

with broadband at 10/1 Mbps or higher by another, subsidized, incumbent local exchange carrier (“ILEC”) (hereby referred to as the “split block issue”). The split block issue has eliminated hundreds, if not thousands,⁴ of census blocks nationwide from A-CAM eligibility in study areas where locations in these blocks would be eligible otherwise, but are not in the latest version of the A-CAM model (ver. 2.2). The Rural ILECs believe that the FCC must modify the data inputs for the A-CAM so that “split blocks” do not prevent eligible locations inhabited by rural Americans from receiving broadband services supported by A-CAM funding. Not only does the practice of eliminating entire blocks for this reason go against the principles of Universal Service, but it allows for census blocks to be knocked out by *subsidized* carriers who do not meet the basic definition of an “unsubsidized competitor”. It is obvious that neighboring ILECs are neither unsubsidized nor competitors, and should not be treated as an unsubsidized competitor in the A-CAM.

In these comments, the Rural ILECs will describe the issue and the necessity for modifying the A-CAM to allow eligible RLECs to receive A-CAM funding in census blocks that are shared with a neighboring company, as well as examples of split census blocks that are ineligible for A-CAM support including specific challenges by Rural ILEC participants. The Rural ILECs respectfully request that the Commission allow the portion of a split block currently eliminated because of the appearance of neighboring ILEC broadband facilities in its separate portion of the split census block.

⁴ For the purpose of these comments, JSI has reviewed A-CAM data for 100 rate-of-return companies across the country and noted blocks reported as served with fiber/cable or DSL at greater than 10/1 Mbps by another ILEC. Of these 100 companies, JSI observed approximately 400 census blocks that could be A-CAM eligible as they lack any other cable, fixed wireless or fiber competitor and are not served by the ILEC’s own 10/1 Mbps broadband facilities. In a separate analysis, for the Rural ILECs listed below, there are approximately 300 census blocks that the Rural ILECs are concerned about; meaning they have a neighboring ILEC present in a split block without any other verifiable competitors or the ILEC’s own 10/1 Mbps facilities in the block.

I. RURAL ILECS ARE UBIQUITOUSLY IMPACTED BY THE SPLIT BLOCK ISSUE IN A-CAM VERSION 2.2

ILEC study area boundaries do not align precisely with census block boundaries – an unfortunate reality that the Commission is well aware of after the Connect America Fund (“CAF”) Phase I and Phase II challenge process, and the lengthy Study Area Boundary data collection. It is likely that every ILEC shares census blocks with a neighbor. With so many of the Commission’s Universal Service Fund (“USF”) reforms for both price cap and rate-of-return carriers being intricately attached to both study area boundaries and census blocks, it is critical that the policies are clear and fair regarding census blocks that are shared by multiple ILECs. The Rural ILECs all have examples of shared census blocks, and JSI has reviewed numerous other rate-of-return A-CAM data where the split block issue exists.

II. THE FCC CANNOT EXCLUDE CENSUS BLOCKS FROM THE A-CAM THAT ARE PARTIALLY SERVED BY NEIGHBORING ILECS

The Rural ILECs acknowledge that there are many factors that can cause a census block to be ineligible for A-CAM funding—competition, low cost locations, the presence of the ILEC’s *own* fiber facilities, for example. The Rural ILECs acknowledge that a fixed wireless, cable or fiber-to-the-home competitor who only serves one location on the other side of a census block can cause the entire census block to be ineligible, given the assumption that the competitor—by definition—has the freedom to transverse study area boundaries. However, an ILEC neighbor, who is an incumbent in its own study area, cannot actually compete or transverse study area boundaries. The activity of a neighboring ILEC should not impact the A-CAM results for an ILEC if this neighboring ILEC is capable of providing 10/1 Mbps broadband within its own portion of a census block.

In paragraph 56 of the *Rate of Return Reform Order*, the Commission “conclude[s] that we should prioritize model support to those areas that currently are unserved and direct the Bureau to exclude from the support calculations those census blocks where **the incumbent rate-of-return carrier** (or its affiliate) is offering voice and broadband service that meets the Commission’s minimum standards for the high-cost program using FTTP or cable technology”⁵ (emphasis added). At best, the *Rate of Return Reform Order* is silent on split blocks and definitely does not direct the A-CAM to eliminate split blocks from eligibility. It certainly is plausible that one ILEC’s portion of a study area can be starkly unserved in contrast to its neighbor. Model support can still be prioritized to unserved areas without compromising the integrity of these principles if the Commission allows for the A-CAM to recognize split census blocks, and therefore allow funding to be directed to the eligible locations within the portion of the census block within the ILEC’s study area boundary.

