



## TABLE OF CONTENTS

	<b>Page#</b>
I. INTRODUCTION & SUMMARY .....	1
II. THE RECORD IN THIS PROCEEDING STRONGLY SUPPORTS ADOPTION OF THE RURAL ASSOCIATIONS' PROPOSED DATA-ONLY BROADBAND SUPPORT MECHANISM .....	3
III. COMMENTERS AGREE THAT A <i>VOLUNTARY</i> ELECTION OF MODEL-BASED SUPPORT COULD BE USEFUL FOR RLECS, BUT SPECIFIC INPUTS AND ASSUMPTIONS, TOGETHER WITH EMBEDDED POLICY CHOICES, MAKE IT INAPPROPRIATE FOR MOST SMALL CARRIERS SERVING PREDOMINANTLY HIGH-COST RURAL AREAS .....	10
IV. CONCLUSION.....	12

Attachment 1: Effect on Rural Consumers of Providing or Not Providing Standalone Broadband Support

Attachment 2: National Broadband Map, Dated 6/30/12, Depicting Cable Broadband Coverage Across the United States

Before the  
Federal Communications Commission  
Washington, D.C. 20554

In the Matter of )  
 )  
Connect America Fund ) WC Docket No. 10-90

REPLY COMMENTS OF  
NTCA–THE RURAL BROADBAND ASSOCIATION,  
THE NATIONAL EXCHANGE CARRIER ASSOCIATION, Inc.,  
THE EASTERN RURAL TELECOM ASSOCIATION, and  
THE WESTERN TELECOMMUNICATIONS ALLIANCE

I. INTRODUCTION & SUMMARY

NTCA–The Rural Broadband Association (“NTCA”), the National Exchange Carrier Association, Inc. (“NECA”), the Eastern Rural Telecom Association (“ERTA”), and the Western Telecommunications Alliance (“WTA”) (collectively, the “Rural Associations”)<sup>1</sup> hereby reply to comments filed on the Public Notice<sup>2</sup> seeking input on two options to promote the deployment of broadband in areas served by rate-of-return regulated local exchange carriers (“RLECs”). The record in this proceeding demonstrates nearly unanimous support for permitting RLECs to receive support for standalone (*i.e.*, data-only) broadband lines – that is, when consumers in high-cost areas choose to take only broadband Internet access services even though voice

---

<sup>1</sup> NTCA represents nearly 900 rural rate-of-return regulated telecommunications providers. All of NTCA’s members are full service local exchange carriers and broadband providers, and many provide wireless, video, satellite, and/or long distance services as well. NECA is responsible for preparation of interstate access tariffs and administration of related revenue pools, and collection of certain high-cost loop data. *See generally*, 47 C.F.R. §§ 69.600 *et seq.*; *MTS and WATS Market Structure*, CC Docket No.78-72, Phase I, Third Report and Order, 93 FCC 2d 241 (1983). ERTA is a trade association representing rural community-based telecommunications service companies operating in states east of the Mississippi River. WTA is a trade association that represents over 250 small rural telecommunications companies operating in the 24 states west of the Mississippi River.

<sup>2</sup> *Wireline Competition Bureau Seeks Comment on Options to Promote Rural Broadband in Rate-of-Return Areas*, Public Notice, DA 13-1112 (rel. May 16, 2013) (“Public Notice”).

telephony services are offered to them. Like the Rural Associations, commenters recognize that current rules, which result in increased end-user rates for standalone broadband services offered by RLECs, impede consumer choice, constitute a disincentive for customers to adopt broadband services, and create a barrier to the ongoing evolution of Internet Protocol (“IP”) services. This *status quo* also presents the potential for “a rural-rural divide,” in which consumers in some rural areas (*i.e.*, those served by larger price cap-regulated companies) can receive affordable broadband as a result of federal Universal Service Fund (“USF”) support, while consumers living in the 40% of the U.S. landmass served by smaller RLECs are compelled to purchase plain old telephone service (“POTS”) to obtain affordable broadband as well, due solely to the operation of the current USF rules. The Commission should therefore immediately move forward to adopt the proposed Data-Only Broadband (“DOBB”) loop support mechanism outlined by the Rural Associations, specifically by adopting the rule amendments provided in Attachment 1 to the Rural Associations’ initial comments, with a target implementation date of January 1, 2014.<sup>3</sup>

