

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 THE NEBRASKA A-CAM COMPANIES**

Cheryl L. Parrino  
PARRINO STRATEGIC CONSULTING  
GROUP, LLC  
17 Chautauqua Trail  
Madison, WI 53719  
(608) 829-3479  
[cparrino17@gmail.com](mailto:cparrino17@gmail.com)

## Table of Contents

<b>SUMMARY .....</b>	<b>iii</b>
<b>I. The Budget Should be Sized to Meet Universal Service Requirements and Make Broadband Available to a Maximum Number of Customers.....</b>	<b>2</b>
<b>II. The Commission Should Use the A-CAM Model to Size the Budget for A-CAM Companies .....</b>	<b>3</b>
<b>III. Funding A-CAM Electors up to \$200 Per Location Strikes the Right Balance Between Reaching a Maximum Number of Customers and Minimizing the Impact on USF Collections .....</b>	<b>4</b>
<b>IV. Funding at up to \$200 Per Location Will Bring Broadband to the Vast Majority of Rural Consumers Served by Existing A-CAM Companies .....</b>	<b>7</b>
<b>V. Increasing Funding to up to \$200 Per Location for Existing Model Companies Will Have a De Minimus Impact on Contributors.....</b>	<b>8</b>

## SUMMARY

The Nebraska A-CAM Companies support establishing a separate budget for the Alternative Connect America Model (A-CAM) program, not linked to the budget for carriers that remain on reformed legacy rate-of-return mechanisms. We recommend that the Commission use the results of its forward-looking efficient cost model, the A-CAM, to determine the cost of achieving universal access, without funding caps and exclusions of areas where A-CAM companies have already deployed fiber or cable technologies. That calculation should inform the Commission's decision regarding the appropriate budget for the A-CAM program.

Absent further Commission action in this proceeding, too many A-CAM customers will remain on the reasonable request standard with no foreseeable path to receiving reasonably comparable broadband service, contrary to statutory directives for universal service. The Commission should provide A-CAM funding at levels up to \$200 per location for existing A-CAM companies. This policy decision would strike an appropriate balance between maximizing the number of consumers with access to broadband, while ensuring that consumers do not bear an unreasonable burden in contributions.

If the Commission increases funding up to \$200 per eligible location, the Nebraska A-CAM Companies commit that they will build broadband at speeds of at least 4/1 Mbps to the vast majority, if not all, of their remaining reasonable request customer locations. The Nebraska A-CAM Companies estimate that providing additional funding to existing A-CAM recipients up to \$200 per location would have resulted in only a two cent increase in the average household monthly universal service line item in 2017, which is less than a one percent increase. The benefits of extending broadband to the unserved outweigh this small increase in contributions.

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 the Nebraska A-CAM Companies**

The Nebraska A-CAM Companies (‘‘Nebraska A-CAM Companies’’)<sup>1</sup> submit the following comments in the Federal Communications Commission’s (‘‘FCC’’ or ‘‘Commission’’) above-referenced docket. The Commission requested comments on revising the budget for rate-of-return (‘‘RoR’’) carriers within the high-cost program, recognizing both that consumers’ expectations and the Commission’s own broadband speed requirements have increased since the budget was initially established in 2011.<sup>2</sup> The Nebraska A-CAM Companies commend the Commission for considering additional funding for existing model companies to further expand broadband through the already-successful Alternative Connect America Model (‘‘A-CAM’’).

---

<sup>1</sup> The Nebraska A-CAM Companies include the American Broadband Nebraska Companies (Arlington Telephone Company, The Blair Telephone Company, Eastern Nebraska Telephone Company and Rock County Telephone Company); the Consolidated Companies (Consolidated Telephone Company, Consolidated Telco, Inc., Consolidated Telecom, Inc., and The Curtis Telephone Company); Great Plains Communications, Inc.; and The Nebraska Central Telephone Company.

<sup>2</sup> See generally *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. March 23, 2018) (‘‘2018 Rate of Return Order’’ or ‘‘Notice of Proposed Rulemaking’’).

The Nebraska A-CAM Companies urge the Commission to expand the budget to support A-CAM funding at levels up to \$200 per location for existing A-CAM companies. The Connect America Fund budget should be expanded in order to bring broadband to additional rural customers.