The Commission has a process to assign locations to the appropriate study area when a census block is split. This process should be used with determining other aspects when split blocks are present in the A-CAM. In the Connect America Fund (“CAF”) Phase I and CAF Phase II challenge processes, the FCC allowed for census blocks to be “split” such that challenges were not necessary in split block situations. Under this process, there was a mechanism built in to the price cap carriers’ Connect America Model (“CAM”) that culled out the locations in the neighboring ILEC’s service territory and ensured that the remaining locations in the price cap carrier’s service territory would be eligible for support. The Rural LECs urge the Commission to take a similar approach when a neighboring subsidized carrier’s broadband infrastructure is present in a portion of a census block: locations within a rate-of-return carrier’s study area that would be eligible for

⁵ See *Rate of Return Reform Order* at ¶ 56.

the A-CAM if not for the entire block being deemed competitive due to an alleged “overlap” with a neighboring, subsidized provider should remain eligible for A-CAM support.

III. FAILURE TO REVISE THE A-CAM AND CORRECT THE SPLIT BLOCK ISSUE DENIES BROADBAND TO RURAL AMERICANS

In many study areas, the customers on the fringes of the ILEC’s service territory are the last customers to get broadband. Their homes and businesses are located furthest from the ILEC’s Central Office, and build-out plans typical do not start at the outer edge of a study area. It should be no surprise that the customers on the edges of study areas are living on the wrong side of the “rural-rural digital divide” as they await broadband services for what could ultimately be several more years. The Rural ILECs are interested in the A-CAM but concerned that their customers on the outer edges of their study areas will be precluded from the new investments that the A-CAM will facilitate. Rural Americans who live in a census block served by two ILECs—one with FTTH and one without—are left in a position of lacking broadband access simply due to how the A-CAM currently treats split census blocks. As shown in the Appendix, some portions of census blocks in the neighboring ILEC’s study area are extremely miniscule, yet the entire populated block on the Rural ILECs’ side is knocked out of A-CAM eligibility.

IV. EXAMPLES OF THE SPLIT BLOCK ISSUE IMPACTING THE RURAL ILECS

JSI has observed examples of split block issues in companies across the country. The attached Appendix illustrates the split block issue with maps showing census blocks that are split between two study areas; where one side of the study area has 10/1 Mbps broadband and the other side does not.

V. CONCLUSION

The Rural ILECs recognize the massive amount of work and data that have gone into creating, troubleshooting and updating an extremely robust A-CAM that will provide for sufficient and predictable USF for the next ten years, for the rate-of-return carriers who elect A-CAM support. The Rural ILECs are all looking favorably at the A-CAM and hope that the forthcoming final version will be even more robust, particularly if the split census block issue is addressed so rate-of-return companies can have an opportunity to truly evaluate if electing A-CAM support is in their best interest. This exercise is frustrated by eliminating census blocks that should not be eliminated. The Rural ILECs urge the FCC to ensure that the split block issue is resolved before it is time to make the elections.

The Rural ILECs appreciate the opportunity to file comments on the split block issue, knowing that the FCC was not willing to accept actual challenges on split blocks in the 21-day A-CAM challenge process. Nevertheless, the Rural ILECs feel strongly that this issue needs to be addressed by the FCC before releasing the final version of the A-CAM for rate-of-return carriers to use to determine if they are going to elect model support. The Rural ILECs respectfully request that the Commission consider ways to modify the A-CAM so that split census blocks that would be eligible otherwise will be eligible for A-CAM support.

