



PUBLIC NOTICE

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WIRELINE COMPETITION BUREAU ANNOUNCES SUPPORT AMOUNTS FOR CONNECT AMERICA FUND PHASE ONE INCREMENTAL SUPPORT

WC Docket Nos. 10-90, 05-337

Notices Due: July 24, 2012

1. The *USF/ICC Transformation Order and FNPRM* comprehensively reformed and modernized the universal service and intercarrier compensation systems.¹ Among other things, the Commission established a transitional mechanism to distribute high-cost universal service support to price cap carriers, known as the Connect America Fund Phase I (CAF Phase I). In addition to freezing existing high-cost support for price cap carriers, the Commission adopted a process to distribute up to \$300 million of additional, incremental support in 2012 among such carriers to advance broadband deployment.² The Commission delegated to the Wireline Competition Bureau (Bureau) the task of performing the calculations necessary to determine support amounts and selecting the necessary data.³

2. In an earlier Public Notice, we sought comment on wire center data submitted by Windstream Communications that the carrier proposed we use for CAF Phase I.⁴ We also sought data for

¹ See *Connect America Fund, A National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-Cost Universal Service Support, Developing an Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link-Up, Universal Service Reform – Mobility Fund*, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (2011) (*USF/ICC Transformation Order or Order*); *pets. for review pending sub nom. In re: FCC*, No. 11-9900 (10th Cir. filed Dec. 8, 2011).

² See *USF/ICC Transformation Order*, 26 FCC Rcd at 17715-17, paras. 133-38.

³ *Id.* at 17716, para. 136. See also Wireline Competition Bureau Seeks Comment on Potential Data for Connect America Fund Phase I Incremental Support, WC Docket Nos. 10-90, 05-337, Public Notice, 27 FCC Rcd 981 (Wireline Comp. Bureau 2012) (*CAF Phase I Data Sources PN*). The cost estimation function adopted by the Commission requires, as input variables, the area of each wire center, the distance to the nearest adjacent wire center's central office, the number of households and businesses calculated both at the census block level and at the wire center level, and the total number of road-feet in the wire center. See *USF/ICC Transformation Order*, 26 FCC Rcd at 17716, para. 134; *Connect America Fund*, et al., WC Docket Nos. 10-90, et al., Second Erratum, DA 12-594 (Wireline Comp. Bureau rel. Apr. 16, 2012).

⁴ See *CAF Phase I Data Sources PN*, 27 FCC Rcd at 982; see also Letter from Jennie B. Chandra, Windstream Communications, Inc., to Marlene H. Dortch, Secretary, FCC, WC Docket Nos. 10-90 et al. (filed Jan. 20, 2012) (confidential filing of proposed data under the relevant protective order).

areas for which Windstream had not submitted data and sought comment on alternate approaches to generating sufficiently reliable data for such areas.⁵ In addition, because only the wire centers of price cap carriers and their affiliates would be relevant to the distribution of incremental high cost support, we sought comment on a proposed list of wire centers to include in our analysis.⁶ In a subsequent letter, we identified various additional data sources we might rely on.⁷ In this Public Notice, we identify the data sources we rely on and announce support amounts for CAF Phase I incremental support for 2012.

3. For wire centers in the contiguous territory of the United States plus Hawaii, we use the data submitted by Windstream. US Telecom, on behalf of nine holding companies of price cap carriers serving that area, filed comments supporting the use of those data, and provided a detailed explanation of the commercially available sources relied upon and the statistical techniques used to generate the data.⁸ No party objected to the use of such data.⁹

4. For Alaska, we use data submitted by Alaska Communications Systems Group, Inc. for its wire centers in that state, which it developed using both internal and commercially available resources.¹⁰ No party objected to the use of those data.

5. For the Commonwealth of the Northern Marianas, we use mapping data and business count data submitted by Micronesian Telecom for its wire centers in that territory.¹¹ No party objected to the use of those data. In addition, for household counts, we use Geolytics estimates data.¹² For road feet, we use US Census TIGER data.¹³ We allocate census block data to wire centers based on the mapping data submitted by the carrier. We calculate business counts for each census block using data supplied by the carrier in conjunction with an estimation technique intended to ensure that the carrier is not deprived

⁵ See *CAF Phase I Data Sources PN*, 27 FCC Rcd at 982.

⁶ See *id.* at 982-83.

⁷ See Letter from Travis Litman, Wireline Comp. Bureau, FCC, to Marlene H. Dortch, Secretary, FCC, WC Docket Nos. 10-90, 05-337 (filed Apr. 12, 2012).

⁸ See Comments of US Telecom, WC Docket Nos. 10-90, et al., at 1-3 and Attachment 1 (filed Mar. 19, 2012) (US Telecom Comments).

⁹ Consolidated Communications Holdings initially stated that it could not provide comment on the Windstream data submission because it did not have adequate access to the data. See Comments of Consolidated Communications Holdings, WC Docket No. 10-90, et al., at 3 (filed Mar. 12, 2012). However, Consolidated subsequently joined the US Telecom filing endorsing the Windstream data. See US Telecom Comments at 1.

