Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)
	)
Connect America Fund	) WC Docket No. 10-90
	)
Developing a Unified Intercarrier Compensation Regime	) CC Docket No. 01-92
	)
Petition of Great Plains Communications for Waiver of 47 C.F.R. §51.909(a)(4)(ii)(A) and 47 C.F.R. §51.919(b)	))

COMMENTS
OF
WTA - ADVOCATES FOR RURAL BROADBAND

WTA – Advocates for Rural Broadband ("WTA") hereby submits its comments with respect to the "Petition of Great Plains Communications for Waiver of 47 C.F.R. §51.909(a)(4)(ii)(A) and 47 C.F.R. §51.919(b)" which was filed with the Commission on or about June 21, 2017, and which appeared on Public Notice (*Wireline Competition Bureau Seeks Comment on Petition for Waiver from Great Plains Communications*), WC Docket No. 10-90 and CC Docket No. 01-92, DA 17-640, released June 30, 2017.

WTA is concerned that grant of the proposed Great Plains Communications ("Great Plains") waiver petition, as well as the likely stream of "me-too" waiver petitions by other rural local exchange carriers ("RLECs") seeking similar treatment that is virtually certain to follow, will adversely impact those RLECs who remained -- in many cases were forced to remain -- on the Rate of Return Path by increasing the percentage reductions of their High Cost Loop Support ("HCLS") and Connect America Fund – Broadband Loop Support ("CAF-BLS") imposed by the budget control mechanisms of 47 C.F.R. §§54.901(f) and 54.1310(d). Should the Commission determine to grant the Great Plains and other similar waivers, WTA requests that it exclude from calculations of the Section 54.901(f) and 54.1310(d) budget control mechanism reductions any and all increases in Connect America Fund – Intercarrier Compensation ("CAF-ICC") support resulting from such waivers.

I. WTA – Advocates For Rural Broadband

WTA is a national trade association representing more than 325 rural telecommunications providers that offer voice, broadband and video-related services in Rural America. WTA members are generally small RLECs that serve some of the most rugged, remote and/or sparsely populated areas of the United States. They are providers of last resort to many areas and communities that are both very difficult and very expensive to serve.

WTA members are all rate of return carriers. Approximately forty-five percent (45%) of them are included among the 207 companies that elected to receive federal high-cost Universal Service Fund ("USF") support for the next ten years pursuant to the Alternative Connect America Cost Model ("ACAM") Path.[1] With the exception of several Alaska Plan companies, the rest of WTA's members have elected, or in many cases have been forced by circumstances or eligibility limitations, to remain on the alternative Rate-of-Return ("RoR") Path.

The latter point requires emphasis. Many WTA members and other RLECs that remain on the RoR Path did not choose to do so voluntarily. Rather, some were not eligible to elect the ACAM Path because of their previous deployment of 10/1 Mbps or greater broadband facilities and services that are rapidly being superseded by rapidly increasing broadband speeds and

[1] See Public Notice (*Wireline Competition Bureau Authorizes 35 Rate-of-Return Companies to Receive More Than $51 Million Annually in Alternative Connect America Cost Model Support And Announces Offers of Revised A-CAM Support Amounts to 191 Rate-of-Return Companies to Expand Rural Broadband*), WC Docket No. 10-90, DA 16-1422, released December 20, 2016; and Public Notice (*Wireline Competition Bureau Authorizes 182 Rate-of-Return Companies to Receive $454 Million Annually in Alternative Connect America Cost Model Support to Expand Rural Broadband*), WC Docket No. 10-90, DA 17-99, released January 24, 2017.

customer capacity demands, while others were "offered" ACAM support that was so much less than their existing high-cost support that they had no reasonable or practicable option but to reject the inexplicable reductions and remain on the RoR Path.

II. The Proposed Waiver And Precedent Can Have A Substantial Adverse Impact Upon RoR Path RLECs

As WTA understands the workings of Section 51.909(a)(4)(ii)(A), the National Exchange Carrier Association ("NECA") must calculate a net contribution or net receipt and an adjustment factor for RLECs leaving the NECA tariff, and RLECs can use this factor to adjust their originating switched access and transport rates. In some cases, the originating switched access and transport rates of the exiting RLEC may increase; in others, they may decrease. These rate increases and rate decreases will impact the amounts of access revenues that are subtracted from each exiting RLEC's Eligible Recovery in order to determine its CAF-ICC replacement support.

In the normal course of events, RLECs leaving the NECA tariff will increase or decrease their originating access and transport rates pursuant to Section 51.909(a)(5). As a result of these rate changes, some exiting RLECs will have an increased amount of originating access and transport revenues that reduce their CAF-ICC, while others will have a reduced amount of originating access and transport revenues that increase their CAF-ICC. While it is impossible to predict which and how many RLECs may leave the NECA tariff and the aggregate impact of the ultimate rate and revenue changes upon CAF-ICC, it is reasonable to assume that there will be both increases and decreases in the affected rates, and hence some offsetting access revenue changes that will net against each other and reduce the overall net impact on total CAF-ICC support distributions.

