Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
ETC Annual Reports and Certifications	)	WC Docket No. 14-58
	)	
Establishing Just and Reasonable Rates for Local Exchange Carriers	)	WC Docket No. 07-135
	)	
Developing a Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92
	)	
To: The Commission	)	

COMMENTS OF
<u>THE BLOOSTON RURAL CARRIERS</u>

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Executive Summary

As the Commission wades through its review of this complex set of mechanisms, it is urged to view its statutory instruction for "specific, predictable and sufficient" funding in terms of simple common sense, and is urged to continue its consideration of equity and fairness in the distribution of funds among carriers. A core policy objective in this proceeding is to narrow or eliminate the "rural-rural divide" within areas served by RoR carriers. Fair distribution is a key to achieving that objective.

The Blooston Rural Carriers agree that an updated budget is necessary. Rural companies are not immune to price increases, just like the rest of the economy. Commenters here have experienced price increases across the board: labor, fiber optic facilities, fuel, insurance, engineering, health care, and pole attachment costs are a few examples. Specifically, the Blooston Rural Carriers urge a minimum budget for HCLS/CAF BLS that more accurately reflects the real costs of rural broadband networks by eliminating arbitrary adjustments, as well as the implementation of a realistic inflation factor.

The Blooston Rural Carriers also support a threshold support level uncapped by the Budget Control Mechanism (BCM). Given the long (perhaps eight years) period between the Commission's review of any new budget, a relatively high fraction, such as 95% of 2017 receipts as adjusted for inflation and the add back of $180 million of the BCM, would be warranted, if it does not eliminate the BCM entirely. The business risks of adhering to a fixed revenue stream for such a relatively long period warrant a higher percentage. The Commission should also eliminate the RGF mechanism. It operates to reduce HCLS revenues off the top, and inhibits broadband deployment.

Although the Commission proposes to implement a threshold level of support in exchange for an increase in deployment obligations, the Blooston Rural Carriers submit that caution should be exercised here. The current high cost mechanism(s) have moved away considerably from cost of service regulation of the type which helps stakeholders determine "sufficiency" in a deployment context. A-CAM represents an offer and acceptance invitation, but not a cost of service analysis. Meanwhile, RoR carriers, which still perform cost studies, are subject to tidal forces beyond their control in terms of support. The Commission should fix these mechanisms first, in order to develop a data set warranting specific deployment obligations.

The Blooston Rural Carriers also support the Commission's proposal to make a second model offer to so-called glide path carriers, so long as it does not result in a decrease in funding for carriers remaining on cost-based or legacy mechanisms. For this offer, the Blooston Rural Carriers also support the Tribal Broadband Factor, the inclusion of carriers whose deployment of 10/1 broadband internet access service exceeds 90% of their study area, and a $200 funding level; however, the Commission should not rely on Form 477 data alone in determining which areas are eligible. The current challenge process, albeit administratively burdensome, is necessary to ensure the Commission is able to correctly direct funding. Again, implementing the second offer is depending entirely upon doing so in a way that does not harm legacy support recipients.

Similarly, the Blooston Rural Carriers support the Commission's proposal to increase funding under the initial A-CAM offer to $200 per location, and to extend a second model offer to all carriers, but only if it does not result in a loss of funding for those carriers that remain on legacy support.

Finally, the Blooston Rural Carriers support the maintenance of the current challenge process for areas that have 100% overlap with an unsubsidized competitor. The rationale for the original adoption of this rule remains just as valid today. Most competitive carriers focus their service offerings in denser parts of rural ILEC service areas and do not provide service to customers in the higher cost areas. Removing support from rural ILECs in this circumstance would limit their ability to serve this vulnerable population.

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Comments of the Blooston Rural Carriers

The Blooston Rural Carriers, by their attorneys, hereby file comments on the Commission's Further Notice of Proposed Rulemaking (*FNPRM*) released March 23, 2018.[1] The Blooston Rural Carriers are a number of rural carriers serving small, rural exchanges in sparsely populated areas of the United States. High costs of service, whether voice or broadband, are common to this group, whose service areas are characterized by challenging geographic factors like rocky terrain, mountains, seasonal temperature extremes, and low population. These companies provide interstate access and broadband service both under the Commission's A-CAM model and traditional rate-of-return (RoR) regulations. They are vitally interested in the *FNPRM*'s proposed changes, and principally comment here upon the Commission's proposals to consider extension of the A-CAM mechanisms to additional companies, increasing funding levels, and reconsidering counterproductive RoR mechanisms.

