

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
)	

REPLY 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

Table of Contents

SUMMARY.....	ii
I. Broad Support Exists for Increasing Funding for Existing A-CAM Companies up to \$200 per Eligible Location	1
II. Funding up to \$200 per Eligible Location Results in Significant Remaining Unreimbursed Costs for the Nebraska A-CAM Companies and Many Other A-CAM Companies.....	4
III. With Any Increased Funding, the Commission Should Explore How to Serve Reasonable Request Customers under the Legacy High-Cost Program	7
IV. The Commission Should Make an A-CAM Offer to Glide-Path Companies.....	8
V. CONCLUSION.....	9
APPENDIX A	

SUMMARY

The record developed in this proceeding demonstrates that the benefits of increasing funding up to \$200 per eligible location for existing A-CAM companies far outweigh the costs, and the Commission should proceed expeditiously to adopt an Order making this necessary program improvement. The Commission's own performance measures show that the contribution burden of the high-cost program has shrunk since the Commission established the high-cost budget, declining nearly 14 percent between 2011 and 2017. Increasing A-CAM funding up to \$200 per eligible location will have a minimal impact on the universal service fund (USF) line item on residential household bills: a mere two cents per month. Funding the A-CAM program up to \$200 per location is a reasonable balance to strike, taking into account the benefits to the many consumers who will newly gain access to broadband with the minimal impact on consumers who pay into the fund.

A-CAM support, whether at the current level or up to \$200 per location, covers only a portion of the cost of making universal broadband a reality. If funding were increased up to \$200 per location, the Nebraska A-CAM Companies would receive, on average, only 58 percent of the total amount of uncapped model support for their eligible areas.

If the Commission determines there should be a minimum threshold amount of support for legacy companies, it should adopt deployment requirements for all legacy companies including those that have deployed 10/1 Mbps broadband service to at least 80 percent of their customers to ensure the benefits of funding stability accrue to rural consumers.

Finally, making an additional offer to glide-path companies at up to \$200 per location is a sensible step for the Commission to take at this time, as that would result in more broadband deployment, at a lower cost to the USF.

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
)	

Reply Comments of the Nebraska A-CAM Companies

The Nebraska A-CAM Companies (õNebraska A-CAM Companiesö)¹ submit the following reply comments in the Federal Communications Commission's (õFCCö or õCommissionö) above-referenced docket in response to comments filed by parties.

I. Broad Support Exists for Increasing Funding for Existing A-CAM Companies up to \$200 per Eligible Location

The Nebraska A-CAM Companies are pleased to note that there is broad support in the record for increasing funding up to \$200 per eligible location for existing A-CAM companies, with virtually every party that commented on the issue supporting funding at that level.² The

¹ The Nebraska A-CAM Companies include the American Broadband 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.

Commission should proceed expeditiously with an Order approving this level of funding with the confidence that the record overwhelmingly supports such action.

In response to NCTA's suggestion that the Commission should keep in mind the burden of contributions on consumers, and only increase A-CAM funding if there is additional headroom in the budget,³ we note that the Commission's own performance measures show that overall burden of universal service contributions to support high-cost areas has declined since the original high-cost budget was established. Back in 2011, the Commission decided it would annually track its performance goal for the newly established Connect America Fund of minimizing the overall universal service contribution burden on American consumers and businesses by dividing the total inflation-adjusted expenditures of the high-cost program (including the Connect America Fund and the Mobility Fund) by the number of American households and expressing the measure as a monthly dollar figure.⁴ According to the

² See Comments of ITTA-The Voice of America's Broadband Providers at 15-19 (ITTA Comments); Comments of NTCA-The Rural Broadband Association at 31-32 (NTCA Comments); Comments of the USTelecom Association at 9 (USTelecom Comments); Comments of WTA & Advocates for Rural Broadband at 20 (WTA Comments); Comments of TDS Telecommunications Corp. at 2-5; Comments of ADTRAN, Inc. at 8 (ADTRAN Comments); Comments of the Blooston Rural Companies at 13 (Blooston Rural Companies Comments); Comments of the Concerned Rural ILECs (Concerned Rural ILECs Comments) at 12; Comments of FWA, Inc. at 10; Comments of ICORE Consulting LLC at 5 (ICORE Comments); Comments of TCA at 4 (TCA Comments).

³ Comments of NCTA & the Internet & Television Association at 1, 3.

⁴ *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, 17682-83, paras. 57-58 (2011), *aff'd sub nom.*, *In re: FCC 11-161*, 753 F.3d 1015 (10 Cir. 2014).

