



August 10, 2015

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

Re: ***Connect America Fund, WC Docket No. 10-90***

Dear Ms. Dortch,

On July 29, 2015, the Wireline Competition Bureau (the “Bureau”) released a Public Notice describing its ongoing work in connection with modifications to the Alternative Connect America Cost Model (“A-CAM”) that may at some point in the future be available for use on a voluntary basis by rural rate-of-return-regulated local exchange carriers (“RLECs”) to obtain high-cost universal service support.<sup>1</sup> The Public Notice highlighted in particular ongoing efforts to: (1) complete the incorporation of updated results from the Bureau’s earlier study area boundary collection;<sup>2</sup> (2) update the existing competitive coverage in the A-CAM to reflect the most recent submission of FCC Form 477 data from voice and fixed broadband providers;<sup>3</sup> (3) adjust middle mile cost inputs to reflect connections to publicly available Internet access points; and (4) implement a code change that would enable RLECs to identify study area-specific plant mix input values.

NTCA—The Rural Broadband Association (“NTCA”), the National Exchange Carrier Association, Inc. (“NECA”), and WTA—Advocates for Rural Broadband (“WTA”) (collectively, the “Rural Associations”) appreciate the visibility provided by this Public Notice into the ongoing work by the Bureau on these specific points, and we welcome such efforts to make the A-CAM more reflective of the actual challenges of efficiently and effectively deploying and operating a network capable of supporting quality voice and broadband services in unique high-cost rural areas. The sort of work described in the Public Notice is a necessary prerequisite to making the model available for voluntary use by RLECs and for ensuring that federal universal service fund (“USF”) resources will be used in a responsible and effective manner when distributed via model.

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<sup>1</sup> *Wireline Competition Bureau Announces Upcoming Modifications to the Alternative Connect America Cost Model*, Public Notice, DA 15-869 (rel. July 29, 2015).

<sup>2</sup> *See id.* nn. 1-3.

<sup>3</sup> *Id.* n. 4.

The Rural Associations have expressed repeatedly their support for making a model-based path available to RLECs on a voluntary basis.<sup>4</sup> The ongoing efforts described in the Public Notice represent important and useful steps in bringing that path to fruition, consistent with issues raised previously by the Rural Associations.<sup>5</sup> At the same time, the work described in the Public Notice should not be seen as the sole and exclusive “punch-list” of “things to do” in order to modify the price cap-based model so that it reasonably and accurately estimates costs for the much smaller and different RLECs. Rather, there are other issues related to the model that should be examined and resolved as well. Many of these other issues for consideration have been flagged in prior comments filed by the Rural Associations,<sup>6</sup> summarized further in recent letters from the Rural Associations,<sup>7</sup> and captured by recent letters from technical experts who have engaged in detailed analyses of model results.<sup>8</sup>

The Rural Associations remain committed to working with the Commission and other entities, such as CostQuest, to improve the model’s accuracy. Although some may assert that “getting the costs right” is of secondary importance in the context of a purely voluntary model where study area-specific levels of distributions are controlled in significant part by certain “dials” (such as a benchmark of assumed customer cost recovery and an alternate technology cut-off or other cap), there are at least two reasons why “getting the costs right” should be seen as important from a public policy perspective.

First, it is not clear that the “distribution dials” in the model render the accuracy of costs in the model for individual study areas immaterial or of little import. To the contrary, as CenturyLink argued in seeking flexibility in using model-based distributions to choose where to deploy broadband, the lack of granularity in model estimation would appear to have a direct and material impact on the ability to deploy in localized areas:

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<sup>4</sup> See, e.g., Comments of NTCA, NECA, WTA, and ERTA, WC Docket No. 10-90, at 11-27 (filed June 17, 2013); Letter from Michael R. Romano, NTCA, *et al.*, to Marlene H. Dortch, Commission, WC Docket No. 10-90, at 1 (filed June 24, 2015) (*June 24<sup>th</sup> Letter*); Letter from Gerard J. Duffy, WTA, *et al.*, to Marlene H. Dortch, Commission, WC Docket No. 10-90, at 1 (filed July 15, 2015) (*July 15<sup>th</sup> Letter*).

