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

COMMENTS OF TDS TELECOMMUNICATIONS CORP.

TDS Telecommunications Corp. ("TDS Telecom"), by counsel, files these comments in response to the Report and Order, Third Order on Reconsideration, and Notice of Proposed Rulemaking that the Commission adopted in the above captioned proceedings on March 14, 2018.[1]

As explained more fully herein, TDS Telecom strongly encourages the Commission to raise the per-location funding cap for A-CAM support to the originally-proposed amount of $200 per eligible location. The Commission has made significant progress for rural consumers and businesses by funding model-based carriers at amounts up to $146.10 per-location. The next logical step in this steady march to close the digital divide is to raise the funding cap to $200 per location.

At the outset, TDS Telecom commends the Commission for taking the important step in the *Report and Order* of offering additional support up to $146.10 per location to all carriers that

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[1] *Connect America Fund* et al., WC Docket No. 10-90 et al., Report and Order, Third Order on Reconsideration, and Notice of Proposed Rulemaking, FCC 18-29 (rel. Mar. 23, 2018) (*R&O*, *Recon Order*, and *NPRM*).

had accepted the previously revised offers of model-based support. This action by the Commission to offer additional support will ensure that even more customers have access to 25/3 Mbps and 10/1 Mbps broadband offerings, and to all of the associated social and economic benefits of that access. And, equally as important, lowers the number of customers that are under the "reasonable request" standard. It therefore is of no surprise that the proposal to offer this additional funding received "ample support in the record from carriers and state government officials, as well as from members of Congress, for increasing the budget for A-CAM."[2] The overwhelmingly positive reception demonstrates the continued success of the Commission's overall approach to forward-looking, efficient, model-based support.

As the Commission has acknowledged, however, at $146.10 per location, the current level of funding for A-CAM falls short of what was contemplated for rural America in the original offer of support some two years ago. In this instant proceeding, the Commission should review and revise its budget to adequately fund all "rate of return" carriers, both model based and cost based.[3] By raising the per-location funding cap for model-based support to $200 per location, the Commission can rapidly "accelerate broadband deployment in those rural areas for which rate-of-return carriers accepted the first A-CAM offer."[4] Aware of the substantial benefits that would flow to the people they serve, in 2017 numerous state public service commissioners, governors, lieutenant governors, and members of the United States House and Senate expressed approval for increasing the cap to $200 per location.[5] Just ten days ago, 130 members of the

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[2] *Id*. at para. 67 & n.223.

[3] TDS elected optional model-based support for all of its operating companies, and thus will focus on that mechanism in these comments.

[4] *Id*. at para. 143.

[5] *See, e.g.*, Letter from Chairman Tom Forese, Commissioner Bob Burns, Commissioner Andy Tobin, Commissioner Boyd Dunn, and Commissioner Justin Olson, Arizona Corporation (continued…)

House and 63 members of the Senate pointed out that "the FCC's cost model for smaller operators is not yet funded at the designed levels" and urged the FCC to address this and other shortfalls in the high-cost program.[6] This advocacy from such a cross-section of public servants from around the country attests to the tremendous support for increasing the per-location funding cap and the recognition of the benefits that increasing the cap would produce.

In TDS Telecom's case, increasing the funding cap to $200 will mean that at least 2,457 additional customers will receive service of a minimum of 25/3 Mbps, while at least 1,170 additional customers will have increased service of a minimum of 10/1 Mbps. Meanwhile, 1,997 customers will transition from receiving broadband service *only* on "reasonable request" to having a guaranteed level of broadband access. TDS Telecom is eager to serve these additional customers, who, in turn, no doubt are eager to be served for the first time with broadband or expanded broadband access. For these additional locations, the decision the Commission makes regarding A-CAM funding is critical and may well mean the difference between consumers joining the broadband economy or remaining on the wrong side of the digital divide.