Moreover, like the Rural Associations, commenters agree that a voluntary path for smaller carriers to receive USF support via the Connect America Cost Model (“CACM”) could be useful in promoting rural broadband investment. Commenters also agree that the election of model-based support should remain *voluntary* and that RLECs should not be required to convert to price cap regulation. At the same time, the record makes clear that many of the assumptions and inputs within the CACM do not reflect the unique challenges faced by smaller operators in serving consumers in high-cost areas. If the Commission is interested in giving RLECs

---

<sup>3</sup> Comments of NTCA, NECA, WTA, and ERTA, WC Docket No. 10-90 (filed Jun. 17, 2013) (“Rural Associations”), pp. 3-11. Attachment 1 to the Rural Associations’ initial comments consisted of proposed data-only broadband service support rule language.

incentives to migrate to CACM-based USF support to promote rural broadband investment, the record confirms that changes consistent with those suggested by the Rural Associations in their initial comments will be essential in establishing a viable path for RLECs to participate in such model-based support mechanisms.

## **II. THE RECORD IN THIS PROCEEDING STRONGLY SUPPORTS ADOPTION OF THE RURAL ASSOCIATIONS' PROPOSED DATA-ONLY BROADBAND SUPPORT MECHANISM.**

The record in this proceeding demonstrates that the DOBB loop support mechanism proposed by the Rural Associations is consistent with the Commission's desire to promote broadband adoption, empower consumer choice, and facilitate the evolution of IP services. The Commission should therefore take all necessary and appropriate steps to adopt and implement this vital support mechanism as soon as possible.

Nearly every party commenting on the Public Notice supports the Rural Associations' proposal to permit RLECs to receive support for standalone (*i.e.*, data-only) broadband lines.<sup>4</sup> As commenters note, under current rules, consumer rates for broadband in RLEC study areas will increase simply if a consumer decides to purchase only broadband Internet access without also purchasing regulated POTS on that line.<sup>5</sup> This "strong disincentive for rural consumers to

---

<sup>4</sup> Comments of TDS Telecommunications, Inc. (TDS), WC Docket No. 10-90 (filed June 17, 2013), p. 2; Comments of the Nebraska Rural Independent Companies (NRIC), WC Docket No. 10-90, (filed June 17, 2013), p. 28; Comments of Alexicon Telecommunications Consulting (Alexicon), WC Docket No. 10-90 (filed June 17, 2013), pp. 2-3; Comments of Alaska Rural Coalition (ARC), WC Docket No. 10-90 (filed June 17, 2013), pp. 3-6; Comments of Icore Companies (ICORE), WC Docket No. 10-90 (filed June 17, 2013), pp. 4-5; Comments of GVNW Consulting, Inc. (GVNW), WC Docket No. 10-90 (filed June 17, 2013), pp. 5-6; Comments of the Independent Telephone & Telecommunications Alliance (ITTA), WC Docket No. 10-90 (filed June 17, 2013), pp. 2-5; Comments of TCA, WC Docket No. 10-90 (filed June 17, 2013), pp. 2-4; Comments of the United States Telecom Association (USTelecom) WC Docket No. 10-90 (filed June 17, 2013), pp. 3-5.

<sup>5</sup> ITTA, p. 3; ICORE, p. 5.

adopt stand alone broadband due to the current USF support rules”<sup>6</sup> not only inhibits consumer choice<sup>7</sup> and stands in stark contrast to the flexibility built into the Connect America Fund (“CAF”) for consumers of larger carriers, it ultimately acts as a barrier to the ongoing evolution of IP services. Current rules thus frustrate the objectives of universal service in a broadband-capable, IP-enabled world – that is, fulfilling the ultimate goal of ensuring that consumers can obtain access to reasonably comparable services of all kinds at reasonably comparable rates.<sup>8</sup> The Commission should, instead, “design its high-cost support policies to maximize deployment of the infrastructure necessary to support high-speed broadband regardless of customers’ choice of voice interface.”<sup>9</sup>

To facilitate this much needed modernization of the Commission’s rules, the adoption of a DOBB mechanism should be, as ITTA correctly states, “simple.”<sup>10</sup> The Rural Associations’ proposal, which was spelled out in substantial detail in their initial comments (including straightforward proposals for technical changes to a handful of existing rules), clearly “fits the bill.” Under the proposal, DOBB service loop cost funding would be calculated as the difference between the loop-related cost to provide the service and a Broadband Subscriber Line Charge (“BBSLC”). The BBSLC, together with a tariffed wholesale transmission rate (equal to that available today for “joint use” loops), would form a benchmark to help ensure consumers in rural

---

<sup>6</sup> TCA, p. 2.