<sup>5</sup> See, e.g., *id.*; Comments of the NTCA, WTA, ERTA, NECA, *et al.*, WC Docket No. 10-90, at 16-17 (filed Aug. 8, 2014); Letter from Michael R. Romano, to Marlene H. Dortch, FCC, WC Docket No. 10-90 (filed Mar. 5, 2014).

<sup>6</sup> *Id.*

<sup>7</sup> *June 24<sup>th</sup> Letter* at 3; *July 15<sup>th</sup> Letter* at 1.

<sup>8</sup> Letter from Larry Thompson, Vantage Point, to Marlene H. Dortch, FCC, WC Docket No. 10-90 (filed July 13, 2015) (reporting the result of in-depth case studies showing wide variations in costs – both upward and downward – between actual fiber-to-the-home construction projects and model results); Letter from Vincent H. Wiemer, Alexicon, to Marlene H. Dortch, WC Docket No. 10-90 (filed June 18, 2015).

The CAF II process also must provide funding recipients with enough certainty to support long-term planning, and enough flexibility to meet their obligations in a sensible and cost-efficient way. The Connect America Cost Model (“CAM”) is a useful tool for determining, in the aggregate, where supported networks should be built so as to maximize deployment within a reasonable budget. **But no model is perfect, and least of all at a disaggregated detail level— even if the CAM is very accurate overall, it is certain to be inaccurate frequently at the level of an individual household location, or even census block.** In turn, an effective statewide offer of CAF II support, or the conditions that attach to a winning competitive bid, must be flexible enough to accommodate these imperfections.<sup>9</sup>

If the accuracy of model costs were rendered moot or immaterial because of the overriding effect of distributional “dials” in the model, CenturyLink presumably would not have needed the flexibility sought in the comments quoted above – flexibility that the Commission *actually provided* to CenturyLink and other price cap-regulated carriers in December of last year, due in large part to a recognition that “facts on the ground” (as the Commission called them) may not match model estimates.<sup>10</sup> For small companies that cannot “average out” errors or realize the benefits of such Commission-awarded “flexibility” across statewide service areas and national footprints like a CenturyLink or other price cap-regulated carriers can, even if no model will ever be “perfect,” such concerns must be addressed through careful review of the cost aspects of the model and correction of found flaws to make the model option more accurate and workable for smaller carriers.

Second, “getting the costs (more) right” in the model is of public policy significance because federal universal service resources are at stake. If it were found later that the costs and/or assumptions of a mechanism upon which the Commission is relying to distribute universal service dollars to RLECs do not correspond with reasonable accuracy to the “facts on the ground” in RLEC service areas – and if it were found in particular that individual companies either availed themselves of the model when they should not have or were unable to avail themselves of model-based support when they could have had facts been reflected more accurately – this could undermine confidence in the USF program. It could also result, ironically, in the Commission not

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<sup>9</sup> Comments of CenturyLink, WC Docket No. 10-90, at 5 (filed Aug. 8, 2014) (emphasis added).

<sup>10</sup> *Connect America Fund, et al.*, WC Docket No. 10-90, *et al.*, Report and Order, 29 FCC Rcd. 15644 (2014) ¶ 38.

achieving its stated goal for equitable distribution of limited USF resources.<sup>11</sup> The Commission should therefore engage actively to address not only those issues flagged in the Public Notice – which are indeed worthy of consideration – but should also indicate how it will address these other model-related issues.

To be clear, the Rural Associations welcome the work announced in the Public Notice as important steps. But, as noted above, other issues such as those raised in prior letters should be examined too in improving the model’s accuracy for RLECs. The same careful, even cautious, level of consideration being given to the structuring of updates to existing USF mechanisms should be applied in the context of improving the accuracy of the subject optional model-based support mechanism. To this end, the Rural Associations respectfully renew their request as made in several recent letters that the Commission promptly take action to authorize its staff and outside contractors, including CostQuest, to work more directly with Rural Association representatives and other interested stakeholders to explore ways to improve, test, and validate the model’s accuracy as soon as practical based upon examination of the issues described above and any others identified in such a careful and comprehensive process.

Sincerely,

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<sup>11</sup> *Connect America Fund, et al.*, WC Docket No. 10-90, *et al.*, Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, 29 FCC Rcd. 7051 (2014) ¶ 269.