Respectfully submitted,



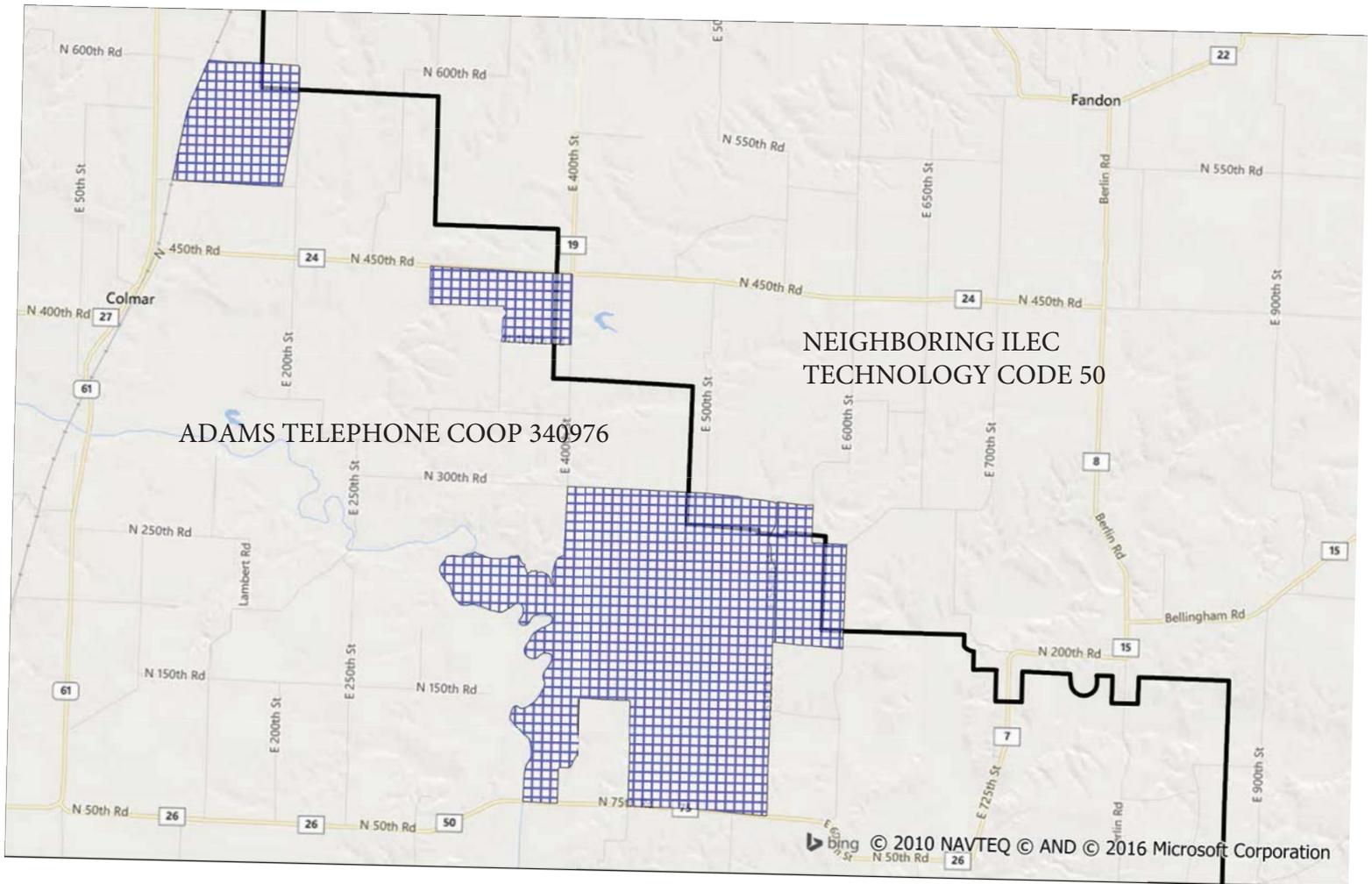
John Kuykendall
JSI Vice President

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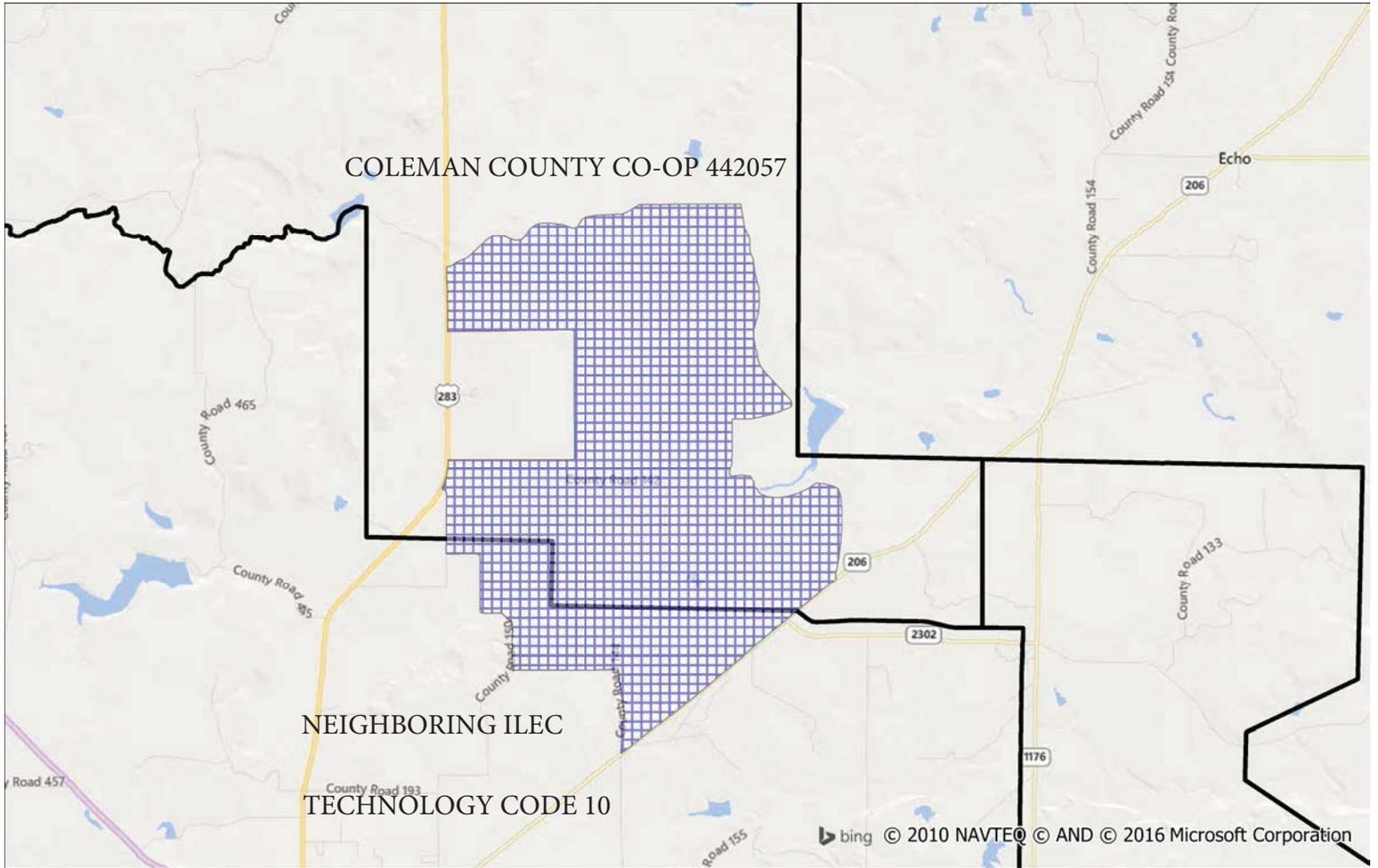
The Rural ILECs Concerned About the Split Block Issue

Blountsville Telephone Company – 250282
Brindlee Mountain Telephone Company - 250283
Plant Telephone Company – 220379
Glenwood Telephone Company – 220365
Interstate Telecommunications (SD) – 391654
Interstate Telecommunications (MN) - 361654
Stockholm-Strandburg Telephone - 391679
Adams Telephone Cooperative – 340976
Mid Century Telephone Cooperative – 341054
United Telephone Mutual Aid Corp. – 381684
Shoreham Telephone Company – 140064
Highland Telephone Company – 190237
Mark Twain Rural Telephone – 421914
Chazy & Westport Telephone Corporation – 150079
Franklin Telephone Company – 280454
Delta Telephone Company – 280452
Coleman County Co-op – 442057
Colorado Valley Telephone – 442059
Industry Telephone Company – 442093
Mid-Plains Rural Telephone Cooperative, Inc. – 442112
Polka Lambro Telephone Cooperative, Inc. – 442131
Taylor Telephone Cooperative, Inc. – 442151
South Plains Telephone Cooperative, Inc. – 442143
Grand River Mutual Telephone – 421888
North Dakota Telephone Company – 381447
SRT Communications - 383303
Northwest Communications Cooperative - 381625