<sup>7</sup> USTelecom, p. 4; TCA, p. 3.

<sup>8</sup> ICORE, p. 5 (stating that “There can never be rate or service comparability between urban and rural customers under these circumstances.”).

<sup>9</sup> ARC, p. 4.

<sup>10</sup> ITTA, p. 4.

areas pay an amount for standalone broadband Internet access service that is reasonably comparable to amounts paid for similar services by subscribers in non-rural areas. DOBB service loop cost would be developed based on projected costs, with a true-up to actual costs, using existing cost definitions specified in section 36.621 of the Commission's rules applied to total study area loops. No modifications would be needed to the Commission's Part 36 separations rules, and only limited changes would be needed to the Commission's Part 54 rules to define and govern support payments for DOBB service. Changes would also be needed to existing Part 69 rules, primarily to modify assignment of interstate DOBB transmission service loop costs from the Special Access element to the Common Line element for use in the calculation of DOBB support, and to govern development and assessment of the BBSLC.

Attachment 1 hereto shows that in the absence of reform such as that proposed by the Rural Associations – the typical consumer in RLEC areas can expect to pay (on average, with “rate banding” depending upon density and distance) *more than \$84.00 per month* for 6 Mbps downstream/1 Mbps upstream standalone broadband Internet access service.<sup>11</sup> By contrast, if a consumer subscribes to both a voice service and a broadband service, the loop does not lose USF support and the rates paid by that customer for 6/1 service can be about \$30 per month less, remaining far more affordable, as demonstrated in Attachment 1.<sup>12</sup> Put another way, this is not

---

<sup>11</sup> The \$84 figure does not include any rate elements that would need to be added to the prices paid by the consumer to recover non-regulated, non-network costs – such as sales and marketing or help desk functions – involved in providing finished broadband Internet access services to consumers.

<sup>12</sup> While far more affordable, it is worth noting that the retail rates paid by a consumer under this plan for 6/1 standalone broadband Internet access service would likely still approach or exceed \$50 as shown in Attachment 1. This would indicate that even a \$26.00 BBSLC could be too high in some cases and will likely require periodic re-examination to ensure it is not causing RLEC service rates to be “unreasonably incomparable” to what consumers in urban or other rural areas pay for standalone broadband. This highlights once again the need, as a separate matter and as recognized in the National

about providing “new support” for consumers; rather, the Rural Associations’ DOBB proposal is aimed at making sure RLEC consumers can participate meaningfully in the IP evolution and not lose their ability to access affordable services simply because they might happen to make the same choice that consumers in urban areas, and even consumers in other rural areas, are now free to make to “cut the cord” on POTS or use over-the-top voice over Internet Protocol (“VoIP”) services.

Only one party, the National Cable & Telecommunications Association (“Cable”), expressed concern about the creation of a DOBB mechanism for RLECs. Cable does not, however, attempt to address either the merits or even the consumer-oriented conceptual underpinnings of the current proposal. Instead, Cable contends that the Commission should effectively revisit its entire 2011 reform order as applied to RLECs, ignore decades of precedent with respect to the appropriate means of regulating smaller rural companies, and in flash-cut fashion both eliminate rate-of-return regulation and implement a host of other changes to USF support.<sup>13</sup>

Cable’s arguments unfortunately demonstrate a continued misunderstanding of both the Rural Associations’ proposal as well as the nature of serving consumers throughout high-cost RLEC service areas.<sup>14</sup> Cable’s position would also ultimately deny millions of rural consumers

---

Broadband Plan, for support too of costly middle mile facilities necessary to deliver quality broadband services in rural areas.

<sup>13</sup> Cable, WC Docket No. 10-90 (filed June 17, 2013), pp. 2-7.

