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

In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
Connect America Phase II Challenge Process	)	WC Docket No. 14-93
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337

ORDER

Adopted: October 3, 2014 **Released: October 3, 2014**

Challenges Due: November 3, 2014
Responses Due: December 2, 2014

By the Deputy Chief, Wireline Competition Bureau:

1. In this Order, we address several universal service issues associated with the pending acquisition by Consolidated Communications Holdings, Inc. (Consolidated) of Enventis Corporation (Enventis).[1] Pursuant to the Commission's high-cost universal service rules, rate-of-return affiliates of price cap carriers receive support through Connect America Phase I and Phase II.[2] Consolidated is a holding company that owns price cap local exchange carriers. Enventis is a holding company that owns three rate-of-return local exchange carriers. If, as proposed, Consolidated acquires Enventis and its three rate-of-return local exchange carriers, those local exchange carriers will become rate-of-return affiliates of a price cap carrier. Accordingly, those study areas will be subject to Connect America Phase I and Phase II and will no longer participate in high-cost universal service mechanisms for rate-of-return carriers.

2. Below, we provide guidance regarding this transition. Specifically, we (a) confirm that the Enventis study areas will receive Connect America Phase I frozen high-cost support based on 2011 support, (b) require Consolidated to file with the Universal Service Administrative Company (USAC) a revision of the data filed to establish its Eligible Recovery amounts under the Commission's intercarrier compensation rules, (c) rebase the high-cost loop support (HCLS) cap to reflect the removal of Enventis's study areas from the HCLS mechanism, and (d) establish a challenge process to determine the eligibility of census blocks currently served by Enventis for Connect America Phase II support.

3. **Connect America Phase I Frozen High-Cost Support.** The Commission's rules state that a rate-of-return affiliate of a price cap carrier receives Connect America Phase I frozen high-cost

[1] *See Domestic Section 214 Application Filed for the Transfer of Control of Enventis Corporation to Consolidated Communications Holdings, Inc.*, *Streamlined Pleading Cycle Established*, WC Docket No. 14-111, Public Notice, 29 FCC Rcd 9665 (Wireline Comp. Bur. 2014).

[2] *See* 47 C.F.R. §§ 54.312(a), 54.1301(a).

support.[3] Given the administrative difficulties of an immediate change to frozen high-cost support, Consolidated will begin receiving Connect America Phase I frozen high-cost support beginning January 1, 2015. For those study areas, Consolidated will be subject to any conditions or obligations associated with Connect America Phase I frozen high-cost support at that time.[4] Consistent with the *USF/ICC Transformation Order*, the amount of frozen high-cost support will be based on the amount of high-cost universal service support, including HCLS, forward-looking high-cost model support, safety valve support, local switching support (LSS), interstate access support, and interstate common line support, that the Enventis study areas received in 2011.[5]

4. **Connect America Fund Intercarrier Compensation Replacement.** Consolidated's acquisition of the three study areas currently operated by Enventis will require an adjustment to its Eligible Recovery amounts under the Commission's intercarrier compensation rules. In the *USF/ICC Transformation Order*, the Commission acknowledged that, by defining Eligible Recovery based on a carrier's interstate switched access requirement, "in essence, carriers receiving LSS today will be eligible to receive support as part of their Eligible Recovery."[6] As described above, these three study areas will receive frozen high-cost support that includes LSS. In order to avoid duplicative recovery of LSS, therefore, LSS needs to be removed from the Eligible Recovery amounts. Accordingly, we require Consolidated to update filings completed pursuant to sections 54.304 and 51.917 of the Commission's rules within 45 days of closing on its acquisition of Enventis. As with the Connect America Phase I frozen high-cost support, changes to the Eligible Recovery will be applied beginning January 1, 2015.

5. **Rebasing High-Cost Loop Support Cap.** Consistent with precedent, we direct the National Exchange Carrier Association (NECA) to re-calculate the HCLS cap for 2015 to exclude the HCLS that NECA attributed to Enventis's three study areas when it rebased the cap for 2012.[7] Thus, beginning January 1, 2015, the total annual amount of the incumbent local exchange carrier portion of the nationwide loop cost expense adjustment (i.e., the cap on HCLS) pursuant to section 54.1303(a) shall be adjusted to remove any support previously included due to Enventis's treatment as a rate-of-return carrier in January 2012.[8]

6. **Connect America Phase II Challenge Process**. In the event that the proposed acquisition occurs, the Enventis study areas will be eligible for the offer of model-based support to Consolidated. The Bureau currently is conducting a challenge process for determining the eligibility of price cap census blocks for Connect America Phase II support.[9] In this Order, we initiate a challenge process limited exclusively to high-cost census blocks in the three incumbent study areas currently served

[3] 47 C.F.R. § 54.312; *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order et al., 26 FCC Rcd 17663, 17715, para. 133 (*USF/ICC Transformation Order*), *aff'd sub nom. In re FCC 11-161*, 753 F.3d 1015 (10th Cir. May 23, 2014).

[4] 47 C.F.R. § 54.313(c)(4).

[5] *See USF/ICC Transformation Order*, 26 FCC Rcd at 17715, para. 133.

[6] *Id.* at 17969, para. 872.