**I. The Budget Should be Sized to Meet Universal Service Requirements and Make Broadband Available to a Maximum Number of Customers**

Section 254 requires that consumers in rural, high-cost areas have access to advanced telecommunications and information services at reasonably comparable rates.<sup>3</sup> When the Commission established the goal of universal availability of broadband in 2011 to fulfill this statutory directive, it proceeded cautiously in establishing a budget for the newly established Connect America Fund, setting the budget target at the level of disbursements that pre-dated the reform of the high-cost program to expressly support broadband. The Commission concluded that it would be appropriate to evaluate the effect of its reforms before adjusting the budget.

Now, nearly seven years later, it is evident that additional funding is necessary to meet the statutory requirement for universal service. The Nebraska A-CAM Companies recommend that the Commission should resize the high-cost portion of the Universal Service Fund (USF) in order to increase the number of customers who are reached with affordable and scalable broadband service. This budget change would make additional support available to A-CAM companies with associated A-CAM program commitments to build out to customers. Doing so will ensure that more Americans have reasonable access to broadband, while at the same time not placing an undue burden on contributors.

---

<sup>3</sup> 47 U.S.C. § 254(b).

## **II. The Commission Should Use the A-CAM Model to Size the Budget for A-CAM Companies**

The Nebraska A-CAM Companies concur in the recommendation of ITTA-The Broadband Association (öITTAö) in its Comments in this proceeding that the Commission establish separate budgets for A-CAM companies and legacy RoR Companies. The Nebraska A-CAM Companies support this ITTA recommendation as it will eliminate real or perceived öcompetitionö between the two regimes over the allocation of the RoR high-cost USF budget. The budgets available for each will stand on its own merits, to be established by the Commission based on a determination of the funding needed to accomplish statutory directives, the Commission's goals, and the public interest benefits derived from each regime.

The Nebraska A-CAM Companies recommend that the Commission use the results of its own forward-looking efficient cost model, the A-CAM model, to determine the cost of achieving universal access, and use that information to size the A-CAM high-cost budget. In particular, the Commission should use the model to determine the amount of annual support that would be required to deploy and maintain broadband service to all locations in A-CAM areas, after exclusion of competitively served areas, without an artificial per location funding cap and without exclusion of census blocks that are already served by Fiber-to-the-Home (öFTTPö) or cable technology. These A-CAM results will be of value to the Commission in making a determination of how much additional funding should be made available to achieve additional broadband in rural areas, beyond that budget which has already been made available to A-CAM carriers.

The modeled costs of building and operating broadband networks to all consumers served by A-CAM companies gives the Commission a sound economic foundation for its budgetary decisions. The Nebraska A-CAM Companies note that the original RoR budget established in

2011 was set at the then-current level of high-cost disbursements, without consideration of the forward-looking costs of deploying broadband across the country.<sup>4</sup> The Commission had not yet, at that time, completed work on a forward-looking model to estimate the cost of building and operating broadband networks for RoR carriers throughout the country. We respectfully suggest that increasing that budget by the cost of inflation would only result in establishing another arbitrary number based on the original arbitrary number. A more informed and policy-based means of setting the A-CAM budget is to use the A-CAM model to determine the cost of universal broadband, with no consumers remaining on the reasonable request standard, and then evaluate how to balance the overall impact on fund size.

### **III. Funding A-CAM Electors up to \$200 Per Location Strikes the Right Balance Between Reaching a Maximum Number of Customers and Minimizing the Impact on USF Collections**

The Commission has asked how it should balance its objective of expanding broadband in rural areas with the impact on consumers who pay into the USF.<sup>5</sup> Any limit on funding below what the model requires to deploy and maintain broadband networks throughout high-cost areas should be a conscious policy decision by the Commission that a higher amount would overburden consumers with an unreasonable level of universal service contributions, and not simply be the residual outcome of not wanting to increase the budget for the existing A-CAM program by some pre-determined amount. The Nebraska Companies urge the Commission to carefully weigh the benefits derived by achieving additional broadband availability by current A-

---

<sup>4</sup> *Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform – Mobility Fund*; WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, paras. 123, 126 (2011) (*USF/ICC Transformation Order*”), *aff’d sub nom.*, *In re: FCC 11-161*, 753 F.3d 1015 (10 Cir. 2014).