<sup>14</sup> *Id.*, p. 3. For example, Cable contends that supporting standalone broadband would increase the Interstate Common Line Support (“ICLS”) support that flows to RLECs. However, as explained in a prior *ex parte* filing, and in even more detail in the initial comments, the Rural Associations’ proposal would ultimately lead to a phasing-out of both ICLS and High Cost Loop Support (“HCLS”) as more consumers elect to use broadband-only services and take their voice service from any variety of sources,



the same fundamental choices and access to affordable broadband in an IP-enabled world that the CAF is intended to enable in other rural areas. As the Commission knows, current Part 69 rules require that the costs of a data-only broadband line be assigned to special access services. As demonstrated by footnote 11 in the Public Notice, this results in the elimination of USF support on a loop that would otherwise be supported, and translates to tariffed wholesale rates for the underlying broadband transmission services of \$19.61 for a voice/data 3/15 Mbps line but \$72.51 for the equivalent line when bought without voice service.<sup>15</sup> It is also important to note that these are *just* the tariffed wholesale rates for the underlying broadband transmission service – once one adds in other costs of providing a finished retail broadband Internet access service to consumers, in the absence of USF support, the retail rates for such service far exceed any reasonable notion of “reasonable comparability” with what is available in more densely populated areas.

Moreover, Cable demonstrates a fundamental misunderstanding of how the CAF itself will operate even in price cap areas, claiming that the Rural Associations’ proposal for RLEC standalone broadband support would be “at odds with the Commission’s decision to continue treating voice as the supported service for purposes of the universal service high-cost

---

which may include the RLEC, a wireless provider, or any over-the-top VoIP provider. *See, Ex Parte* Letter from Michael R. Romano, Senior Vice President – Policy, NTCA–The Rural Broadband Association, to Marlene H. Dortch, Secretary, Federal Communications Commission, WC Docket No. 10-90, *et al.* (filed Jan. 28, 2013), fn 3. Comments of the Rural Associations, pp. 8-10.

<sup>15</sup> Public Notice, fn. 11. The Bureau displayed NECA tariff rates based on 3/15 Mbps transmission service that were in effect in January 2013. The rates displayed in Attachment I are for the more widely purchased 1/6 Mbps transmission service that went into effect with NECA’s July 2013 tariff (\$15.05 for voice/data and \$77.63 for a data-only line).

program.”<sup>16</sup> Here again, Cable appears not to have captured the full extent of the record already in place on these matters. As the Rural Associations have noted time and again over the past many months,<sup>17</sup> the Commission could not have been more clear in its 2011 Order that what is supported is not the *sale of POTS*, but rather the *offer of voice telephony service*.<sup>18</sup> The Rural Associations’ proposal – just like the price cap carriers’ CAF mechanism – would only provide support for underlying networks only where the carrier in question first makes voice telephony service available for use by the consumer at reasonably comparable rates. The proposal would simply not *deny* support where the consumer makes the choice to procure only broadband rather than also purchasing voice telephony service.

Finally, Cable misses the mark too in pressing its increasingly-ever-more-aggressive notions of “unsubsidized competition” into the debate over whether consumer access to affordable broadband in areas served by RLECs should be linked to consumer purchase of POTS service. As an initial matter, the Rural Associations remain perplexed as to why Cable pursues this issue with such vigor in Washington, D.C. when its members have such little actual physical

---

<sup>16</sup> Cable, p. 3.

<sup>17</sup> *Ex Parte* Letter from Michael R. Romano, Senior Vice President – Policy, NTCA–The Rural Broadband Association, to Marlene H. Dortch, Secretary, Federal Communications Commission, WC Docket No. 10-90, *et al.* (filed Apr. 1, 2013), pp. 2-3; *See, Ex Parte* Letter from Michael R. Romano, Senior Vice President – Policy, NTCA–The Rural Broadband Association, to Marlene H. Dortch, Secretary, Federal Communications Commission, WC Docket No. 10-90, *et al.* (filed Apr. 1, 2013), pp. 2-3.