[1] *In re: Connect America Fund, et al.*, Report and Order, Third Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC No. 18-29, WC Docket No 10-90, 14-58, 07-135; CC Docket No. 01-92, released March 23, 2018 (*FNPRM*).

The Blooston Rural Carriers appreciate the Commission's attention to the budget shortfalls in the USF high-cost program, and recognition, no doubt, that funding cuts since 2011 have made the task of providing rural broadband service at reasonable prices, even more challenging. These commenters further appreciate the Commission's preference for equitable solutions in the near-zero sum equation that changes effectuate within the capped high cost fund.

I. Principles That Should Govern the Commission's Review

The high cost portion of the USF has grown exceedingly complex and contentious (at least in mathematical terms) in recent years. As the Commission is aware, a significant and no doubt growing portion of the fund – the A-CAM mechanism – is based upon modeled costs that may or may not correspond with a company's actual costs. The Commission has now proposed a second A-CAM offer, perhaps at different levels of per-location support than initial adopters. For RoR companies remaining on legacy mechanisms, the complex operations of the high cost fund create unique challenges in planning and operating their ILEC businesses. Many of these companies, for whom the A-CAM mechanism was financially unworkable, are more dependent upon the high cost fund, with service costs (such as carrier common line) having been pushed out of revenue requirements and into the high cost fund[2] or simply eliminated altogether.[3]

Unfortunately, this key revenue stream has become unpredictable as the legatee of a residual sort of funding after other claims on the fund are satisfied. The A-CAM budget and CAF BLS are examples of two budgets that affect high cost loop amounts available for distribution through the Budget Control Mechanism ("BCM"), and over which RoR carriers have no control or ability to predict.

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[2] *See In Re: Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-price Cap Carriers*, 16 FCC Rcd 19613 (FCC 2001).
[3] *In Re: Connect America fund, et al.*, 26 FCC Rcd 17663 (FCC 2011) (*Transformation Order).*

The Commission's *Third Report and Order* signals its recognition that the BCM is a barrier to revenue predictability and thus facilities deployment,[4] a fact that is much appreciated by these commenters. The fixed structure of the overall high cost budget, coupled with mechanisms which have taken large hunks out of high cost loop funding, and further based upon the residual nature of these funds, (like the BCM and Rural Growth Factor (RGF)), do not leave carriers with "specific, predictable, and sufficient" universal service funding.[5] These points are discussed in greater detail in these comments.

As the Commission wades through its review of this complex set of mechanisms, it is urged to view its statutory instruction for "specific, predictable and sufficient" funding in terms of simple common sense. For example, if a carrier is projected to lose double digit percentage revenue, year over year, together with real losses on the books, one may fairly question the sufficiency of the related funding. The same is true in terms of predictability, where the actions of others drive substantial changes through the growth of consumer broadband-only loops (CBOL) in the CAF BLS mechanism, and consequent changes in high cost disbursements via the BCM and, separately, via the RGF.

Finally, the Commission is urged to continue its consideration of equity and fairness in the distribution of funds among carriers.[6] A core policy objective in this proceeding is to narrow or eliminate the "rural-rural divide" within areas served by RoR carriers.[7] Fair distribution is a key to achieving that objective.

[4] *Third Report and Order, supra* fn 1.
[5] 47 USC §254(e).
[6] *In re Connect Am. Fund; et al.*, 31 FCC Rcd 3087 (2016) (*2016 RoR Reform Order*).
[7] *Id.* at ¶2.

II. Support for Legacy RoR Carriers is Not Predictable or Sufficient

Under current procedures, model-based support disbursements and CAF-ICC is deducted from the total demand for universal service support from RoR carriers, and the remainder is the total support available to be disbursed to RoR legacy carriers under HCLS and CAF BLS. This causes a potential unlimited reduction in available support for RoR legacy carriers and, therefore, that support is neither sufficient nor predictable, contrary to Section 254(b)(5) of the Act. In the *Transformation Order*, affirmed by the Tenth Circuit, the Commission argued that its universal service support reforms safeguarded the sufficiency of the budget by : "(1) maintaining current USF funding levels while reducing or eliminating waste and inefficiencies that existed in the prior USF funding scheme; (2) affording carriers the authority to determine which requests for broadband service are reasonable; (3) allowing carriers, when necessary, to use the waiver process; and (4) conducting a budgetary review by the end of six years." However, these safeguards do not exist for RoR legacy carriers.