<sup>5</sup> *Notice of Proposed Rulemaking*, para 112.

CAM companies with any impact on consumer collections so that the decision is the result of intentional deliberation by the Commission toward a precise outcome.

The Nebraska A-CAM Companies appreciate the recent decision made to increase funding up to \$146.10 per eligible location for existing A-CAM companies.<sup>6</sup> This action will result in some additional broadband deployment to certain customers and lessen, at least somewhat, the gap between model costs and the funding that is being made available, as the Nebraska A-CAM Companies have previously advocated.<sup>7</sup> However, more needs to be done to bridge this cost-versus-funding gap in order to make a meaningful difference in broadband availability in the highest-cost A-CAM company service areas.

In this regard, the Nebraska A-CAM companies point out that providing A-CAM support up to \$200 per location is not fully funding those companies. Rather, the Commission's original decision in 2016 to set a \$200 per location funding cap itself was a policy decision not to provide the full amount of support indicated by the model, but rather a lesser amount of support for all locations with average costs above the funding threshold.<sup>8</sup> Likewise, the 2016 decision to exclude from support calculations census blocks already served with FTTP or cable was essentially a budgetary allocation decision to prioritize new deployment in census blocks

---

<sup>6</sup> *2018 Rate of Return Order*, para. 66.

<sup>7</sup> See Letter from Cheryl L. Parrino on behalf of the Nebraska Companies Marlene H. Dortch, Secretary, FCC, WC Docket No. 10-90 (filed June 29, 2017) (attaching presentation "Finish The Job to Bring Broadband to Rural America").

<sup>8</sup> The Commission's first A-CAM model offer to RoR carriers was at up to \$200 per location. See *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, 3107, para. 52 (2016) ("*2016 Rate of Return Order*"). Only after demand exceeded the then-available budget did the Commission reduce offers to A-CAM companies.



altogether lacking service, not a decision by the Commission that there is no ongoing cost to operating a fiber or cable network.<sup>9</sup>

In order to meet the statutory mandate of universal service, it is critical that the Commission have a plan for reaching all customers with broadband service over some reasonable period of time. In 2014, the Commission concluded in a Declaratory Ruling that RoR carriers were not legally obligated to deploy broadband if it was not economically feasible to do so in light of expected end user revenues and current support levels.<sup>10</sup> While we appreciate the Commission's desire at that time to provide guidance to carriers on what they should do pending consideration of larger reforms, now it is more than four years later, and consumers are still waiting for service.

The existing A-CAM customer locations that will remain subject to the reasonable request standard under the current rules unfortunately are left in regulatory limbo, without a concrete plan or any prospects for broadband service. Looking at our own service territories, it is farms and ranches in the heartland of America that will remain unserved, absent further action. This is a problem that needs to be considered and addressed when setting the overall budget for the A-CAM program.

The Nebraska A-CAM Companies continue to believe that providing funding up to \$200 per eligible location strikes an appropriate balance. Doing so will result in broadband availability for many more additional consumers served by existing A-CAM companies. The Nebraska A-CAM Companies believe that funding at up to \$200 per location is a reasonable middle ground for the Commission to stake out for existing A-CAM companies in expanding

---

<sup>9</sup> *Id.* at para. 56.

<sup>10</sup> *Connect America Fund et al.*, WC Docket No.10-90 et al., Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, 29 FCC Rcd 7051, para. 67 (2014).

broadband availability to many additional customers, while only minimally impacting USF-paying consumers.

#### **IV. Funding at up to \$200 Per Location Will Bring Broadband to the Vast Majority of Rural Consumers Served by Existing A-CAM Companies**

Absent further Commission action in this proceeding, A-CAM customers on the reasonable request standard are left on an island with no foreseeable path to receiving reasonably comparable broadband service. Many of the reasonable request customers are within the same census blocks as customers that will be newly served by broadband as a result of the A-CAM program; they simply are too far from fiber facilities to be economically feasible at current support levels. Placing these census blocks in upcoming auctions for support is not the answer: with the current support levels, A-CAM companies are working to extend broadband networks within these census blocks as far as possible. The net result will be a partially served census block, with some of our customers grateful to have broadband service newly available, and their neighbors ó just a little farther down the road ó remaining unserved.

