PUBLIC NOTICE

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WIRELINE COMPETITION BUREAU ANNOUNCES POSTING OF INFORMATION REGARDING REVISED DEPLOYMENT OBLIGATIONS FOR INCUMBENT RATE-OF-RETURN CARRIERS

WC Docket No. 10-90

The Wireline Competition Bureau (Bureau) announces the posting of information regarding the revised mandatory deployment obligations that will apply to rate-of-return carriers that decline the Alternative Connect America Cost Model's (A-CAM II) offer of model-based support and instead will remain on legacy universal service support mechanisms. Carriers may select one of two methods for determining their deployment obligation that must be fulfilled over a five-year period (2019-2024). The deployment obligations under each method for each study area are set forth on the spreadsheet available at: https://docs.fcc.gov/public/attachments/DOC-357277A1.xlsx. The Universal Service Administrative Company (USAC) will publish instructions regarding how each carrier is to make its selection between the two methods.

In the *December 2018 Rate-of-Return Reform Order*, the Commission adopted revised deployment obligations that are a condition of the receipt of high-cost funding for those carriers continuing to receive support based on embedded costs.[1] These revised obligations, which replace the obligations previously adopted, are calculated based on the same methodology adopted in the *2016 Rate-of-Return Reform Order*[2] but have been updated to reflect the increased budget for support as well as a deployment speed of 25 Mbps downstream/3 Mbps upstream (25/3 Mbps) broadband service. As required by the Commission, the National Exchange Carrier Association (NECA) developed a five-year forecast of the total Connect America Fund-Broadband Loop Support (CAF-BLS) for each rate-of-return carrier.[3] That forecast is multiplied by an appropriate percentage based on that carrier's reported deployment of 25/3 Mbps broadband service within its study area.[4]

[1] *Connect America Fund et al.,* WC Docket No. 10-90 et al., Report and Order, Further Notice of Proposed Rulemaking, and order on Reconsideration, FCC 18-176, 32-35, paras. 101-112 (Dec. 13, 2018) (*December 2018 Rate-of-Return Reform Order*). We will count towards the new five-year obligation any locations CAF-BLS carriers deployed to with at least 25/3 Mbps since May 25, 2016, regardless of whether the carriers had defined deployment obligations in the original term. CAF-BLS carriers that have not had High-Cost Universal Broadband (HUBB) portal reporting obligations will be provided an opportunity to certify as needed 25/3 Mbps or higher locations deployed to since May 25, 2016. *See id.* at 34, para. 110.

[2] *Connect America Fund et al.,* WC Docket No. 10-90 et al., Report and Order, Order and Order on Reconsideration and Further Notice of Proposed Rulemaking, 31 FCC Rcd 3087, 3145, para. 156 (2016) (*2016 Rate-of-Return Reform Order*).

[3] *December 2018 Rate-of-Return Reform Order* at 33, para 105. NECA's forecasts are available at https://www.neca.org/RoR_USF_Reform_Resources.aspx.

Each carrier can choose to have its deployment obligations determined by one of two methods: the applicable CAF-BLS amount divided by (1) the average cost of providing 25/3 Mbps service, based on the weighted average cost per loop of carriers that have deployed 25/3 Mbps service to 95 percent or more of the locations in their study area, or 150 percent of the weighted average cost per loop of companies with similar density and level of deployment, whichever is greater, or (2) the A-CAM II calculation of the cost per location of providing 25/3 Mbps service in the unserved census blocks in the carrier's study area.[5]

To calculate the cost metric to be used to determine deployment obligations under the first method, the Bureau divided rate-of-return study areas into the following density groups based on 2010 U.S. Census data for housing unit density per square mile: 0-4; 4-11; 11-24; and, 24 and above. Those groups were then further subdivided into common deployment groups: 0 percent deployment; greater than 0 but less than 60 percent; at least 60 percent but less than 95 percent; and greater than 95 percent deployment. As required by the *December 2018 Rate-of-Return Reform Order*, study areas that are capped by the operating expense limitation or by the $250 per-month, per line limitation were not included.[6] In addition, average schedule study areas were excluded because they do not calculate "actual costs."

The number of study areas in each group is as follows:

Land Density in Square Miles	No Broadband Coverage	0% < Broadband Coverage < 60%	60% ≤ Broadband Coverage < 95%	95% ≤ Broadband Coverage
0 to ≤ 4	41	57	66	38
4 to ≤ 11	36	60	55	45
11 to ≤ 24	27	67	43	41
24 +	23	47	71	33

The chart below shows the weighted average unseparated cost per loop in dollars for each group, based on carrier reported data[7]:

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[4] The percentage deployment for each carrier at 25/3 Mbps as calculated by the Commission based on FCC Form 477 data is available at https://docs.fcc.gov/public/attachments/DOC-357277A2.xlsx.

[5] *2016 Rate-of-Return Reform Order,* 31 FCC Rcd at 3149, para. 166.

[6] Although the Commission recently lowered the $250 per-month, per line limitation, we use the $250 limitation here because this was the limitation in effect at the time relevant to the 2017 cost data used in these calculations. *See December 2018 Rate-of-Return Reform Order* at 38-41, paras. 125-135.

[7] The weighted average unseparated cost per loop data is derived from NECA's 2017 Study Results.

Land Density in Square Miles	No Broadband Coverage	0% < Broadband Coverage < 60%	60% ≤ Broadband Coverage < 95%	95% ≤ Broadband Coverage
0 to ≤ 4	$1,554	$1,840	$1,650	$1,601
4 to ≤ 11	$1,264	$1,091	$1,187	$1,459
11 to ≤ 24	$1,015	$929	$921	$1,285
24 +	$790	$823	$819	$764

The chart below shows 150 percent of the weighted average unseparated cost per loop in dollars for each group subject to the mandatory buildout obligation:

Land Density in Square Miles	No Broadband Coverage	0% < Broadband Coverage < 60%	60% ≤ Broadband Coverage < 95%	95% ≤ Broadband Coverage
0 to ≤ 4	$2,331	$2,760	$2,475	$2,402
4 to ≤ 11	$1,896	$1,637	$1,780	$2,189
11 to ≤ 24	$1,522	$1,393	$1,381	$1,927
24 +	$1,185	$1,235	$1,228	$1,146

Based on this analysis, the cost metric to be used in determining the deployment obligation for each density/deployment grouping is as follows:

Land Density in Square Miles	No Broadband Coverage	0% < Broadband Coverage < 60%	60% ≤ Broadband Coverage < 95%	95% ≤ Broadband Coverage
0 to ≤ 4	$2,331	$2,760	$2,475	$2,402
4 to ≤ 11	$1,896	$1,637	$1,780	$2,189
11 to ≤ 24	$1,522	$1,393	$1,381	$1,927
24 +	$1,185	$1,235	$1,228	$1,146

The spreadsheet being posted today provides the deployment obligations for each study area for both methods as outlined in the *December 2018 Rate-of-Return Reform Order*. In addition, the spreadsheet includes further information used for the calculations for each study area.

For additional information about this Public Notice, please contact Suzanne Yelen, Wireline Competition Bureau, Telecommunications Access Policy Division, at (202) 418-0626 or Suzanne.Yelen@fcc.gov.

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