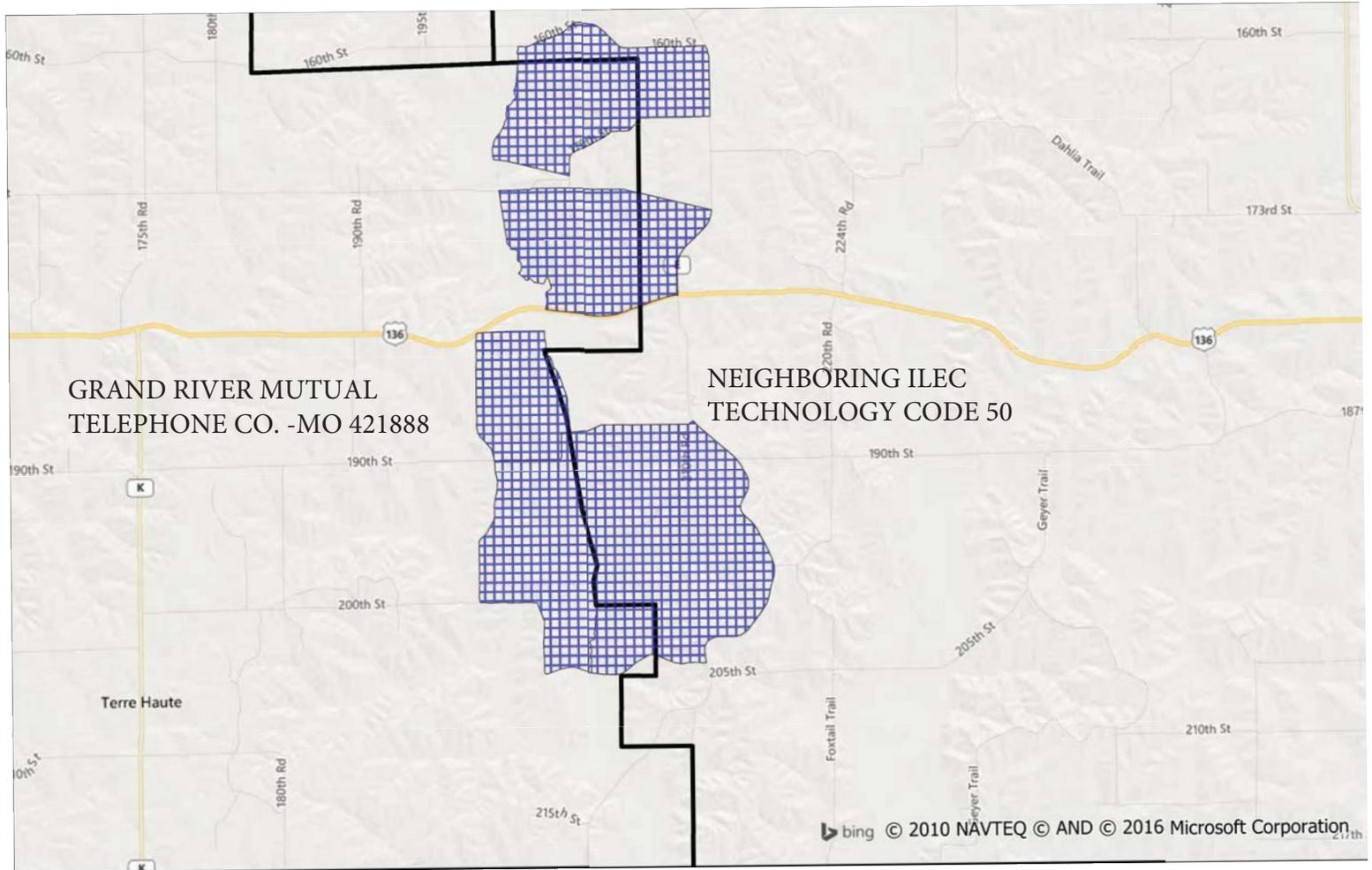
APPENDIX - SPLIT BLOCK EXAMPLES



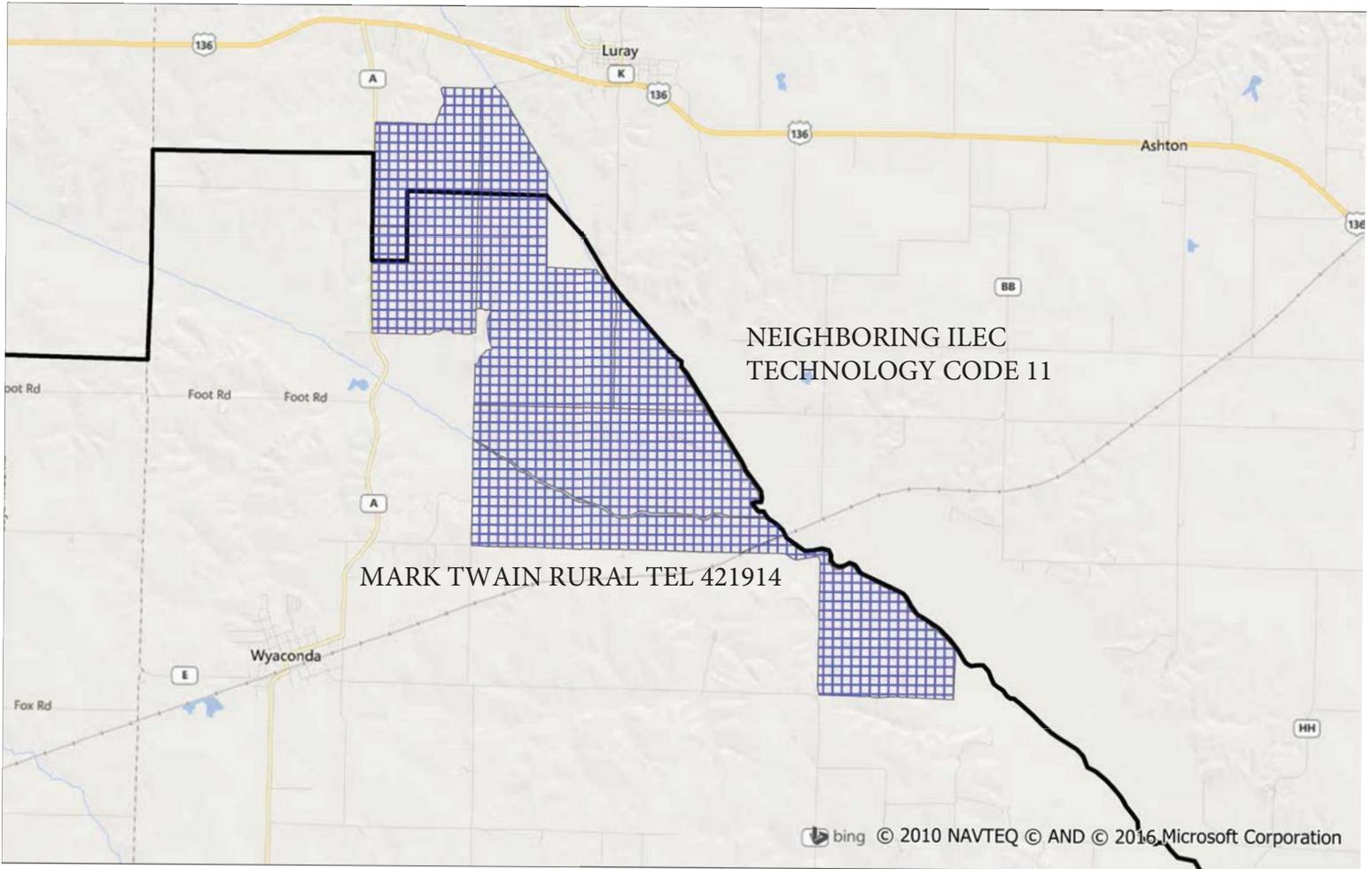
