



# PUBLIC NOTICE

Federal Communications Commission  
445 12<sup>th</sup> St., S.W.  
Washington, D.C. 20554

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

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## WIRELINE COMPETITION BUREAU ANNOUNCES AVAILABILITY OF VERSION 3.1.2 OF THE CONNECT AMERICA FUND PHASE II COST MODEL AND ADDS ADDITIONAL DISCUSSION TOPICS TO CONNECT AMERICA COST MODEL VIRTUAL WORKSHOP

### WC Docket No. 10-90

Today, the Wireline Competition Bureau (Bureau) announces the next version of the Connect America Cost Model (CAM v3.1.2), which allows Commission staff and interested parties to calculate costs based on a series of inputs and assumptions for Connect America Phase II implementation.<sup>1</sup> CAM v3.1.2 builds on version 3.1 of the model (CAM v3.1) by modifying cable coverage to reflect census blocks served by cable providers (based on the National Broadband Map, data as of June 2012) that have reported voice subscriptions on FCC Form 477 (data as of June 2012).<sup>2</sup> Previous versions of the model only provided the capability to filter out cable providers shown on the National Broadband Map as providing broadband service meeting a specified speed—regardless of whether they also provide voice services—when identifying blocks eligible for funding. CAM v3.1.2 also makes minor adjustments to the fixed wireless voice coverage. Version 3.1.2 should be available early next week, after scheduled maintenance this coming weekend on the website hosting the model.<sup>3</sup>

The Bureau also announces that it is seeking additional input on a number of issues in the ongoing virtual workshop.<sup>4</sup> The Bureau adds a discussion topic to the virtual workshop entitled

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<sup>1</sup> On April 29, 2013, the Bureau announced the release of version 3.1 of the Connect America Cost Model. *See Wireline Competition Bureau Announces Availability of Version 3.1 of the Connect America Fund Phase II Cost Model*, WC Docket 10-90, Public Notice, DA 13-956 (Wireline Comp. Bur. rel. Apr. 29, 2013).

<sup>2</sup> CAM version 3.1 had implemented a similar change for fixed wireless providers, to show fixed wireless coverage based on State Broadband Initiative data filtered to include only those fixed wireless providers that reported voice service on FCC Form 477. Both the fixed wireless and the cable voice coverage were determined at the holding company level in version 3.1.2 using the best available data.

<sup>3</sup> Parties should follow the same procedures to access version 3.1.2 of CAM as announced for previous versions. In particular, parties may access version 3.1.2 of the cost model at <http://www.fcc.gov/encyclopedia/caf-phase-ii-models> or <https://cacm.usac.org>. In order to access any version of the model, parties must execute the relevant acknowledgement of confidentiality, licensing, and nondisclosure documents released as attachments to a Third Supplemental Protective Order. *See Connect America Fund*, WC Docket No. 10-90, Third Supplemental Protective Order, 27 FCC Rcd 15277 (Wireline Comp. Bur. 2012).

<sup>4</sup> On October 9, 2012, the Bureau announced the commencement of the virtual workshop to solicit input and facilitate discussion on topics related to the development and adoption of the forward-looking cost model for Connect America Phase II. *Wireline Competition Bureau Announces Commencement of Connect America Phase II Cost Model Virtual Workshop*, WC Docket Nos. 10-90, 05-337, Public Notice, 27 FCC Rcd 11977 (Wireline Comp. Bur. 2012).

“Finalizing Input Values for Connect America Cost Model Cost Estimation Module” to seek comment on whether the values used in the input collections for the cost estimation module in CAM v3.1.2 are reasonable values to use in the final version of the cost model that the Bureau will ultimately adopt.<sup>5</sup>

Among other things, the Bureau seeks focused public input on the appropriate cost of capital to be utilized in the ACFs. The follow-up question, which appears in the comment section of the “Rate of Return for the Connect America Cost Model” topic, asks whether to assume a cost of capital of eight percent, calculated with a ratio of debt to equity of 45:55, when adopting final ACFs.<sup>6</sup> CAM v3.1.2 enables users to view the impact on cost estimates of using ACFs that assume a cost of capital of nine percent, calculated with a ratio of debt to equity of 25:75 and a cost of debt of seven percent, versus using ACFs that assume a cost of capital of eight percent, calculated with a ratio of debt to equity of 45:55 and a cost of debt of 6.19 percent.<sup>7</sup>

