Advocates for Rural Broadband
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Filed Via ECFS
Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Attention: Wireline Competition Bureau

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

Dear Ms. Dortch:

WTA – Advocates for Rural Broadband ("WTA") hereby responds to the Public Notice (*Wireline Competition Bureau Announces Results of Rate-of-Return Carriers That Accepted Offer of Model Support*), WC Docket No. 10-90, DA 16-1246, released November 2, 2016, by stating its recommendations regarding the ways that the Commission and the Wireline Competition Bureau should address the initial demand for Alternative Connect America Cost Model ("A-CAM") support.

WTA congratulates the Commission and Bureau on the initial success of their A-CAM program. Few inside or outside the RLEC industry expected that 216 rate-of-return companies would voluntarily elect to accept 274 separate A-CAM offers in 43 states. These results give the Commission a unique opportunity to determine whether model-based incentive regulation can be effective in achieving broadband deployment in high-cost portions of Rural America. WTA understands that the Commission and Bureau have long wanted to test alternatives to rate-of-return regulation, and views the present situation as a once-in-a-lifetime chance to conduct this analysis with a large sample of willing participants.

WTA believes that this singular opportunity supports full funding of A-CAM at the $200 per location benchmark and at a budget that would entail an additional allocation of an average of approximately $310 million annually in additional funding. It realizes that this is considerably more than the $150 million annual amount initially allocated from the CAF Reserve, or the potential $50 million additional annual allocation that the Commission indicated it would consider. However, because the circumstances present such a unique and non-repeatable opportunity to bridge a significant portion of the "rural divide" and investigate the effectiveness of an alternative long desired by some Commission personnel, WTA believes that full A-CAM funding is the optimal outcome.

At the same time, the Commission must conduct a fair test of A-CAM versus Rate-of-Return ("RoR") broadband deployment by fully funding the existing and new RoR Path support mechanisms as well. There can be no equitable comparison of the effectiveness of the two regulatory approaches in achieving broadband deployment and adoption: (a) if RoR carriers continue to be capped at the same high-cost support they received in 2011; (b) are required to charge standalone broadband service rates far above reasonably comparable urban rates; and (c) are subject to substantial and unpredictable "budget control" reductions of high-cost support needed to recover and sustain past investments and enable new ones. WTA also points out that many of the RLECs remaining on the RoR Path did not do so voluntarily, but rather were forced to stay put because: (a) the A-CAM rules rendered them ineligible due to their previous compliance with the Commission's broadband policies; or (b) the flaws in the A-CAM modeling saddled them with wholly insufficient support offers and impracticable build-out obligations.

Indeed, sufficiency of support is dictated not only by policy goals to be achieved such as a comparative test of support mechanisms, but also by the very text of federal law itself. Section 254 of the Communications Act of 1934, as amended, establishes the need for specific, predictable, and sufficient universal service support.

If the Commission is, for any reason, unable to fully fund the A-CAM and RoR mechanisms, WTA proposes at least the following alternatives.

With respect to A-CAM, the Commission should reduce its per location funding cap from $200 to $175, and modify the associated fully funded (25/3 and 10/1) and partially funded (4/1 and reasonable request) build-out obligations accordingly. It is estimated that this would require an additional allocation of $125 million to $150 million. WTA is aware that the per location funding cap for the price cap companies was reduced to $146.10 (which, if applied to RLECs, would require estimated additional funding of $95 million). However, this level is far too low for RLECs because their rural service areas are much more isolated, sparsely populated and subject to harsh terrain that makes them significantly more costly to serve than typical price cap service areas, and because of their much smaller sizes and customer bases limit their ability to average the costs of serving their locations.

In addition, WTA supports the acceptance and freezing of the initial A-CAM support offers and associated obligations of Rule 54.311(e) "glide path" companies. This will free up additional funding over the years for the A-CAM mechanism, and avoid potential adverse impacts upon the RoR budget from "glide path" carriers that elect to reject revised A-CAM offers and return to RoR regulation. However, this support is conditioned upon the proviso that "glide path" support, including transition payments, will have no adverse impacts whatsoever that reduce the budgeted support for RoR carriers, and that any rules or procedures to the contrary be revised.

With respect to RoR carriers, the Commission must make additional funding available that will enable RLECs actually to offer supported broadband-only services at reasonably comparable rates, and to avoid support reductions from the "budget control" mechanism that will undermine the capability to invest or adoption of broadband at affordable rates. At the present time, it appears that the RoR mechanisms will be so insufficiently and unpredictably funded that there will be little or no new broadband-only service offered at affordable rates in RoR service areas, and that the possibility of 5-to-10 percent or greater annual "haircuts" will preclude significant new RoR broadband investment and deployment.

Respectfully submitted,

/s/ Gerard J. Duffy

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