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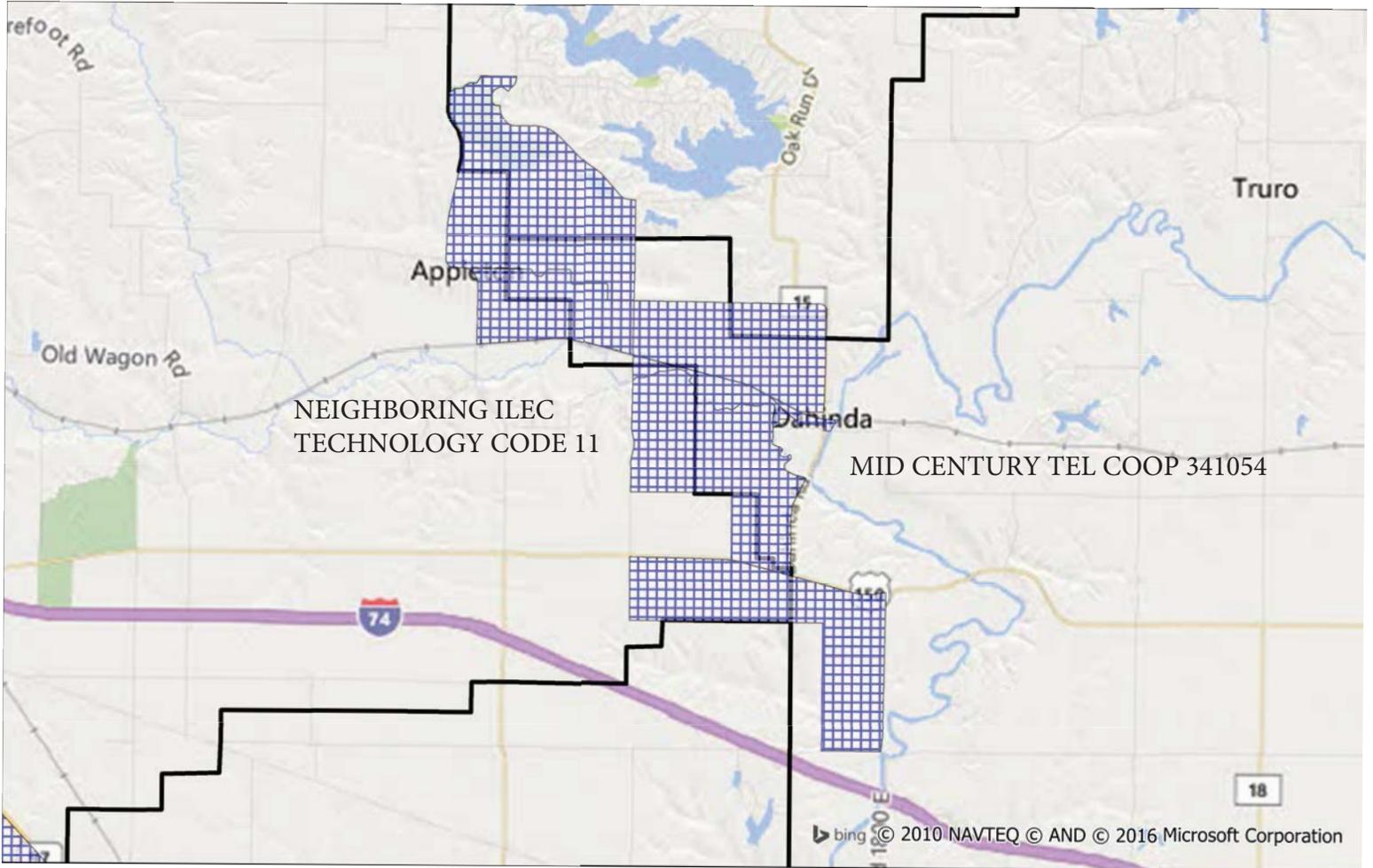