The Bureau also adds two additional discussion topics to the virtual workshop relevant to finalizing support amounts entitled “Support Thresholds” and “Connect America Fund-Intercarrier Compensation Recovery Mechanism Set Aside Amount.” Finally, the Bureau adds an additional follow-up question to the comment section of the “Determining the Fraction of Supported Locations That Will Receive Speeds of 6 Mbps/1.5 Mbps or Greater” topic.

To the extent the public believes that there are additional issues that should be addressed in the virtual workshop before finalizing the cost model, they are encouraged to notify the Bureau as quickly as possible.

Responses should be submitted in the virtual workshop no later than **June 18, 2013**. Parties can participate in the virtual workshop by visiting the Connect America Fund webpage, <http://www.fcc.gov/encyclopedia/connecting-america>, and following the link to the virtual workshop.

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Bur. 2012). *See also Wireline Competition Bureau Announces Connect America Phase II Cost Model Virtual Workshop*, WC Docket Nos. 10-90, 05-337, Public Notice, 27 FCC Rcd 11056 (Wireline Comp. Bur. 2012). To date, the Bureau has sought comment on 23 different topics in the virtual workshop.

<sup>5</sup> CAM v3.1.2 has two input collections for the cost estimation module. The two input collections contain identical default inputs, except one includes values for Annual Charge Factors (ACFs) calculated with a nine percent cost of capital and the other includes values for ACFs calculated with an eight percent cost of capital. Parties who have signed the Third Supplemental Protective Order will be able to view the input collections by accessing the model and viewing the ICCQA20130516CAM312ACF8SBI6VoiceCbIVoiceFW2 and ICCQA20130516CAM312ACF9SBI6VoiceCbIVoiceFW2 ZIP files on the “Posted Data Sets” page under “Model Inputs.”

<sup>6</sup> A Wireline Competition Bureau staff report analyzing the cost of capital and a related Public Notice were released on May 16, 2013. *See Prescribing the Authorized Rate of Return: Analysis of Methods for Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 10-90, Staff Report, DA 13-1111 (Wireline Comp. Bur. rel. May 16, 2013); *Wireline Competition Bureau Seeks Comment on Rate of Return Represcription Staff Report*, WC Docket No. 10-90 et al., Public Notice, DA 13-1110 (Wireline Comp. Bur. rel. May 16, 2013).

<sup>7</sup> Parties that have signed the Third Supplemental Protective Order will be able to view the impact on cost estimates of using different assumptions about the cost of capital and debt structure by accessing CAM v.3.1.2, visiting the “Posted Data Sets” page, and opening the Model Outputs labeled “SS2013MMDDCAM312ACF9VoiceCablePLUSVoiceFW2” and “SS2013MMDDCAM312ACF8VoiceCablePLUSVoiceFW2”.

Comments from the virtual workshop will be included in the official public record of this proceeding. The Bureau will not rely on anonymous comments posted during the workshop in reaching decisions regarding the model. Participants should be aware that identifying information from parties that post material in the virtual workshop will be publicly available for inspection upon request, even though such information may not be posted in the workshop forums.

Reasonable accommodations, including materials in accessible formats (Braille, large print, electronic files, and audio format) for people with disabilities are available upon request. Please include a description of the accommodation you will need, and tell us how to contact you if we need more information. Please make your request as early as possible. Last minute requests will be accepted but may be impossible to fill. Accommodation requests should be directed to Kelly Jones, at [Kelly.Jones@fcc.gov](mailto:Kelly.Jones@fcc.gov), 202-418-7078 (voice), 202-418-1169 (TTY), or 845-474-0054 (video).

For further information, please contact Katie King, 202-418-7491, [Katie.King@fcc.gov](mailto:Katie.King@fcc.gov) or Ted Burmeister, 202-418-7389, [Theodore.Burmeister@fcc.gov](mailto:Theodore.Burmeister@fcc.gov).

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