With an additional amount of funding up to \$200 per location, we believe that many A-CAM companies would be in a position to develop plans to reach nearly all of their customers with some level of broadband service over a reasonable period of time. That certainly is the case for our companies.

The Nebraska A-CAM Companies make this pledge to the Commission: If the Commission increases funding up to \$200 per eligible locations, the Nebraska A-CAM Companies commit that they will build broadband at speeds of at least 4/1 Mbps to the vast majority, if not all, of their remaining reasonable request customer locations. This commitment expands broadband to more than the minimum number of reasonable request locations that would be required at up to \$200 per location, and serves as evidence of the Nebraska A-CAM

Companies' commitment to bring service to all of their rural customers if funding is increased to diminish the gap between A-CAM costs and actual A-CAM funding. While not in a position to make any representations regarding the intentions of other A-CAM companies, the Nebraska A-CAM Companies nonetheless believe it is reasonable to conclude other A-CAM companies across the country may similarly be in a position to accomplish the same level of buildout.

**V. Increasing Funding to up to \$200 Per Location for Existing Model Companies Will Have a De Minimis Impact on Contributors**

The Commission has stated, and appropriately so, that it needs to consider the impact of its universal service decisions on consumers that pay into USF; after all, "end users ultimately bear the cost of supporting universal service, through carrier charges."<sup>11</sup> Any modification in the universal service funding budget by the Commission is a critical decision that should be made deliberately and with proper public policy considerations. The Commission has estimated that if all eligible carriers were to accept an offer of increased A-CAM funding up to \$200 per location, an additional \$66.6 million in annual support for existing A-CAM recipient companies over the 10 years of the program would be required.<sup>12</sup>

We understand the Commission's longstanding commitment to fiscal responsibility and desire to spend public funds judiciously. In our view, the public policy benefits of increasing the budget to provide support up to \$200 per location would far outweigh the potential burden on ratepayers of increased contributions. According to calculations made by the Nebraska A-CAM Companies, had the Commission decided last year to provide A-CAM support up to \$200 per eligible location, that would have raised the average monthly contribution for residential

---

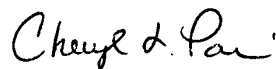
<sup>11</sup>*Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Sixth Report and Order, 25 FCC Rcd 18762, para. 36 (2010).

<sup>12</sup> *Notice of Proposed Rulemaking*, para. 143.

households from \$2.68 to \$2.70 ó an increase of only two cents.<sup>13</sup> We submit that such a small increase ó less than one percent ó in the federal USF line item would not make phone service unaffordable, nor would it have any material impact on phone subscription.

Such a modest impact on contributors is warranted because it ensures that tens of thousands of additional consumers will receive broadband services. This outcome would represent a conscious policy decision to provide universal service to high-cost customers. Without such a decision these higher-cost RoR customers will have no chance of receiving broadband, contrary to the statutory mandate of universal service.

Respectfully submitted,



Cheryl L. Parrino

Parrino Strategic Consulting Group, LLC  
17 Chautauqua Trail  
Madison, WI 53719  
(608) 829-3479  
[cparrino17@gmail.com](mailto:cparrino17@gmail.com)

---

<sup>13</sup> In preparing this estimate, we utilized the same methodology used in Table 1.12 of the annual Federal-State Joint Board on Universal Service's *Universal Service Monitoring Report*, which presents the overall per household impact of the federal USF, year over year. See Federal and State Staff for the Federal-State Joint Board on Universal Service, *Universal Service Monitoring Report*, Table 1.12 (rel. Apr. 13, 2018) (*2017 Universal Service Monitoring Report*). According to the *2017 Monitoring Report*, contributions based on services typically sold to residential users represent roughly one-half of overall contributions. For purposes of calculating the incremental additional impact on residential households, we calculated the per household impact of all USF programs using the assumption that 50% of contributions are borne by residential households, and then added \$66.6 million to that figure, using the total amount of USF demand presented in Table 1.11 of the *2017 Monitoring Report*. We used the 122.9 million figure for households with a telephone from Table 6.1 of the *2017 Monitoring Report*.