<sup>18</sup> *Connect America Fund*, WC Docket No. 10-90, *A National Broadband Plan for Our Future*, GN Docket No. 09-51, *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135, *High-Cost Universal Service Support*, WC Docket No. 05-337, *Developing an Unified Intercarrier Compensation Regime*, CC Docket No. 01-92, *Federal-State Joint Board on Universal Service*, CC Docket No. 96- 45, *Lifeline and Link-Up*, WC Docket No. 03-109, *Universal Service – Mobility Fund*, WT Docket No. 10-208, Report and Order and FNPRM, 26 FCC Rcd. 17663, 17685 and 17692-93 (2011) (“USF/ICC Transformation Order”), ¶¶ 64, 77-81.

presence in the deeply rural areas served by most RLECs. For example, while the Rural Associations continue to have significant concerns about the utility of the National Broadband Map,<sup>19</sup> the maps attached as Attachment 2 to these reply comments at least highlight the specious nature of Cable’s claim that “providing support in areas that other providers are willing to serve without a subsidy is wasteful and inefficient.”<sup>20</sup> To the contrary, these maps indicate that cable providers of all kinds (including many small providers that are perhaps *not* Cable members) have very little presence in rural areas, and virtually never extend their offerings outside of the towns and small cities that dot the much broader rural landscape. Moreover, if anything, adoption of Cable’s increasingly-ever-more-aggressive view of “unsubsidized competition” would *increase* RLEC reliance on USF and *increase* the size of the USF, as the benefits of averaging costs across study areas would be lost and potential reductions in USF support in small towns would almost certainly be far outweighed by the increased cost of disaggregating and targeting support to outlying rural areas where cable companies tend not to tread and only RLECs operate as carriers of last resort.<sup>21</sup> The Commission’s process for adopting and applying an “unsubsidized competition” concept to RLEC support is spelled out in the 2011 Order and Further Notice of Proposed Rulemaking, and resolution of those issues should not bog down or distract from the

---

<sup>19</sup> E.g., Comments of NECA, NTCA, ERTA, and WTA, WC Docket No. 10-90 (filed Mar. 28, 2013), pp. 4-8; Comments of NTCA, NECA, and WTA, WC Docket No. 10-90 (filed Feb. 19, 2013), pp. 2-8.

<sup>20</sup> Cable, p. 5.

<sup>21</sup> It is also worth noting that, with the “banding” of transmission services in tariffs, the costs of providing such services are to a significant degree already disaggregated. See, Attachment 1 at n. 1 and n.2.

distinct debate over whether consumer access to affordable broadband in areas served by RLECs should be linked to consumer purchase of POTS service.

**III. COMMENTERS AGREE THAT A *VOLUNTARY* ELECTION OF MODEL-BASED SUPPORT COULD BE USEFUL FOR RLECS, BUT SPECIFIC INPUTS AND ASSUMPTIONS, TOGETHER WITH EMBEDDED POLICY CHOICES, MAKE IT INAPPROPRIATE FOR MOST SMALL CARRIERS SERVING PREDOMINANTLY HIGH-COST RURAL AREAS.**

Like the Rural Associations, most commenters agree that a voluntary model-based path for USF support for RLECs (whether through full price cap conversion or simple election for model-based support) could prove useful in promoting rural broadband deployment. At the same time, these commenters join the Rural Associations in noting that the current version of the CACM – and specifically a number of the cost inputs and other assumptions upon which the model is built, along with embedded policy choices within the distribution model – make such a path inappropriate for most, if not all, RLECs in current form.

Like the Rural Associations, commenters agree that the much more limited scale and scope of rate-of-return regulated carriers (as compared with price cap carriers) makes precision in the use of model-based high-cost support essential for the smaller rate-of-return carriers.<sup>22</sup> Most importantly, “RLECs generally lack the same economies of scale that would allow them to tolerate the same margin of error in a model that may be acceptable to a price cap LEC that serves metropolitan as well as rural areas.”<sup>23</sup> Thus, while most price cap carriers can “average out” the effects of errors contained in a model, including the CACM, these issues make the

---

<sup>22</sup> NRIC, p. 3; TCA, p.5.

<sup>23</sup> TCA, p. 5. *See also*, TDS, p. 5 (stating that “just as a yardstick is a poor tool for measuring machine parts that vary by millimeters, a CAF Phase II model designed for price-cap carriers may lack the fine-grained resolution needed to account reliably for important variations among rate-of-return carriers.”).

CACM a poor fit for most, if not all, RLECs.<sup>24</sup> In addition, a number of CACM assumptions and “dials” that have been largely designed to fit support within a predetermined budget further exacerbate these problems.<sup>25</sup> Each of these issues will need to be reviewed and addressed in more detail to develop a viable path for voluntary model-based support for RLECs.