The BCM drastically reduces support levels for RoR legacy carriers for reasons other than eliminating waste and inefficiencies.[8] Further, RoR legacy carriers must meet defined broadband build-out requirements as a result of the *2016 RoR Reform Order*, with less available support. When the Tenth Circuit reviewed the Commission's universal service reforms, RoR legacy carriers were required to deploy broadband service only on reasonable request. Now, however, the Commission imposes a broadband deployment obligation on RoR legacy carriers. Specifically, RoR legacy carriers must use a portion of CAF-BLS to deploy broadband to new locations. However, CAF-BLS is not “new” support money following a new obligation. CAF-BLS does not increase the overall budget for RoR support and it also does not increase the

[8] This is not to suggest that the Blooston Rural Carriers agree that the Commission’s other reforms eliminate waste and inefficiencies.

budget for RoR legacy carriers. Even at support levels before the Commission imposed additional reforms in the *2016 RoR Reform Order*, the Commission stated that 13 percent of housing units lacked access to 4/1 Mbps terrestrial fixed Internet access service, some carriers had not deployed 10/1 Mbps service to any census block within their study area, and other RoR carriers had "extremely low" levels of deployment of 10/1 Mbps service,[9] indicating that RoR carriers did not receive support sufficient to deploy 10/1 Mbps service.

The Commission also has not conducted a budgetary review of support available for RoR carriers. Rather, the budget for RoR legacy carriers has increasingly been squeezed for the past 7 years, which has hurt the ability of these carriers to deploy broadband and maintain their networks, as well as jeopardize existing loan obligations by limiting reimbursement for already-constructed broadband networks. The current mechanisms simply are unfair to legacy RoR carriers and their customers. The only safeguard retained by the Commission is that carriers may seek a waiver, but it is well established that a waiver cannot justify an otherwise unreasonable rule.

III. <u>An Update to the RoR Budget is Necessary</u>

The *FNPRM* rightly questions whether the $2 billion budget for RoR carriers in 2011 remains appropriate today. As the Commission notes, had inflation alone been taken into account, the rate-of-return budget would have increased from $2 billion in 2012 to $2.195 billion in 2018.[10] Indeed, the Commission still distinguishes inflation as a legitimate cost in its price cap formula for larger companies.[11] These Commenters particularly agree that CAF BLS and HCLS mechanisms need to be updated for inflation – and to account for the Commission's

[9] *2016 RoR Reform Order* at ¶20.
[10] *FNPRM* at ¶¶ 103-108.
[11] *See* 47 CFR 69.151 – 69.158.

recent action to hold RoR carriers harmless against the operation of the BCM from July 2017 to June 2018.[12]

Rural companies are not immune to price increases, just like the rest of the economy. Commenters here have experienced price increases across the board: labor, fiber optic facilities, fuel, insurance, engineering, health care, and pole attachment costs are a few examples. All of this is compounded by the fact that maintenance and upgrade costs increase as the network increases in size. Pole attachment costs have increased as much as 80% for some of the Blooston Rural Carriers since 2011. Tower lease expenses have doubled, and fiber lease and maintenance agreement expenses have increased 150%. A change in the technical capabilities of a network hardware beyond what it can do today has an enormous impact on cost – a change in the speed target for data lines, for example, can completely change the cost of the network almost overnight. Costs are often more dependent on geography rather than customer density or subscription rate.

As is evident from the arbitrary reduction recently implemented through the BCM ($180 million), real costs incurred by rural carriers exceed the GDP-CPI based inflation adjustment proposed by the Commission – approximately $120 million – by a sound margin.[13] Accordingly, the Blooston Rural Carriers urge the Commission to go beyond implementing only an inflationary adjustment based on the GDP-CPI, and instead implement a budget that reflects the real costs of building and maintaining modern broadband networks.

