



N A R U C  
National Association of Regulatory Utility Commissioners

February 26, 2017

The Honorable Ajit Pai, Chairman  
The Honorable Mignon Clyburn, Commissioner  
The Honorable Michael O'Rielly, Commissioner  
Federal Communications Commission  
445 12th Street, SW  
Washington, D.C. 20554

**RE: *In the Matter(s) of Connect America Fund (WC Docket No. 10-90), ETC Annual Reports and Certifications (WC Docket No. 14-58), Rural Broadband Experiments (14-259).***

***Notice of Written Ex Parte re: Pennsylvania April 2017 CAF Recon. Petition.<sup>1</sup>***

Mr. Chairman and Commissioners:

The preservation of universal service has long been a federal-State partnership as envisioned by Congress in 1996 and explicitly recognized by the Federal Communications Commission (FCC). The FCC in 2011 modernized its universal service program supporting rural voice service by creating the *Connect America Fund* (CAF) to efficiently and effectively support expansion of rural broadband. The funds are targeted to rural areas where the private sector is unable to make a business case to provide broadband service, absent these subsidies. The Commission continues to work on implementing a nationwide auction to award support for broadband deployment in other rural areas of the country.

In its first action under Chairman Ajit Pai, the FCC voted January 21, 2017 to provide up to \$170 million from the Connect America Fund to expand broadband deployment in unserved rural areas of New York State.<sup>2</sup> The very next month, NARUC endorsed the FCC's action via resolution,<sup>3</sup> pointing out, among other things that:

Other State commissions, including Pennsylvania, California, and Massachusetts, have filed in support of the New York State waiver so that the CAF Phase II model-based offers of support declined for State-specific census block or tract not migrate from the supported census blocks or tracts in New York State to out-of- state census blocks or tracts.

In April 2017, the Pennsylvania Public Utility Commission filed a *Petition for Reconsideration, Modification or Waiver*.

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<sup>1</sup> ***Pennsylvania Petition for Reconsideration, Modification, or Waiver***, filed April 24, 2017 (dated April 19, 2017), in the proceeding captioned "In the Matter(s) of Connect America Fund, WC Docket No. 10-90, ETC Annual Reports and Certifications, WC Docket No. 14-58, online at: <https://ecfsapi.fcc.gov/file/1050290096767/17042803-7.pdf>. Noticed April 25, 2017 at: <https://ecfsapi.fcc.gov/file/0425526118500/DOC-344555A1.pdf>.

<sup>2</sup> ***Connect America Fund; ETC Annual Reports and Certifications***, Order FCC 17-2 (released January 26, 2017), online at: [https://apps.fcc.gov/edocs\\_public/attachmatch/FCC-17-2A1.docx](https://apps.fcc.gov/edocs_public/attachmatch/FCC-17-2A1.docx).

<sup>3</sup> ***Resolution on Federalism and the Connect America Fund Phase II***, (Adopted February 15, 2017), online at: <http://pubs.naruc.org/pub/3E7C680C-01FA-3663-08C8-B013569A05C0>.

Since April, among other things, NARUC has participated in, and facilitated two face-to-face meetings with FCC Commissioners and staff on that petition.<sup>4</sup>

This letter is to highlight NARUC's general support. Pennsylvania's request is based upon the auction formula announced in the *CAF Phase II Auction Rules Order*. That order identifies the FCC's dual objectives of auction effectiveness and efficiency. The Pennsylvania request addresses those objectives. Pennsylvania's proposal which requires a minor supplement to the existing auction rules, incentivizes expanding the reach of the federal support with additional complementary support provided by the state to successful bidders. That complementary support will provide significant cost effectiveness and financial synergies that may not be available absent the modification and is limited to those census blocks for which the CAF Phase II support was previously allocated to Verizon.

Absent this proposed modification, Pennsylvania will be detrimentally impacted by the competitive bidding process in a way that will frustrate the deployment of broadband in high-cost support-eligible areas in the Commonwealth. This concern is not limited to Pennsylvania. As mentioned, *supra*, NARUC's resolution specifically supports States' retention of CAF II declined funds.

Specifically, NARUC resolved as follows:

That NARUC urges the FCC to provide the waivers or changes in rules and policies needed so that the model-based support declined by price-cap carriers in State-specific census blocks or tracts in the CAF Phase II list, as it exists or may come to exist, remains within the respective State or State-specific census blocks or tracts so that the bidders and States affected by a price-cap carrier's refusal of model-based support know that the model-based support will remain within the State or the State-specific census blocks or tracts, thereby avoiding the negative universal service impact triggered by any increase in rates that would occur to recover that loss of federal support.<sup>5</sup>

Modification of the Commission's auction formula for Pennsylvania is in the public interest because it will ensure that unserved communities will timely receive comparable broadband services by facilitating sustainable business models and the accelerated buildout of broadband networks. To minimize the amount of funding that may be required from the CAF and to help ensure that Pennsylvania, with *high cost areas*, receives a timely and equitable distribution of funds to deploy broadband in those areas, the Commission should reconsider its determination for Pennsylvania.

If you have any questions, please do not hesitate to contact me at 202.898.2207 or [jramsay@naruc.org](mailto:jramsay@naruc.org).

Sincerely,

James Bradford Ramsay  
NARUC General Counsel

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<sup>4</sup> *Notice of Oral Ex Parte*, WC Docket Nos. 10-90, 14-58, and 15-259, filed July 20, 2017 by Regina L. Matz, Legal Counsel to Pennsylvania Public Utility Commissioner David W. Sweet, online at: <https://www.fcc.gov/ecfs/filing/10720024701882>, *Notice of Oral Ex Parte*, WC Docket Nos. 10-90 and 14-58, filed June 1, 2017 by Regina L. Matz, Legal Counsel to Pennsylvania Public Utility Commissioner David W. Sweet, <https://ecfsapi.fcc.gov/file/10601281517412/170601%20FCC%20Ex%20Parte%20Letter.pdf>.

<sup>5</sup> See note 2, *supra*.

cc: *Nicholas Degani, Senior Counsel, Office of Chairman Pai*  
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