However, if RLECs like Great Plains that should increase their originating access and transport rates pursuant to the Section 51.909(a)(5) adjustment factors when they leave the NECA tariff are granted waivers that allow them to avoid such rate increases, the end result of such waivers will be to decrease the originating access and transport revenues of the waiver recipients and to increase their CAF-ICC support above the amounts they would receive in the absence of the waivers. The aggregate impact of multiple waivers of this type will be to disrupt the normal Section 51.909(a)(5) netting process and to increase total CAF-ICC support.

For ACAM Path companies like Great Plains, increases in their CAF-ICC support (as well as increases in the CAF-ICC support of other RLECs) have no impact on their model-based ACAM support or upon the ACAM support budget. However, for RoR Path companies, increases in total CAF-ICC support (whether received by ACAM Path companies and/or RoR Path companies) increases the amount of total federal high-cost support subject to the applicable $2.0 billion annual RoR budget constraint. That is, when (as is currently the case and expected to be the case during the foreseeable future) the total calculated HCLS, CAF-BLS, CAF-ICC and ACAM (less the CAF Reserve addition) support exceeds the applicable RoR budget (currently, $2.0 billion per year), the Section 54.901(f) and 54.1310(d) budget control mechanisms require each RoR Path carrier's HCLS and CAF-BLS to be reduced by a certain percentage that will decrease HCLS and CAF-BLS distributions to RoR Path carriers by the amount necessary to bring the total calculated HCLS, CAF-BLS, CAF-ICC and relevant ACAM back down to the RoR budget cap. Hence, any increase in total CAF-ICC support will increase the required HCLS and CAF-BLS reductions, or "haircuts," imposed upon the RoR Path (*i.e.*, non-model) carriers.

For the second half of 2016 when they were was first implemented, the Section 54.901(f) and 54.1310(d) budget control mechanisms reduced the HCLS and CAF-BLS support of RoR

Path carriers by 4.86 percent. For the first half of 2017, this "haircut" increased to 9.0664 percent. It has been calculated to grow even further to 12.3505 percent for the July 2017 to June 2018 period. These growing and unpredictable reductions of HCLS and CAF-BLS support that would otherwise have been payable under the applicable Commission HCLS and CAF-BLS calculation rules are rapidly becoming the equivalent of the discredited Quantile Regression Analysis, and are having the same types of adverse impacts upon the infrastructure investment plans, lender financing negotiations, and operating conditions of RoR Path RLECs.

While the Great Plains petition does not contain much data or impact estimates, it appears relatively clear that the intent of its requested waiver is to permit it to reduce its originating access and transport rates and consequently its aggregate access revenues, and that such decreases would result in an increase in its CAF-ICC support over and above the amount it would otherwise receive in the absence of the requested waiver. And if other similarly situated RLECs that have left or that will leave the NECA tariff file "me-too" waiver petitions to take advantage of the precedent set by a Great Plains waiver, the result is likely to be more access rate and revenue reductions and further increases in total annual CAF-ICC support distributions that will further exacerbate the "haircuts" imposed upon RoR Path carriers by the Section 54.901(f) and 54.1310(d) budget control mechanisms.

III. Proposed Solution

WTA is not opposed to originating access and transport rate reductions. However, Section 51.909(a)(4)(ii)(A) was established to provide some stability for universal service support mechanisms when carriers leave the NECA tariff. Those carriers considering whether to voluntarily leave the NECA tariff should be able to calculate their Section 51.909(a)(4)(ii)(A) net contribution or net receipt factor, and to evaluate its impact upon their "frozen" originating access and transport rates and CAF-ICC support before they make their decision. If exiting RLECs that would be required to increase access rates and receive less CAF-ICC support are able to obtain waivers that would restore much or all of this decreased CAF-ICC support, the netting effect of Section 51.909(a)(4)(ii)(A) will be diluted, aggregate CAF-ICC support will increase and those carriers forced to remain on the RoR Path will suffer an increased budget control mechanism "haircut."

WTA does not oppose the Great Plains waiver petition *per se*, but rather the adverse impact of the waiver and its precedent upon the budget control mechanism affecting its RoR Path members. One possible solution would be that the Commission could grant the Great Plains waiver and similar "me-too" waivers, but hold that none of the increases in CAF-ICC support resulting from such waivers will be included in or otherwise affect the calculation of the budget adjustment factor or "haircut" percentage with respect to the Section 54.901(f) and 54.1310(d) budget control mechanism reductions.

Respectfully submitted,
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