The *FNPRM* seeks related comment upon how the Commission should take account of the fact that recipients of HCLS and CAF BLS "each …effectively determines its own support claims through its behavior (its expenses and capital investments) and each recipient's behavior

[12] *See, Third Report and Order* at ¶¶73-82.
[13] *See FNPRM* at ¶109.

has a collective effect on all recipients of these funds due to the budget cap…"[14] In other words, the *FNPRM* seeks comment upon how carriers' behavior can be regulated or influenced within the overall budget cap. The Commission's proposal to establish a threshold level of support not subject to the BCM for legacy RoR carriers would be one way to influence the behavior of such carriers. The Commission has proposed guaranteeing a minimum amount of universal service support for RoR carriers, much as it has for A-CAM carriers, and the Alaska Plan. The Commission could set legacy RoR receipts at a certain amount (e.g., 2017 receipts as adjusted for inflation and the add-back of $180 million of the BCM). Legacy RoR mechanisms have not been sufficient for many rural carriers to deploy broadband at desirable levels. The Commission should allow those carriers "catch-up" universal service support.

IV. <u>The Commission Should Establish a Threshold of Support Not Subject to BCM</u>

The *FNPRM* seeks comment on the establishment of the threshold level of support not subject to the BCM. Relatedly, the Commission acknowledges the unpredictability that potentially frustrates broadband deployment.[15] Two principal proposals are advanced: eliminating the per-line reduction currently applicable to legacy carriers, retaining instead only the pro-rata reduction, and establishing a threshold level of high cost support, not subject to the BCM.[16]

As an initial observation, the Commission should be aware of the dramatic revenue reductions that have occurred, and are projected to occur, from the operation of both the BCM and RGF. One member of the commenters is projected to lose 19.14% in CAF BLS and HCLS

[14] *FNPRM* at ¶ 111.
[15] *Id.* at ¶ 148.
[16] *Id.* at ¶¶150-151.

support in 2017, 23.62% in 2018 and 26.33% in 2019.[17] Reductions on this order of magnitude raise the question as to whether similar companies are facing issues of remaining a going concern.

Against this background, it is clear that substantial change is needed. The predictability of offering an uncapped amount of high cost support not subject to the BCM would be an improvement, as long as that amount were also sufficient. Eliminating the BCM altogether would be an even greater improvement. The *FNRPM's* suggestion of setting an uncapped threshold at a fraction of each carrier's unconstrained 2016 or 2017 amount, however, is likely insufficient.[18]Given the long (perhaps eight years) period between the Commission's review of any new budget, a relatively high fraction, such as 95% of 2017 receipts as adjusted for inflation and the add back of $180 million of the BCM, would be warranted. The business risks of adhering to a fixed revenue stream for such a relatively long period warrant a higher percentage. Indeed, such an arrangement has already been extended, in its essence, to the A-CAM and Alaska carriers. As earlier referenced, the Commission should also eliminate the RGF mechanism. It operates to reduce HCLS revenues off the top, and inhibits broadband deployment. The RGF was essentially adapted to capture access line increases in the population of landlines at a time when growth in rural lines exceeded access line growth in urban areas.[19]

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[17] While these are striking reductions, it bears mention that when these reductions are combined with other "reforms" having their genesis in the transformation order, the company is expected to have a total revenue reduction of 42% in 2017, with a cumulative revenue reduction of 54% by 2019. It should be apparent that revenue reductions of this magnitude cannot be replaced with expense reductions or efficiency improvements.

[18] *FNPRM* at ¶153.

[19] *In Re: Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-price Cap Carriers*, 16 FCC Rcd 19613 at ¶49 (FCC 2001). For the same carrier whose data was discussed earlier, the RGF had reduced 2018 HCLS receipts by slightly over 25%, an amount that exceeds the BCM impact.

At the time, the inclusion of the RGF was deemed to provide ILECs with sufficient support, together with support that would be "specific and predictable."[20]

Circumstances have now changed in a way that makes continued application of the RGF counterproductive. Rural access lines are now decreasing, while rural broadband lines are increasing. Moreover, a principal focus of high cost funding has now focused on broadband deployment, as in this proceeding, and not growth in voice lines. The RGF should be eliminated. Failing that, it should at least recognize and be applied to a ratio of lines, which include data lines vs. voice lines, in order to preserve rural ILECs' ability to deploy broadband deployment in the first instance.