Moreover, commenters agree with the Rural Associations that those RLECs making the election to receive model-based support should not be required to convert to price-cap regulation or participate directly in the CAF Phase II program. As one party notes, “[i]f the Commission truly believes that model-based support provides superior incentives to traditional rate-of-return costing, it should be facilitating election of such support, not creating roadblocks to it by requiring election of price cap regulation.”<sup>26</sup>

In addition, commenters echo the Rural Associations by identifying ways in which the Commission could develop a more viable path toward voluntary election of model-based support. For example, commenters agree that the Commission should increase the current five-year limitation on the distribution of high-cost support for smaller companies.<sup>27</sup> As the Rural Associations noted, the provision of broadband-capable facilities requires investment in infrastructure with useful lives far beyond five years. Thus, while the CAF Phase II program may provide “a steady universal service revenue stream for a defined period of years,” RLECs must necessarily plan for time frames longer than five years, particularly in light of the fact that

---

<sup>24</sup> GVNW, p. 3.

<sup>25</sup> *Id.*, p. 7; NRIC, p. 8.

<sup>26</sup> USTelecom, p. 5.

<sup>27</sup> *Id.*, p. 8; NRIC, pp. 22-23.

many finance their infrastructure investments with Rural Utilities Service loans (or loans from other institutions) with amortization schedules much longer than five years. Moreover, the Commission should clearly state that any RLEC choosing voluntarily to receive model-based support can continue to receive the intercarrier compensation transition path (including the receipt of CAF ICC) established by the *USF/ICC Order* for RLECs, rather than converting to the “price cap” transition.<sup>28</sup> Finally, many commenters join the Rural Associations in urging the Commission to consider changes to specific inputs and assumptions within the CACM that will better reflect the unique challenges faced by small companies in serving very rural areas. Such adjustments will be essential in developing any viable path for small companies to utilize model-based support.<sup>29</sup>

#### IV. CONCLUSION

Comments filed in response to the Public Notice support immediate Commission action to adopt a DOBB loop support mechanism that will facilitate consumer access to affordable broadband in areas served by RLECs and enable more meaningful participation by affected consumers in the ongoing IP evolution. The Commission should therefore adopt and target implementation of the rule amendments provided with the Rural Associations’ comments for January 1, 2014. In addition, commenters agree that, while a voluntary path to election of model-based USF distribution may be useful in encouraging broadband deployment by some

---

<sup>28</sup> See, ITTA, p. 7.

<sup>29</sup> In their initial comments, the Rural Associations discussed the lack of definition in the CACM and discussed, in depth, a number of errors and assumptions in the model, as well as policy choices embedded in the CAF Phase II program more generally that must be addressed for this approach to ever, potentially, be a viable mechanism for advancing broadband deployment and adoption in Rural America. Rural Associations, pp. 11-28. See also, NRIC, pp. 2-25.

RLECs, adjustments are needed to many of the assumptions, inputs, and embedded policy choices that make up the CACM to enable the model to serve as a viable investment incentive and support mechanism for the much smaller and less diversified RLECs.

Respectfully submitted,

**NTCA–THE RURAL BROADBAND ASSOCIATION**

By: /s/ Michael R. Romano  
Michael R. Romano  
Senior Vice President – Policy  
[mromano@ntca.org](mailto:mromano@ntca.org)

Brian Ford  
Regulatory Counsel  
[bford@ntca.org](mailto:bford@ntca.org)

4121 Wilson Blvd, 10th Floor  
Arlington, VA 22203  
(703) 351-2000

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**

By: /s/ Richard A. Askoff  
Richard A. Askoff  
Teresa Evert  
80 South Jefferson Road  
Whippany, NJ 07981  
(973) 884-8000  
[raskoff@neca.org](mailto:raskoff@neca.org)

July 15, 2013

**EASTERN RURAL TELECOM ASSOCIATION**

By: /s/ Jerry Weikle  
Jerry Weikle  
Regulatory Consultant  
5910 Clyde Rhyne Drive  
Sanford, NC 27330  
(919) 708-7404  
[weikle@erta.org](mailto:weikle@erta.org)

**WESTERN TELECOMMUNICATIONS ALLIANCE**

By: /s/ Derrick Owens  
Derrick Owens  
Vice President of Government Affairs  
317 Massachusetts Avenue N.E., Ste. 300C  
Washington, DC 20002  
(202) 548-0202  
[derrick@w-t-a.org](mailto:derrick@w-t-a.org)