¹⁰ See Letter from Karen Brinkmann to Marlene H. Dortch, Secretary, FCC, WC Docket Nos. 10-90, 05-337 (filed Feb. 29, 2012); Letter from Karen Brinkmann to Marlene H. Dortch, Secretary, FCC, WC Docket Nos. 10-90, 05-337 (filed Mar. 9, 2012); Letter from Karen Brinkmann to Marlene H. Dortch, Secretary, FCC, WC Docket Nos. 10-90, 05-337 (filed Mar. 30, 2012).

¹¹ See Letter from Joseph Cavender, Telecommunications Access Policy Division, Wireline Comp. Bureau, FCC, to Marlene H. Dortch, Secretary, FCC, WC Docket Nos. 10-90, 05-337 (filed Apr. 3, 2012).

¹² See Geolytics 2011 population estimates, available at <http://www.geolytics.com/USCensusEstimate-ProjectionsCategories.asp> (Geolytics 2011 Estimates).

¹³ See <http://www.census.gov/geo/www/tiger/tgrshp2011/tgrshp2011.html>.

of the opportunity to receive incremental support solely because we lack adequate data.¹⁴

6. For the United States Virgin Islands, we use mapping data submitted by the Virgin Islands Telephone Company (Vitelco).¹⁵ No party objected to the use of those data. In addition, for household counts, we use Geolytics estimates.¹⁶ For road feet, we use US Census TIGER data.¹⁷ For business counts, we use data from the CostQuest Broadband Availability Tool.¹⁸ We allocate census block data to wire centers based on the mapping data submitted by the carrier.

7. No party submitted data for Puerto Rico. For our analysis, we use mapping data from TomTom (formerly Tele Atlas North America).¹⁹ For household counts, we use Geolytics estimates.²⁰ For business counts, we use data from the CostQuest Broadband Availability Tool.²¹ For road feet, we use US Census TIGER data.²²

8. In addition, we adopt the following data sources for the lists of wire centers of price cap carriers and their affiliates to be included in our analysis. For the contiguous territory of the United States plus Hawaii, we use the list of wire centers submitted by US Telecom, which filed on behalf of the price cap carriers serving those areas.²³ For Puerto Rico, we use the list of wire centers included in the CostQuest Broadband Availability Tool data. For all other areas, we use wire center information

¹⁴ The cost estimation function uses as an input the sum of census block location densities, where the census block location density is defined as the number of households plus businesses in each census block, divided by the area of the census block. The Windstream and ACS data submissions provided these input data, for each wire center, as a pre-calculated Location Density value. Micronesian Telecom, in contrast, provided counts of businesses in each wire center. Commission staff used the business count information provided by Micronesian Telecom, along with the Geolytics estimates data on households in each census block, to generate a Location Density variable by assuming that businesses were evenly distributed throughout the wire center by area, an approach which has the effect of minimizing the Location Density variable data (*i.e.*, our approach identifies the lower limit for the possible range of Location Densities given the known data). Because the Location Density has a negative coefficient in the cost estimation function, using the lowest possible Location Density values maximizes the calculated total cost, and, consequently, the amount of support, given the other data.

¹⁵ See Letter from Russell Blau to Marlene H. Dortch, WC Docket Nos. 10-90, 05-337 (filed Mar. 29, 2012).

¹⁶ See Geolytics 2011 Estimates.

¹⁷ See <http://www.census.gov/geo/www/tiger/tgrshp2011/tgrshp2011.html>.

¹⁸ See CostQuest Broadband Availability Tool, _CBG_Detail download file, available, pursuant to the terms of the Second Supplemental Protective Order in WC Docket No. 10-90, DA 12-193 (released Feb. 10, 2012), at <https://reports.costquest.com/CQBAT/downloads.aspx> (CQBAT Business Counts Report). To estimate business counts for each census block, given counts at the census block group level, we use a technique similar to the approach we used for calculating business counts at the census block level for Micronesian Telecom. Specifically, we calculate the minimum possible density given the known data.

¹⁹ TomTom, Wire Center Premium, available by contacting the data provider at http://www.tomtom.com/en_gb/licensing/industries/utilities-telecommunications/#tab:tab1.

²⁰ See Geolytics 2011 Estimates.

²¹ See CQBAT Business Counts Report.

²² See <http://www.census.gov/geo/www/tiger/tgrshp2011/tgrshp2011.html>.

²³ See Comments of US Telecom, WC Docket Nos. 10-90, et al., at 3-5 and Attachment 2 (filed Mar. 19, 2012).

provided by the price cap carrier providing service in that area.²⁴

9. Using these data, allocated support amounts for 2012, by holding company, are as follows.

<u>Company</u>	<u>Support Amount</u>
Alaska Communications Systems	\$ 4,185,103
AT&T	47,857,148
CenturyLink	89,904,599
Cincinnati Bell	0
Consolidated Communications	421,247
Fairpoint Communications	4,856,858
Frontier Communications	71,979,104
Hawaiian Telcom	402,171
Virgin Islands Telephone Co. (Vitelco)	255,231
Micronesian Telecommunications	0
Puerto Rico Telephone Company	0
Verizon	19,734,224
Windstream Communications	60,404,310

10. No later than 90 days after release of this Public Notice, carriers must file notices stating the amount of support each wishes to accept, and the areas by wire center and census block in which the carrier intends to deploy broadband to meet its obligation, or stating that the carrier declines incremental support for 2012.²⁵ We encourage carriers to file their notices in advance of the deadline. Copies of such notices must be filed with the Commission,²⁶ USAC, the relevant state or territorial commissions, and any affected Tribal government.