V. <u>BCM Modifications Should Not be Tied to Increased Deployment Obligations</u>

The *FNPRM* seeks comment on revising deployment obligations to reflect guaranteed support that is not subject to the budget control mechanism, or a cap on overall support.[21] The referenced cap would apparently be based upon the A-CAM model. The Blooston Rural Carriers submit that caution should be exercised before enacting further deployment obligations. The current high cost mechanism(s) have moved away considerably from cost of service regulation of the type which helps stakeholders determine "sufficiency" in a deployment context. A-CAM represents an offer and acceptance invitation, but not a cost of service analysis. Meanwhile, RoR carriers, which still perform cost studies, are subject to tidal forces beyond their control in terms of support. As the Commission knows, HCLS is a critical item of support to many legacy carriers, yet the amounts ultimately received for support are usually reduced by the RGF, the

[20] *Id.* at ¶54.
[21] *FNPRM* at ¶155.

BCM and costs formerly associated with carrier common line investments (CCL)[22] and national CBOL service subscriptions (for legacy carriers). Accordingly, modifying or eliminating the BCM and RGF mechanisms, as advocated here, will be sufficient only to dampen the substantial revenue downdrafts discussed earlier. The Commission should fix these mechanisms first, in order to develop a data set warranting specific deployment obligations.

VI. <u>A Second Model Offer for Glide Path Carriers</u>

The Commission seeks comment on a second model offer to so-called glide path carriers, whose model support would be less than they currently receive pursuant to legacy RoR mechanisms. This model offer would vary in some ways from the first offer. The Blooston Rural Carriers support a second offer for such carriers, but only to the extent that it does not result in a reduction in support for carriers that remain on legacy support mechanisms. These points are discussed below.

A. <u>Tribal Broadband Factor</u>

The Commission seeks comment on whether the second model offer should include a "Tribal Broadband Factor:" a 25 percent reduction of the funding threshold for locations in Tribal areas.[23] This would translate into a high-cost funding benchmark of $39.38 on Tribal lands.

A number of Blooston Rural Carriers provide both voice and broadband telecommunications services on Tribal lands, and the C.R.S.T. Telephone Authority, joining these comments, is a tribal carrier. As the Commission recognizes, Tribal lands are often characterized by not only their rural locations, but also a high concentration of low-income

[22] CCL was deemed a "subsidy" and moved into the USF mechanism, under a new category deemed Interstate Common Line Support (ICLS) in 2001. *See MAG Order*, *supra* fn. 2 at ¶66.
[23] *FNPRM* at ¶120.

individuals.[24] This adds an extra layer of challenges to what is already a challenging area to serve, as discussed above, and it makes logical sense for the Commission to make additional funding available for these areas.

Carriers serving Tribal lands experience significant additional costs in connection with deploying facilities and providing service on Tribal lands relating, among other things, to: additional rights-of-way and easement authority requirements; tribal cultural clearance and compliance with archaeological resources protection; and increased environmental compliance regulations. ILECs constructing facilities on Tribal land also face additional challenges and costs because in many cases there is a lack of roads and power, the land area is vast, and the population density is extremely low. Increased costs also are often experienced in deploying E911 and in implementing or enforcing "call before you dig" programs because areas and streets are not either adequately mapped or named. As a consequence, ILECs serving Tribal lands report problems with increased fiber and cable cuts. A 25 percent reduction of the funding threshold for locations in Tribal areas would help to mitigate the effect of these additional costs and allow for the deployment of more broadband facilities and offering of more affordable broadband services on Tribal lands.

There is already substantial precedent for special treatment for carriers serving Tribal lands. Commission spectrum auctions routinely feature bidding credits for locations in Tribal lands.[25] The Commission recently took special action to address fees related to NEPA review for construction on Tribal lands.[26] In 2010, the Commission established a Tribal Radio Priority to

[24] *FNPRM* at ¶120.
[25] 47 CFR 1.2110(f)(3).
[26] *In the Matter of Accelerating Wireless Broadband Deployment by Removing Barriers to Infrastructure Investment,* WT Docket No. 17-79, FCC 18-30 (F.C.C. March 30, 2018).

expand the number of radio stations owned by American Indian Tribes broadcasting to Tribal lands. [27] The Commission should adopt the proposed Tribal Broadband Factor.