Commission's own data, that monthly amount in 2017 was nearly 14 percent lower than the monthly amount for 2011.⁵

Looking at the contribution burden of the entire universal service fund (öUSFö), the estimated per-household residential contribution in 2011 was between \$2.88 and \$3.52, while in 2017 it had dropped to between \$2.27 and \$2.77 per month.⁶ The two-cent increase that we estimated would occur by increasing support up to \$200 per location for existing A-CAM companies would still result in per-household contributions that are much lower than the levels that existed at the time the Commission established the high-cost budget.⁷ Because the contribution burden performance measure shows a 14 percent decline since the high-cost budget was established, the consumer impact of increasing the A-CAM budget will be negligible, and the resulting per-household contribution is far less than when the Commission set the high-cost budget, it is justifiable to conclude that an increase in A-CAM funding up to \$200 per location is a wise and warranted policy decision.

Given this historical contribution comparison, the fact that many more Americans will have access to broadband and that infrastructure provided by the high-cost program in rural America helps all other universal service programs meet their intended purposes,⁸ now is the time to modify A-CAM funding so A-CAM carriers have the opportunity to provide broadband

⁵ 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). The performance measure for the high-cost program was \$3.34 in 2011, and \$2.88 in 2017.

⁶ *Id.* The reason for the varying dollar amounts for each year is the report calculates a range for the estimated residential household portion of total contributions between 45% (low estimate) and 55% (high estimate).

⁷ Comments of the Nebraska A-CAM Companies (öNebraska A-CAM Companies Commentsö) at 9.

⁸ See USTelecom Comments at 3.

services to *significantly more of their customers*. Companies need to know as quickly as possible that additional funding will be made available so that they can modify their engineering plans for the network construction that is already underway. Any further delay will result in unnecessary re-engineering at a future date, needlessly raising the cost of the ultimate network deployment. The Nebraska A-CAM Companies respectfully submit that the record in this proceeding strongly supports the Commission increasing the A-CAM budget immediately to provide support up to \$200 per location for existing A-CAM companies.

II. Funding up to \$200 per Eligible Location Results in Significant Remaining Unreimbursed Costs for the Nebraska A-CAM Companies and Many Other A-CAM Companies

USTelecom argues in its comments that adjusting the high-cost budget by inflation alone is insufficient to provide the support needed to extend broadband networks deeper into the unserved areas of the country.⁹ While USTelecom fully supports providing funding for A-CAM companies up to \$200 per location,¹⁰ it incorrectly suggests that the Commission found that level would provide “full support for those locations where the average cost is much higher.”¹¹ As set forth in our opening Comments,¹² and recognized by other commenters,¹³ providing funding up to \$200 per location is not fully funding the cost of bringing broadband to all rural Americans.

USTelecom also submitted as an Appendix to its Comments an Alexicon analysis of unrecovered or under-recovered costs for select legacy companies and three unnamed A-CAM

⁹ *Id.* at 4-5.

¹⁰ *Id.* at 9.

¹¹ *Id.* at iii (Executive Summary).

¹² Nebraska A-CAM Companies Comments at 5.

¹³ Concerned Rural ILECs Comments at 12.

companies that Alexicon randomly selected.¹⁴ In the Executive Summary to Alexicon's analysis, it acknowledged that the results presented for the three A-CAM companies were merely an "initial look," and A-CAM companies will need to calculate their own unrecovered costs.¹⁵

At the outset, we note that Alexicon erroneously suggests that funding at \$200 per location would provide full cost recovery for A-CAM companies, calling \$200 per location "uncapped" support. That is not the case. It fails to take into account the numerous locations with costs greater than \$200, which would receive only partial funding even if funding were raised to \$200 per location. Alexicon's conclusion that its sample of three A-CAM companies were recovering 78 percent of their costs thus was premised on a faulty assumption that \$200 per location would automatically provide full cost recovery. While that could be true for an A-CAM company with lower costs, relatively speaking, it certainly is not the case across the board.

The Nebraska A-CAM Companies undertook their own examination to determine the shortfall in funding under the current A-CAM program for their companies, compared to the model-determined amount of support that would be needed to cover fully the costs of universal broadband. As shown in the attached Appendix A, with the Commission's recent decision to provide funding up to \$146.10 per location, the Nebraska A-CAM companies will be receiving, on average, less than 48 percent of the total amount of model support for their eligible areas that would be calculated without a funding cap.¹⁶ In fact, this is a smaller percentage than the calculated "recovery of costs" for the legacy companies examined by Alexicon (57 percent).¹⁷ If

¹⁴ See USTelecom Comments, Appendix A, prepared by Alexicon.

¹⁵ *Id.* at i (Appendix A Executive Summary).

¹⁶ The figures for the individual Nebraska A-CAM Companies necessarily vary from the average.

¹⁷ *Id.* at 1.

A-CAM support were provided up to \$200 per location, the Nebraska A-CAM Companies' average amount of support divided by the uncapped model amount would be comparable to the cost recovery of the legacy companies in Alexicon's analysis (58 percent vs. 57 percent).