²⁴ We note that the carriers have the most reliable data about which wire centers they operate, and they have an incentive to properly identify their wire centers.

²⁵ See 47 C.F.R. § 54.312(b)(3).

²⁶ Carriers must file their notices in WC Docket Nos. 10-90 and 05-337.

11. Pursuant to the rules established by the Commission in the *Order*, carriers must deploy broadband to a number of unserved locations equal to the amount of incremental support each accepts, divided by \$775.²⁷ Carriers accepting incremental support must certify that deployment funded through CAF Phase I incremental support will occur in areas shown as unserved by any other carrier on the National Broadband Map, and that, to the best of the carrier's knowledge, the locations to be served are, in fact, unserved.²⁸ Carriers must further certify that the carrier's current capital improvement plan did not already include plans to complete broadband deployment within the next three years to the locations to be counted to satisfy the deployment obligation, and that incremental support will not be used to satisfy any merger commitment or similar obligation.²⁹ Carriers must complete deployment to two-thirds of the required number of locations within two years of the date they accept support, and to all required locations within three years.³⁰

12. *Paperwork Reduction Act.* This Public Notice contains no new information collection requirements subject to the Paperwork Reduction Act of 1995 (PRA), Public Law No. 104-13, so no review nor approval from the Office of Management and Budget (OMB) is required.

13. *Congressional Review Act.* The Commission will send a copy of this notice to Congress and the Government Accountability Office pursuant to the Congressional Review Act.³¹

14. *Final Regulatory Flexibility Certification.* The Regulatory Flexibility Act (RFA)³² requires that agencies prepare a regulatory flexibility analysis for notice-and-comment rulemaking proceedings, unless the agency certifies that "the rule will not have a significant economic impact on a substantial number of small entities."³³ The RFA generally defines "small entity" as having the same meaning as the terms "small business," "small organization," and "small governmental jurisdiction."³⁴ In addition, the term "small business" has the same meaning as the term "small business concern" under the Small Business Act.³⁵ A small business concern is one which: (1) is independently owned and operated; (2) is not dominant in its field of operation; and (3) satisfies any additional criteria established by the

²⁷ See 47 C.F.R. § 54.312(b)(2). The deployment requirement is rounded up for carriers that elect to receive an amount of money that does not divide evenly by \$775.

²⁸ See 47 C.F.R. § 54.312(b)(3). See also *Connect America Fund*, WC Docket Nos. 10-90, et al., Second Order on Reconsideration, FCC 12-47, paras. 8-9 (rel. Apr. 25, 2012).

²⁹ See 47 C.F.R. § 54.312(b)(3).

³⁰ See 47 C.F.R. § 54.312(b)(4).

³¹ See 5 U.S.C. § 801(a)(1)(A).

³² See 5 U.S.C. § 601 *et seq.* The RFA has been amended by the Small Business Regulatory Enforcement Fairness Act of 1996, Pub. L. No. 104-121, Title II, 110 Stat. 857.

³³ 5 U.S.C. § 605(b).

³⁴ 5 U.S.C. § 601(6).

³⁵ 5 U.S.C. § 601(3) (incorporating by reference the definition of "small business concern" in Small Business Act, 15 U.S.C. § 632). Pursuant to 5 U.S.C. § 601(3), the statutory definition of a small business applies "unless an agency, after consultation with the Office of Advocacy of the Small Business Administration and after opportunity for public comment, establishes one or more definitions of such term which are appropriate to the activities of the agency and publishes such definition(s) in the Federal Register."

Small Business Administration (SBA).³⁶ This Public Notice selects data sources necessary to implement the Connect America Fund Phase I incremental support mechanism adopted by the Commission in the *USF/ICC Transformation Order*, which provides additional support to price cap carriers to deploy broadband facilities. This Public Notice also notifies carriers of the support for which they are eligible. It does not modify the rules governing the Connect America Fund Phase I incremental support mechanism. Selecting these data sources and publishing eligible support amounts imposes no new burden on any company and has no negative economic impact on any company. Accordingly, we certify that the measures taken herein will not have a significant impact on a substantial number of small entities. The Commission will send a copy of this Public Notice, including this certification, to the Chief Counsel for Advocacy of the Small Business Administration.³⁷ In addition, the notice (or a summary thereof) and certification will be published in the Federal Register.³⁸

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³⁶ Small Business Act, 15 U.S.C. § 632.

³⁷ *Id.*

³⁸ *Id.*