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VIA ECFS

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th St., S.W.
Washington, D.C. 20554

Re: *Connect America Fund Phase II Auction*, AU Docket No. 17-182; *Connect America Fund*,
WC Docket No. 10-90

Dear Ms. Dortch:

Frontier writes in response to the September 18, 2017 letter filed by Robert Hinton, Chairman of the West Virginia Broadband Enhancement Council in the above-referenced dockets.¹ Frontier agrees with Chairman Hinton and the West Virginia Broadband Enhancement Council (“Broadband Enhancement Council”) that the “connectivity issues within West Virginia are extremely dynamic and challenging.”² As a provider of broadband, voice, and video services in 29 states and the largest wireline provider of broadband services throughout the Mountain State, Frontier Communications can attest firsthand to the veracity of this claim. The Council’s proposed solution to its frustration over connectivity issues in the State is, however, misplaced and inappropriate.

Understandably, all West Virginians, including over 1900 Frontier employees, want the more rural areas of the State to have access to broadband. For the past seven years, Frontier has proven its dedication to this endeavor by investing more than \$535 million in private capital in network and service improvements throughout the State and deploying broadband to hundreds of thousands of West Virginians, especially those living in rural areas. At the same time, our competitors have shown little interest in serving rural areas. Because Frontier is often alone in undertaking the challenge of providing any landline internet service to the most rural and remote areas in the State, Frontier is often the brunt of dissatisfaction, as expressed in the Council’s letter, with the available speeds and technologies in those areas. The solution to further enhancing broadband availability in rural West Virginia is not to attack **the only** company trying to serve these areas; the solution is to increase the funding available for these marginally economic and non-economic areas.

¹ Letter from Robert Hinton, Chairman, West Virginia Broadband Enhancement Council, to Chairman Pai, AU Docket No. 17-182; WC Docket No. 10-90 (Sept. 18, 2017) (“*Broadband Enhancement Council Letter*”).

² *Id.* at 2.

It is indisputable that Frontier has done more than any other provider to introduce fixed broadband in West Virginia. Since 2010, Frontier has invested more than \$535 million of its private capital in the state to enhance and expand internet services. Along with this private capital, Frontier has leveraged support from the Connect America Fund to provide internet service to more than 200,000 previously unserved or underserved homes and businesses. And with CAF Phase II, Frontier is committed to ensuring 89,190 West Virginia homes and businesses in high-cost areas of the State receive broadband at speeds of 10/1 Mbps or better. Frontier is well ahead of schedule in delivering broadband to these CAF Phase II homes and businesses—today over 54% of CAF Phase II locations (or over 48,500 locations) have access to broadband at speeds of 10/1 Mbps or better. All totaled, across Frontier’s entire West Virginia service area, over three-quarters of households have access to broadband at speeds of 10/1 Mbps or better. With this track record, the State of West Virginia and the West Virginia Broadband Enhancement Council need not have any concerns that Frontier will fully meet its CAF II commitments. Frontier remains as committed as ever to delivering broadband as swiftly as possible to West Virginians.

Given Frontier’s dedication to rural broadband deployment in West Virginia and our record of success, we are particularly disappointed by the Broadband Enhancement Council’s September 18th letter, which unfairly targets Frontier and appears to ignore the very difficult broadband economics of such a mountainous and rural state.³ Frontier understands that it can be difficult for many to grasp the economic reality of rural broadband deployment, especially the fact that increasing broadband speeds involves significant upfront capital investment in physical infrastructure, and is not, for example, as easy as a simple software update.⁴ We expect, however, that a public body dedicated to the deployment of next-generation infrastructure recognize these challenges. As the FCC explained in adopting the CAF program, certain areas are so remote, rural, and difficult to serve that “private sector economics . . . do not add up.”⁵

³ See, e.g., *id.* In particular, the Broadband Enhancement Council, rather than discussing attracting additional funding and investment to the state or actually offering funding for broadband deployment, instead only points to its efforts to target Frontier, seemingly laying all of the blame for difficult rural broadband economics on a single “incumbent.” Such a label is particularly strange because, of course, there is no incumbent internet provider. If anything, as, for example, former FCC Chairman Tom Wheeler described, cable is the “dominant” internet provider. See Remarks of Chairman Tom Wheeler, NCTA – INTX 2015, Chicago, IL (May 6, 2015), <http://bit.ly/2gwrOeq>. Furthermore, any company seeking to provide broadband service in the state, including in the rural, hard-to-serve areas, is free to do so.