B. Inclusion of Carriers Who Have Already Deployed 10/1

The Blooston Rural Carriers support the Commission's proposal to include support for census blocks where the incumbent is already offering 10/1 to 90% or more of its study area.[28] In the initial A-CAM offer, the Commission's stated goal was to "efficiently target support to areas that need it the most."[29] Accordingly, areas in which the incumbent was already offering 10/1 to 90% or more of its study area were excluded in order to direct A-CAM funding to areas where it would likely go toward new construction.[30] The Commission found that RoR carriers having already deployed 10/1 broadband speeds would not be prejudiced by this cut-off.[31] The rationale for this finding was that carriers having heavily invested in recent years (to deploy 10/1 speeds) are likely to be receiving significant amounts of HCLS. Though the *2016 RoR Reform Order* did not attempt to define "significant," the Commission's rationale clearly is not correct in light of the revenue reductions visited upon HCLS amounts by the mechanics of the overall fund. Commenters thus support the proposal to make the new offer, as arguably overdue.

In proposing a second A-CAM offer, the Commission states that its goal is to expand the number of carriers receiving A-CAM support in order to provide high-cost support based on forward-looking costs.[32] This goal, however, should not be accomplished by taking support away from legacy carriers. As the Commission recognized in its 2016 RoR Order, carriers that have deployed 10/1 to 90% or more of their eligible locations have taken out loans to finance such

[27] *In re Rural Radio Serv.*, 25 FCC Rcd 1583 (F.C.C. Feb. 3, 2010).
[28] *FNPRM* at ¶121.
[29] *2016 RoR Reform Order* at ¶1.
[30] *Id.*
[31] *Id.* at ¶66.
[32] *FNPRM* at ¶144.

expansion and, therefore, have significant loan repayment obligations.[33] This is true of A-CAM carriers and legacy carriers alike, and will remain true for carriers that do not elect a second model offer. Accordingly, the Blooston Rural Carriers support this proposal only insofar as the Commission can implement it without reducing support for legacy rate-of-return carriers.

C. <u>Funding Levels</u>

The Commission seeks comment on whether the per-location funding cap for the second model offer should be $146.10 (the amount just implemented for the original A-CAM electors), or $200 (the amount original A-CAM electors were offered first). The Blooston Rural Carriers support a $200 offer, to provide parity with the first offer.

When the Commission initially offered A-CAM support, it calculated support using a $200 per-location funding cap because "it provides some support to all locations above the funding threshold" and "allow[s] significantly more high-cost locations to be served than if [the Commission] were to use a lower funding cap."[34] Although circumstances required the Commission to ultimately adopt a lower funding cap, the rationale for beginning with $200 per location remains the same. Accordingly, the Commission should use the $200 funding level again.

Consistent with the Blooston Rural Carriers' view that fair and sufficient funding should be available for all rural ILECs, the Commission should extend the new model offer at whatever funding cap is available to the initial universe of A-CAM companies.[35] The Commission further questions whether the offer be conditioned so that "only a small loss of support" accompany the

[33] *2016 RoR Reform Order* at ¶66.
[34] *2016 RoR Reform Order* at ¶52.
[35] *FNPRM* at ¶ 122.

offer.[36] It is noteworthy that accepting a “small” loss of support now (defined as 5-15 percent) may be seen as a good financial outcome given the drastic revenue reductions which have occurred since 2011.

D. Deployment Data

The Commission proposes to update broadband coverage data with the most recent publicly available Form 477 data prior to any additional offer of support, without conducting a challenge process as it has in previous funding opportunities. However, 477 data has proven inaccurate, and should not be relied upon alone.

In the *FNPRM*, the Commission recognized that in the challenge process for the first A-CAM offer, the Commission received more than 250 requests to change A-CAM coverage, which was based on 477 data.[37] While it is true that the Commission granted approximately 20% of such requests, the volume of requests received clearly demonstrates the inaccuracy of that data. The decision to eliminate an opportunity to correct this data should therefore be weighed carefully. In the Mobility Fund Phase I challenge process, the Commission received comments from 15 carriers identifying census blocks for removal and/or addition during the Phase I challenge process, which had also used 477 data, and it found all of the demonstrations to be credible.[38] The Commission also recently initiated a challenge process for Mobility Fund Phase II. In that proceeding, the Commission determined not to use Form 477 data at all for the areas presumptively eligible for MF-II.[39] The importance of a bona-fide challenge process used in connection with Form 477 data is clear. Although the Blooston Rural Carriers recognize the

[36] *Id.*
[37] *FNPRM* at ¶123.
[38] *See Mobility Fund Phase I Auction Scheduled for September 27, 2012, Notice and Filing Requirements and Other Procedures for Auction 901*, Public Notice DA 12-641, released May 2, 2012 at ¶20.
[39] *In re Connect Am. Fund, et al.*, 32 FCC Rcd 6282 (F.C.C. August 4, 2017).

