-Return Areas*, WC Docket No. 10-90, Public Notice, 28 FCC Rcd 7201 (Wireline Comp. Bur. 2013). The selection of the funding threshold and the extremely high-cost threshold for the offer of model-based support to price cap carriers does not bind the Commission on any decision regarding the use of the model in other contexts.