[7] *Id.* at 17760, para. 259; *see also Connect America Fund*; *High-Cost Universal Service Support*, WC Docket Nos. 10-90 and 05-337, Order, 28 FCC Rcd 10999, 11006, para. 19 (Wireline Comp. Bur. 2013) (rebasing high-cost loop support cap when rate-of-return affiliate of a price cap carrier was acquired by a non-price cap carrier).

[8] *See* 47 C.F.R. § 54.1303(a) (formerly 47 C.F.R. § 36.603(a)).

[9] *Wireline Competition Bureau Commences Connect America Phase II Challenge Process*, WC Docket Nos. 10-90 and 14-93, Public Notice, 29 FCC Rcd 7986 (Wireline Comp. Bur. 2014) (*Challenge Process PN*); *Replies Sought in Connect America Phase II Challenge Process*, WC Docket Nos. 10-90 and 14-93, Public Notice, DA 14-1397 (Wireline Comp. Bur. rel Sept. 26, 2014).

by Enventis.[10] A list of census blocks in those study areas that have initially been deemed eligible for the offer of model-based support is available at http://www.fcc.gov/wcb/Cons_Hickory_SupportedLocations091914.zip. Except for the changes noted here, this limited challenge process will adhere to the same rules and requirements as the Phase II challenge process.[11] Parties will have until **November 3, 2014** to file an FCC Form 505 to challenge the inclusion or exclusion of particular census blocks on the list. If any challenges are received, parties will have until **December 2, 2014** to file responses to those challenges.[12] Please see the Public Notice announcing the initial challenge process for additional information regarding the process.[13]

7. **Procedural Matters.** Interested parties may file challenges using Form 505 on or before the date indicated on the first page of this document. Challenges are to reference **WC Docket No. 14-93 and DA 14-1447** and may be filed using the Commission's Electronic Comment Filing System (ECFS). *See Electronic Filing of Documents in Rulemaking Proceedings*, 63 Fed. Reg. 24121 (May 1, 1998).

- Electronic Filers: Challenges and responses may be filed electronically using the Internet by accessing the ECFS: http://fjallfoss.fcc.gov/ecfs2/. A electronic copy of the challenge and accompanying evidence must also be e-mailed to Form505@fcc.gov or mailed on machine readable media to the attention of Gilbert Smith, Telecommunications Access Policy Division, Wireline Competition Bureau, using the mailing methods discussed below for paper filers.

- Paper Filers: Parties who choose to file by paper must file an original and one copy of each filing. If more than one docket or rulemaking number appears in the caption of this proceeding, filers must submit two additional copies for each additional docket or rulemaking number. Paper filers are still required to submit an electronic version of their challenge, either by e-mail to Form505@fcc.gov or sent on machine readable media to the attention of Gilbert Smith, Telecommunications Access Policy Division, Wireline Competition Bureau, using the mailing methods discussed below.

Filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail. All filings must be addressed to the Commission's Secretary, Office of the Secretary, Federal Communications Commission.

- All hand-delivered or messenger-delivered paper filings for the Commission's Secretary must be delivered to FCC Headquarters at 445 12th St., SW, Room TW-A325, Washington, DC 20554. The filing hours are 8:00 a.m. to 7:00 p.m. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes and boxes must be disposed of before entering the building.

- Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9300 East Hampton Drive, Capitol Heights, MD 20743.

[10] These three study areas are: Heartland-HickoryTech, IA (SAC 351096); Mid-Comm-HickoryTech, MN (361375); Mankato-HickoryTech, MN (361427).

[11] *Challenge Process PN*, 29 FCC Rcd at 7988-89.

[12] In the challenge process announced June 30, the Bureau reviewed each challenge to determine whether a prima facie case had been made, so that parties need not respond to challenges that were plainly insufficient. *Id.* at 7988. Given the limited number of census blocks at issue here and time considerations, we will eliminate this intermediate step in order to conclude promptly the Phase II challenge process.

[13] *Id.*

- U.S. Postal Service first-class, Express, and Priority mail must be addressed to 445 12th St., SW, Washington DC 20554.

8. People with Disabilities: To request materials in accessible formats for people with disabilities (braille, large print, electronic files, audio format), send an e-mail to fcc504@fcc.gov or call the Consumer & Governmental Affairs Bureau at 202-418-0530 (voice), 202-418-0432 (tty).

9. For further information on the challenge process initiated by this Order, please contact Gilbert Smith, Telecommunications Access Policy Division, Wireline Competition Bureau at (202) 418-7400, Gilbert.Smith@fcc.gov; or at TTY (202) 418-0484.

10. Accordingly, IT IS ORDERED, pursuant to sections 1, 4(i), 5(c), 201, and 254 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 154(i), 155(c), 201, 254, sections 0.91, 0.291, and 1.3 of the Commission's rules, 47 C.F.R. §§ 0.91, 0.291, 1.3, and paragraph 544 of the *USF/ICC Transformation Order and FNPRM*, FCC 11-161, that this order IS ADOPTED.

11. IT IS FURTHER ORDERED that Consolidated Communications Holdings, Inc., SHALL RECEIVE high-cost support as described herein for three incumbent study areas upon acquisition from Enventis Corporation.

12. IT IS FURTHER ORDERED that, pursuant to section 1.102(b)(1) of the Commission's rules, 47 C.F.R. § 1.102(b)(1), this order SHALL BE EFFECTIVE upon release.

FEDERAL COMMUNICATIONS COMMISSION

Carol E. Mattey
Deputy Chief
Wireline Competition Bureau