administrative burdens associated with conducting a challenge process, the necessity of insuring the accuracy of Form 477 data, upon which USF distribution depends, outweighs the associated costs.[40]

VII. Other Proposals to Increase Broadband Deployment

The *FNPRM* seeks comment on increasing broadband deployment obligations in exchange for increasing support. The first proposal to increase support is to offer additional support to authorized A-CAM recipients, currently based on a $146.10 per-location cap, to a $200 per-location funding cap. According to the Commission, if all eligible carriers accept this offer, it would result in approximately $66.6 million more support per year for the 10-year A-CAM term. The second proposal is to extend the second A-CAM model offer, discussed above, to all legacy carriers instead of carriers whose model support would be lower than their legacy support.

The Blooston Rural Carriers support both of these proposals, but only to the extent the Commission is able to do so without reducing support for RoR legacy carriers. Both proposals call for increases in the budget, and the proposal to permit carriers whose support would increase on the model would increase the budget by an unknown amount. The Blooston Rural Carriers support full funding of A-CAM recipients, including recipients of a new offer, just as they support full funding for all RoR carriers. It should be emphasized, however, that sufficient funding for either universe of carriers should not come at the expense of the other. Thus, if the Commission continues to essentially subtract A-CAM obligations from HCLS, it should ensure that the process is at least revenue neutral to the HCLS.

[40] U.S. Senator Joe Manchin (D-WV), wrote a letter to Chairman Pai urging him to reach out to state and local governments to notify them of the challenge process for Mobility Fund Phase II, support them through it, and minimize any cost burden that may be associated with it.

VIII. <u>The Commission Should Maintain the Current 100% Overlap Process</u>

In the *Transformation Order*, the Commission adopted a rule to eliminate universal service support where an unsubsidized competitor offers voice and broadband service meeting certain performance metrics to 100 percent of the residential and business locations in the incumbent's service area.[41] The Commission determined that this rule prevents the inefficient use of limited universal service funds and directs support to areas where providers would not deploy and maintain network facilities absent a USF subsidy.[42] However, the Commission also recognized that where an unsubsidized competitor offers broadband and voice service to only some of the customers in a particular study area, continued support may be necessary to enable the availability of supported voice services to those remaining customers.[43]

This remains true today. Therefore, the Commission should not change this rule. Today, most competitive carriers focus their service offerings in denser parts of rural ILEC service areas and do not provide service to customers in the higher cost areas. Removing support from rural ILEC's in this circumstance would limit their ability to serve this vulnerable population. An auction mechanism would be wholly inappropriate in this regard. Accordingly, the Commission should continue to require 100% overlap before removing universal service support from rural ILECs.

IX. <u>Conclusion</u>

The Blooston Rural Carriers appreciate the Commission's attention to the budget shortfalls in the USF high-cost program and recognition of the challenges created by the mechanisms implemented since 2011. In order to meet its statutory mandate of making available

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[41] *Transformation Order* at ¶281.
[42] *Id.*
[43] *Id.* at ¶282.

"specific, predictable and sufficient" support, the Commission must (i) adopt a budget that, at a minimum, accounts for rising costs of providing service, and must (ii) eliminate the RGF and modify, if not eliminate, the BCM so that at least a significant portion of USF support is predictable. To the extent that the Commission proposes to extend a second model offer and/or increase funding in exchange for increased service deployment obligations, the Blooston Rural Carriers support these proposals only in so far as they do not result in a reduced support for legacy support carriers. Finally, the Blooston Rural Carriers believe the current process for 100% overlap by unsubsidized competitors continues to serve the function for which it was adopted, and should not be replaced with an auction mechanism.

Respectfully submitted,

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The Blooston Rural Carriers
Participating Carriers

* * *

3 Rivers Communications
Butler-Bremer Communications
C.R.S.T. Telephone Authority
Cameron Communications, L.L.C
Custer Telephone Cooperative, Inc.
Granite State Communications
Harrisonville Telephone Company
Peñasco Valley Telephone Cooperative, Inc.
Venture Communications Cooperative, Inc.
Townes Telecommunications, Inc. (on behalf of its operating companies)
Waitsfield-Fayston Telephone Company d/b/a Waitsfield and Champlain Valley Telecom