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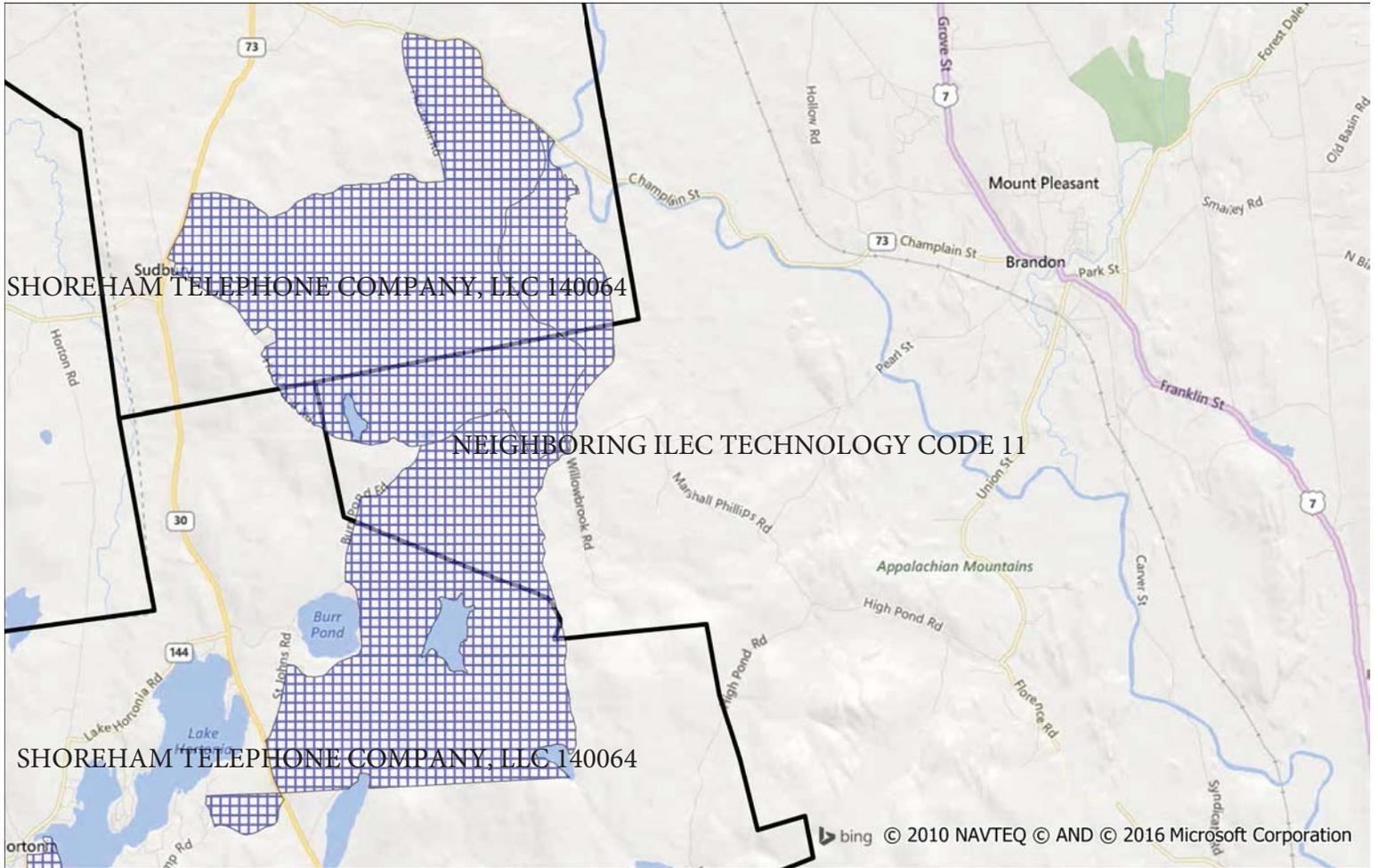
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