Thus, our analysis shows that Nebraska A-CAM companies are currently worse off than the companies analyzed by Alexicon in terms of receiving the amount of support that is necessary to make universal service a reality. And it is notable that in exchange for support offered by the Commission, A-CAM companies have significantly greater obligations to deploy and offer service to a specific number of customers compared to legacy carriers, a key difference between the two programs.

The central point is that even at up to \$200 per location, the Nebraska A-CAM Companies would remain unreimbursed for a large amount of their modeled costs above the funding threshold. And at the current \$146.10 per location A-CAM funding level, even more costs are unreimbursed. It is reasonable to conclude that relatively large amounts of unreimbursed costs exist for many other A-CAM companies, especially those in higher-cost states west of the Mississippi River, as has been previously documented.¹⁸ As stated in our Comments, an increase in support up to \$200 per location strikes a reasonable balance in expanding broadband buildout, minimizing burden on consumers and, as stated herein, providing support at a level that lessens the gap between funding and cost.

¹⁸ 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," which demonstrated inequities between eastern and western states even at \$200 per location).

III. With Any Increased Funding, the Commission Should Explore How to Serve Reasonable Request Customers under the Legacy High-Cost Program

The Nebraska A-CAM Companies' Comments included a commitment that if funding is increased up to \$200 per location, they will provide broadband buildout to most, if not all, of their reasonable request locations. The Comments further stated that it is reasonable to assume that many other A-CAM companies would be capable of making similar service commitments at that level of funding.¹⁹ We re-emphasize this commitment for the Commission to consider as it deliberates whether to increase funding for the rate-of-return programs.

While universal broadband for many additional A-CAM-funded customers will be accomplished with funding up to the \$200 per location level, increasing funding for the legacy program does not provide any assurance of increased broadband availability for rural consumers unless the Commission decides to increase legacy buildout requirements along with any stabilizing of legacy funding. The Nebraska A-CAM Companies echo ITTA's Comments, which state that increasing obligations for legacy carriers would not be unreasonable if there is a certain threshold set for uncapped support, as is being considered by the Commission.²⁰ Customers that currently are deemed unreasonable to serve by legacy rate-of-return carriers have no assurance of when or whether they ever will have the opportunity to receive broadband service. If the Commission determines there should be a minimum threshold amount of support for legacy companies, it should adopt forward-looking deployment requirements for all legacy companies — including those that have deployed 10/1 Mbps broadband service to at least 80 percent of their customers — to ensure the benefits of funding stability accrue to rural consumers.

¹⁹ See Nebraska A-CAM Companies Comments at 7-8.

²⁰ See ITTA Comments at 32-33.

IV. The Commission Should Make an A-CAM Offer to Glide-Path Companies

An array of parties support the Commission's proposal to make an offer of A-CAM support to glide-path carriers. A sampling of these comments includes those of the Blooston Rural Companies, which support a glide path offer as long as it does not reduce legacy support.²¹ WTA supports another offer for glide-path carriers,²² as does TCA,²³ while various parties support a new model offer to all companies.²⁴

The Nebraska A-CAM Companies believe that making an additional offer to glide-path companies at up to \$200 per location is a sensible step for the Commission to take at this time.

Glide path companies accepting an offer of A-CAM support would immediately receive a lower, efficient level of model-based support, supplemented for some time with transition payments, resulting in lower overall payments from the high-cost program than otherwise would be the case. This reduction in payments from the high-cost program could help defray the budgetary impact of providing funding up to \$200 per location for existing A-CAM companies. In addition, specific additional broadband deployment will result from these companies agreeing to move to A-CAM support, with the broadband commitments that come with receipt of this support. The broadband deployment obligations for the A-CAM program are more robust than those that exist for legacy companies, and not all legacy companies are even subject to any

²¹ See Blooston Rural Companies Comments at 10.

²² See WTA Comments at 14.

²³ See TCA Comments at 5.

²⁴ See ADTRAN Comments at 6; Concerned Rural LECs Comments at 13; ICORE Comments at 4; USTelecom Comments at 12-18.

specific deployment obligations. The net result of a glide path offer would be more broadband for American consumers, at a lower cost.

V. CONCLUSION

The record developed in this proceeding demonstrates that the benefits of increasing funding up to \$200 per eligible location for existing A-CAM companies far outweigh the costs, and the Commission should proceed expeditiously to adopt an Order making this change. Any further delay will result in unnecessary re-engineering at a future date, needlessly raising the cost of the ultimate network deployment.

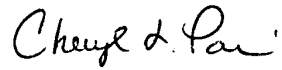
A-CAM support, whether at the current level or up to \$200 per location, covers only a portion of the eligible cost of making universal broadband a reality. If funding were increased up to \$200 per location, the Nebraska A-CAM Companies would receive, on average, only 58 percent of the total amount of uncapped model support for their eligible areas.