Providing the additional support also would leverage the inherent efficiencies of model-based support. Indeed, "[b]y creating defined performance and deployment obligations for specific and predictable support amounts," the Commission would further "advance[] the

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Commission to Hon. Ajit Pai, Chairman, FCC WC Docket No. 10-90 (Dec. 19, 2017); Letter from Mary Fallin, Governor, Oklahoma to Hon. Ajit Pai, Chairman, FCC WC Docket No. 10-90 (Dec. 18, 2017); Letter from Tate Reeves, Lieutenant Governor, Mississippi to Hon. Ajit Pai, Chairman, FCC WC Docket No. 10-90 (Dec. 11, 2017); Letter from Robert E. Latta, Bill Johnson, and Brad Wenstrup, Members of Congress, Ohio to Hon. Ajit Pai, Chairman, FCC WC Docket No. 10-90 (Dec. 14, 2017) Letter from Amy Klobuchar, U.S. Senator, Minnesota to Hon. Ajit Pai, Chairman, FCC WC Docket No. 10-90 (Dec. 11, 2017); Letter from Ron Johnson, U.S. Senator, Wisconsin to Hon. Ajit Pai, Chairman, FCC WC Docket No. 10-90 (Dec. 20, 2017).

[6] *See* Letter from Kevin Cramer et al., Members of Congress to Hon. Ajit Pai, Chairman, FCC WC Docket No. 10-90 (May 15, 2018); Letter from Deb Fischer et al., U.S. Senators to Hon. Ajit Pai, Chairman, FCC WC Docket No. 10-90 (May 15, 2018).

longstanding objective of providing support based on forward-looking efficient costs."[7] The certainty provided by additional model-based support also allows carriers like TDS Telecom to make efficient planning decisions as they build out their networks, maximizing benefits to the rural consumers they serve.

The Commission explained in the *NPRM* that if all eligible carriers accepted the offer of funding at $200 per location, it would cost "approximately $66.6 million more support per year for the 10-year A-CAM term."[8] This is a comparatively modest outlay in the context of the broader effort to bridge the digital divide. And it is money well spent. As a direct result of this additional funding, rural Americans will see corresponding additional deployment obligations associated with the model-based support, which will mean more Americans with more broadband access.

It bears mention that even with the increase to $200 per location, many locations will remain unserved or will still not have attained "reasonable comparability" to urban areas. The Commission's own model predicts that many locations would cost more than $200 per location to serve with the fiber-to-the-premise technology that the Commission has acknowledged as the forward-looking universal service standard.[9] Truly "full" funding thus will require more universal service funds than those presently contemplated by the *NPRM*. In the meantime, however, raising the cap to $200 per location will enable ACAM-electing carriers to bring high-quality broadband access for the first time to many additional people. By spending a modest

[7] *Connect America Fund et al.*, WC Docket No. 10-90 *et al.*, Report and Order *et al.*, 31 FCC Rcd 3087, 3096, para. 20 (2016) ("*2016 Order*").

[8] *NPRM* at para. 143.

[9] *2016 Order* at 3114, para 70; *id.* at 3102, para. 37 (excluding "from support calculations those census blocks where the incumbent or any affiliated entity is providing 10/1 Mbps or better broadband using either FTTP or cable technologies"); *id* at 3110, para. 57 (noting that adopting a DSL model, for example, "would have been backwards looking").

amount of additional Universal Service Fund money to raise the cap, the Commission will put limited funds to their best use and further the steps to close the digital divide already taking place under A-CAM.

TDS Telecom also takes the opportunity to comment on the Commission's request for comment on accounting for capital and operating leases—specifically, in support of the proposal to conform the Uniform System of Accounts ("USOA") of Part 32 to the new Accounting Standards Codification Topic 842 ("ASC 842"). TDS Telecom and other companies are in the process of transitioning accounting for capital and operating leases to the ASC 842 guidelines established by the Financial Accounting Standards Board ("FASB"). The changes required by FASB will provide shareholders with helpful information, but they should not cause any material changes to ratemaking or other functions associated with the USOA. There thus is no benefit to requiring carriers to maintain two sets of lease accounts—one for the existing, outdated USOA and another reflecting the new ASC 842 standard. At the same time, maintaining two sets of lease accounts, by its nature, will entail additional burden on carriers. The Commission accordingly should incorporate the ASC 842 guidelines into the USOA.

CONCLUSION

TDS Telecom commends the Commission for having allocated additional support to model-based carriers at levels of up to $146.10 per eligible location. Yet more can be done, as the Commission recognizes in the *NPRM*. By promptly raising the funding cap to $200 per location, the Commission can be assured in bringing broadband to more Americans.

Respectfully submitted,

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