⁴ See, e.g., Andrew Blum, *Tubes: A Journey to the Center of the Internet* (2013).

⁵ *Connect America Fund*, USF/ICC Transformation Order, 26 FCC Rcd 17663 ¶ 5 (2011).

For this reason, the FCC explicitly targeted these “costly-to-serve communities” through the CAF program, and dedicated funding for the program for a pre-determined period of years. Stripping funding from a provider halfway through that period of funding, when that provider has already exceeded all deployment benchmarks, makes little sense and would seriously disincentivize further investment in rural areas.

Further, the Broadband Enhancement Council’s suggestion to strip Frontier of its ability to serve the rest of the West Virginia CAF Phase II homes and businesses is not only bad policy but also a flagrant violation of black letter administrative law.⁶ The suggestion would fundamentally undermine any company accepting Commission funding in exchange for buildout. Under CAF II, Frontier agreed to serve 89,190 West Virginia homes and businesses at speeds of 10/1 Mbps by year-end 2020. Although the Broadband Enhancement Council may wish to ignore that Frontier is well ahead of program build-out requirements, the FCC must not. What precedent would it set for the CAF Phase II Auction if West Virginia could strip funding at will, even if a carrier is well ahead of schedule? Moreover, the Broadband Enhancement Council’s comments are not even the correct procedural vehicle for such a request—the issue of what census blocks are eligible is not even raised in the context of the relatively narrow Auction Procedures Public Notice.⁷

Putting aside the inapt solutions proposed by the Broadband Enhancement Council, Frontier agrees with the thrust of the Broadband Enhancement Council’s comments—there is a great challenge to broadband deployment in West Virginia that requires an all-hands-on-deck solution. The need in West Virginia is indeed significant. Taking the Commission’s own cost model—even with extremely high cost funding capped, which dampens the true expected costs—West Virginia has 52,736 locations that are unserved by 10/1 Mbps and are not part of the CAF II offer. This represents roughly 3.5% of such locations nationwide, yet requires nearly \$32 million in annual funding, or roughly 16% of the entire CAF II auction budget. In other words, the Commission’s own projections show that it would cost roughly four and a half times the available funding to provide service to these West Virginia locations.⁸ While, the Commission endeavors to bring down these costs through a competitive auction, the

⁶ See, e.g., *Goldberg v. Kelly*, 397 U.S. 254 (1970) (establishing that government funding cannot be denied absent due process).

⁷ See generally *Connect America Fund*, Public Notice, 32 FCC Rcd 6238 (2017).

⁸ The West Virginia figures are consistent with nationwide figures. Based on the Commission’s current projected costs, there is only sufficient funding to cover roughly one in five locations. Specifically, the model predicts \$974,070,721 in required annual support (favorably assuming that all extremely high cost locations could be served for the extreme high-cost cutoff of roughly \$200 per month). Meanwhile, there is only roughly \$200,000,000, or 21% of that total predicted need, in auction funding.

Commission's decision to weight bids strongly in favor of very high speed service (with as much as a 90% bidding premium) suggests that auction funding could be directed to fewer very high speed locations instead of a greater number of locations, creating additional demand for more high-cost funding.

Frontier joins the West Virginia Broadband Enhancement Council in calling for more funding for the State of West Virginia to help meet the State's significant challenges to broadband deployment. The underlying economics of rural broadband deployment are challenging, but Frontier is fully committed to completing its CAF Phase II buildout and remains eager to compete in the CAF Phase II Auction, including in West Virginia, to bring broadband anywhere that it is able to make the economics work.

Sincerely,

/s/ Elena Kilpatrick

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cc: West Virginia Broadband Enhancement Council