Increasing A-CAM funding up to \$200 per eligible location will produce significant public policy benefits: A-CAM companies will be able to provide broadband services to significantly more of their customers. The Nebraska A-CAM Companies reiterate their commitment to offer broadband service to most, if not all, of their reasonable request locations if funding is increased up to \$200 per location. Many consumers in rural America have been waiting for years, hoping to gain access to broadband. Now is the time to answer their call.

The Commission's own performance measures show that the contribution burden of the high-cost program has shrunk since the Commission established the high-cost budget, declining nearly 14 percent between 2011 and 2017. Increasing A-CAM funding up to \$200 per eligible location will have a minimal impact on the USF line item on residential household bills: a mere two cents per month. Funding the A-CAM program up to \$200 per location is a reasonable

balance to strike, taking into account the benefits to the many consumers who will newly gain access to broadband with the minimal impact on consumers who pay into the fund.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Cheryl L. Parrino". The script is cursive and fluid.

Cheryl L. Parrino

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

Appendix A

Nebraska ACAM Companies *	ACAM Support @ \$146.10 / Eligible Location	ACAM Support @ \$200 / Eligible Location	ACAM Support for All Eligible Locations (Uncapped)	Average % of Eligible Costs Reimbursed @ \$146.10	Average % of Eligible Costs Reimbursed @ \$200
Total	\$30,789,817	\$37,529,580	\$64,294,350	48%	58%

Chart 1: ACAM Support @ \$146.10 / Elig Loc

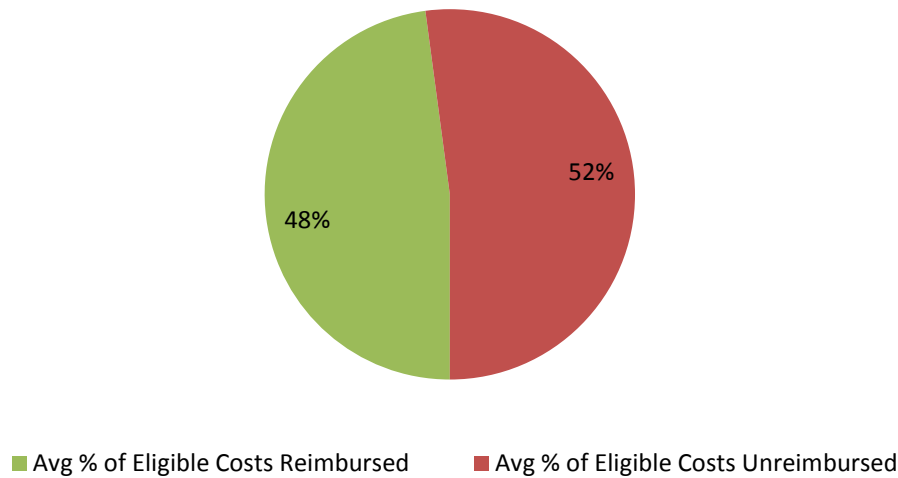
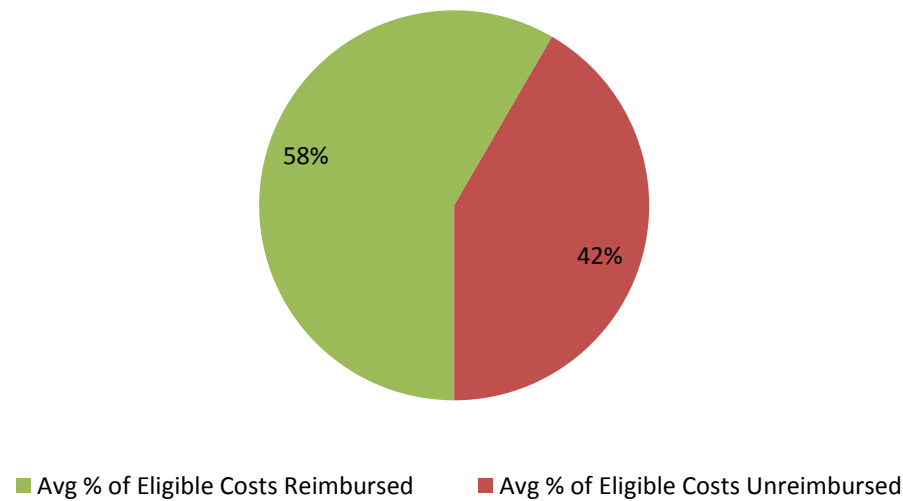


Chart 2: ACAM Support @ \$200 / Elig Loc



* The total includes information for American Broadband Companies, Consolidated Companies, Great Plains Communications, Inc. and The Nebraska Central Telephone Company.