By: /s/ Gerard J. Duffy  
Gerard J. Duffy  
Regulatory Counsel for WTA  
Blooston, Mordkofsky, Dickens, Duffy  
& Prendergast, LLP  
2120 L Street NW (Suite 300)  
Washington, DC 20037  
(202) 659-0830  
[gjd@bloostonlaw.com](mailto:gjd@bloostonlaw.com)

**EFFECT ON RURAL CONSUMERS OF PROVIDING OR NOT PROVIDING  
STANDALONE BROADBAND SUPPORT**

Benchmark Component	Benchmark/Retail Rate/Other Amount Needed for Cost Recovery From Individual Consumer		Relevant Costs Covered
	Provide Support Per Group Proposal	Not Providing Support	
Broadband SLC	\$26.00		<u>Regulated</u> Local Loop Costs (developed on Title II basis pursuant to Parts 32, 36, 64, and 69)
Wholesale Transmission Tariff Rate	\$15.05 <sup>1</sup>		<u>Regulated</u> Costs of Non-Loop Transmission Facilities and Equipment to Enable Broadband Internet Access (developed on Title II basis pursuant to Parts 32, 36, 64, and 69)
Wholesale Transmission Tariff Rate		\$77.63 <sup>2</sup>	<u>Regulated</u> Facilities-Based Network Costs of Loop and Transmission to Enable Broadband Internet Access (developed on Title II basis pursuant to Parts 32, 36, 64, and 69)
Total Cost Recovery from Consumer for Supported/Regulated Network Elements	\$41.05 <sup>3</sup>	\$77.63 <sup>2</sup>	<u>Regulated</u> Facilities-Based Network Costs of Loop and Transmission to Enable Broadband Internet Access
Middle Mile Costs <sup>4</sup>	\$6.50	\$6.50	<u>Unsupported unregulated</u> network costs for transmission from Broadband Access Service Connection Point and connections to Internet backbone
Other ISP Costs	\$X <sup>5</sup>	\$X <sup>5</sup>	<u>Unsupported unregulated</u> non-network costs associated with provision of Broadband Internet Access to consumers (e.g., marketing, help desk)
Total Approximate Consumer Rate for Finished Broadband Internet Access	\$47.55 <b>PLUS</b> (banded)	\$84.13 <b>PLUS</b> (banded)	Finished Broadband Internet Access Service

<sup>1</sup> 2013 Annual Filing – DSL Voice-Data 1/6 Mbps, Rate band 9, Opt B, 3 Year – Rates for rate bands 1-15 range from \$8.98 to \$17.80

<sup>2</sup> 2013 Annual Filing – DSL Data-Only 1/6 Mbps, Rate band 7, Opt B, 3 Year – Rates for rate bands 1-15 range from \$46.57 to \$93.01

<sup>3</sup> Note this is a rate banded total, and that the total benchmark would actually range from \$34.98 to \$43.80 depending on the rate band (*i.e.*, the relative distance and density of the market).

<sup>4</sup> The cost of \$6.50 per broadband line is calculated from a \$26 weighted average cost per Mbps for Ethernet middle mile (from NECA’s 2011 Middle Mile Data collection), multiplying by 4 (for 4 Mbps), and then dividing by 16 (for oversubscription). Although support should be provided for such costs and apparently is included to some degree in the price cap model, such costs are currently unsupported for RLECs.

<sup>5</sup> “X” represents the additional unsupported, unregulated non-network costs that the typical ISP would incur to deliver a finished Broadband Internet Access Product to a consumer. Such costs may include sales and marketing functions, help desk operations, etc. While such costs may vary widely based upon company size, size of addressable customer market, and other factors, a typical business’ sales and marketing budgets, for example, will each often equal approximately 7% to 8% of revenue.



# Type of Technology Available

Data as of: 06/30/12

- ASYMMETRIC XDSL
- SYMMETRIC XDSL
- OTHER COPPER WIRELINE
- CABLE MODEM-DOCSIS 3.0**
- CABLE MODEM-OTHER
- FIBER TO THE END USER
- TERRESTRIAL FIXED WIRELESS-UNLICENSED
- TERRESTRIAL FIXED WIRELESS-LICENSED
- TERRESTRIAL MOBILE WIRELESS