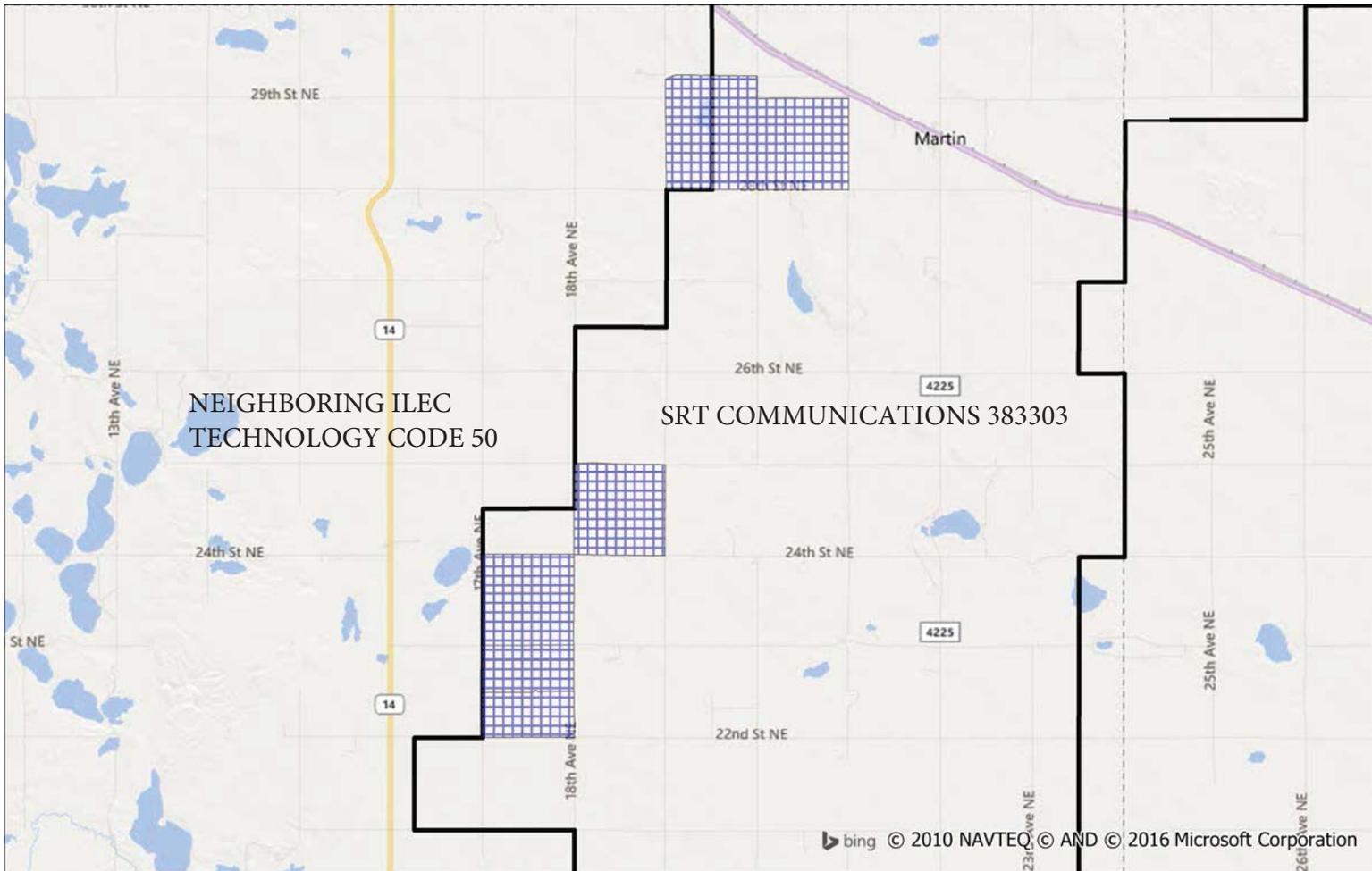
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