



PUBLIC NOTICE

Federal Communications Commission
445 12th St., S.W.
Washington, D.C. 20554

News Media Information 202 / 418-0500
Internet: <https://www.fcc.gov>
TTY: 1-888-835-5322

DA 16-1141

Released: October 6, 2016

WIRELINE COMPETITION BUREAU ANNOUNCES POSTING OF INFORMATION REGARDING DEPLOYMENT OBLIGATIONS FOR INCUMBENT RATE-OF-RETURN CARRIERS

WC Docket No. 10-90

The Wireline Competition Bureau (Bureau) announces the posting of information regarding the mandatory deployment obligations that will apply to rate-of-return carriers who remain on legacy universal service support mechanisms.¹ Carriers may select one of two methods for determining their deployment obligation that must be fulfilled over a five-year period (2017-2021). The deployment obligation under each method for each study area is available at: <https://transition.fcc.gov/wcb/SacBuildoutSheetDisplay.xlsx>. At a later date, the Bureau will issue a public notice with information regarding how each carrier will indicate which method it is selecting to the Universal Service Administrative Company (USAC).

In the *Rate-of-Return Reform Order*, the Commission adopted specific, defined deployment obligations that are a condition of the receipt of high-cost funding for those carriers continuing to receive support based on embedded costs.² As required by the Commission, the National Exchange Carrier Association (NECA) developed a five-year forecast of the total Connect America Fund-Broadband Loop Support (CAF-BLS) for each rate-of-return carrier.³ That forecast is multiplied by an appropriate percentage based on that carrier's reported deployment of 10 Mbps downstream/1 Mbps upstream (10/1 Mbps) broadband service within its study area.⁴

Each carrier can choose to have its deployment obligation determined by one of two methods: the applicable CAF-BLS amount divided by (1) the average cost of providing 10/1 Mbps service, based on the weighted average cost per loop of carriers that have deployed 10/1 Mbps service to 95 percent or more of the locations in their study area, or 150 percent of the weighted average cost per loop of companies with similar density and level of deployment, whichever is greater, or (2) the Alternative Connect America Cost Model's calculation of the cost per location of providing 10/1 Mbps service in the unserved census blocks in the carrier's study area.⁵

¹ Carriers with 80 percent or greater broadband deployment in their study areas are not subject to a defined deployment obligation.

² *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order, Order and Order on Reconsideration and Further Notice of Proposed Rulemaking, 31 FCC Rcd 3087, 3145, para. 156 (2016) (*Rate-of-Return Reform Order*).

³ *Id.* at 3150, n.373, para. 167. The Bureau expects to post additional information regarding how the five-year forecasts were calculated at a later date.

⁴ The percentage deployment for each carrier as calculated by the Commission is available at https://transition.fcc.gov/wcb/Revised_coverage_data.xlsx.

⁵ *Rate-of-Return Reform Order*, 31 FCC Rcd at 3149, para. 166.

To calculate the cost metric to be used to determine deployment obligations under the first method, the Bureau divided rate-of-return study areas into the following density groups based on 2010 U.S. Census data for housing unit density per square mile: 0-4; 4-11; 11-24; and 24 and above. Those groups were then further subdivided into common deployment groups: 0 percent deployment; greater than 0 but less than 50 percent; at least 50 percent but less than 80 percent; at least 80 percent but less than 95 percent; and greater than 95 percent. As required by the *Rate-of-Return Reform Order*, study areas that are capped by the operating expense limitation or by the \$250 per-month, per line limitation were not included. In addition, average schedule study areas were excluded because they do not calculate “actual costs.”

The number of study areas in each group is as follows:

Land Density in Square Miles	No Broadband Coverage	0% < Broadband Coverage < 50%	50% ≤ Broadband Coverage < 80%	80% ≤ Broadband Coverage < 95%	95% ≤ Broadband Coverage
0 to ≤ 4	23	27	38	45	53
4 to ≤ 11	21	31	27	44	66
11 to ≤ 24	16	42	23	34	54
24 +	19	32	26	42	49

The chart below shows the weighted average unseparated cost per loop in dollars for each group, based on carrier reported data⁶:

Land Density in Square Miles	No Broadband Coverage	0% < Broadband Coverage < 50%	50% ≤ Broadband Coverage < 80%	80% ≤ Broadband Coverage < 95%	95% ≤ Broadband Coverage
0 to ≤ 4	\$1,374	\$1,690	\$1,380	\$1,499	\$1,532
4 to ≤ 11	\$1,019	\$984	\$880	\$1,045	\$1,319
11 to ≤ 24	\$1,123	\$663	\$775	\$1,063	\$1,092
24 +	\$722	\$818	\$657	\$767	\$795

The chart below shows 150 percent of the weighted average unseparated cost per loop in dollars for each group subject to the mandatory buildout obligation:

Land Density in Square Miles	No Broadband Coverage	0% < Broadband Coverage < 50%	50% ≤ Broadband Coverage < 80%
0 to ≤ 4	\$2,061	\$2,535	\$2,071
4 to ≤ 11	\$1,528	\$1,476	\$1,320
11 to ≤ 24	\$1,684	\$995	\$1,163
24 +	\$1,083	\$1,227	\$986

⁶ The weighted average unseparated cost per loop data is derived from NECA’s 2015 Study Results.

Based on this analysis, the cost metric to be used in determining the deployment obligation for each density/deployment grouping is as follows:

Land Density in Square Miles	No Broadband Coverage	0% < Broadband Coverage < 50%	50% ≤ Broadband Coverage < 80%
0 to ≤ 4	2,061	2,535	2,071
4 to ≤ 11	1,528	1,476	1,320
11 to ≤ 24	1,684	1,092	1,163
24 +	1,083	1,227	986

The spreadsheet being posted today provides the deployment obligation for each study area for both methods as outlined in the *Order*. In addition, the spreadsheet includes further information used for the calculations for each study area.

For additional information about this Public Notice, please contact Suzanne Yelen at (202) 418-0626 or Suzanne.Yelen@fcc.gov.

- FCC -