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April 10, 2014

**Via ECFS**

Marlene Dortch, Secretary  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

**Re: *Ex Parte* Filing of the American Cable Association (ACA) on *Connect America Fund*, WC Docket No. 10-90, *A National Broadband Plan for Our Future*, GN Docket No. 09-51, *High-Cost Universal Service Support*, WC Docket No. 05-337, and *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45**

Dear Ms. Dortch:

On March 31, 2014, CenturyLink submitted an *ex parte* filing in the above-referenced dockets: Preliminary Network Engineering Analysis of CAF II Build Cost for CenturyLink.<sup>1</sup> In its submission, CenturyLink contends “that CAM 4.0 illustrative results differ significantly from those produced by prior iterations of the CAM” and that there are “negative implications of this shift for the success of CAF II.”<sup>2</sup> This contention is largely based on three claims: “the newly eligible CAF II locations...are extremely high-cost;” “there are economic challenges to sharing network costs in these remote areas;” and “the cost problems appear to be associated with the recently-added extremely high-cost CBs.”<sup>3</sup>

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<sup>1</sup> See CenturyLink Submission for the Record with Preliminary Network Engineering Analysis of CAF II Build Cost, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 05-337, CC Docket No. 96-45 (Mar. 31, 2014) (“CenturyLink Network Analysis”).

<sup>2</sup> *Id.* at 2.

<sup>3</sup> *Id.*

Marlene H. Dortch  
April 10, 2014  
Page Two

After reviewing the CenturyLink Network Analysis, ACA questions whether its estimation of key data points therein is accurate and whether it supports CenturyLink's conclusions. Because of these questions, ACA submits there is no proof that CAM 4.1 does not provide adequate support for CenturyLink to build to and serve the eligible unserved locations. Moreover, even assuming *arguendo* CenturyLink's analysis is correct, the FCC should reject CenturyLink's proposed remedies as not being narrowly tailored to address the alleged problems. The following elaborates on concerns with CenturyLink's analysis and proposed remedies:

**1. CenturyLink's baseline for RAF locations is incorrect because it was not based on a run of the CAM.** CenturyLink estimates based on Footnote 31 of the Public Notice for CAM 3.2<sup>4</sup> that approximately 1.54 million locations were included in the Remote Areas Fund ("RAF") as of CAM 3.2.<sup>5</sup> This estimate is derived from the statement in the footnote that there are approximately 154 million unserved locations, and the RAF should not "not exceed one percent of all locations."<sup>6</sup> CenturyLink then uses this calculation as the baseline number to judge whether additional locations first placed in the RAF have become eligible for CAF Phase II support as the Alternative Technology Cutoff (i.e., Extreme HC Benchmark) has risen.

Rather than estimate this important data point, ACA undertook runs of CAM 3.2 and 4.1.<sup>7</sup> The results are in Table 1 below, and they demonstrate that the baseline number of RAF Locations eligible for CAF Phase II support for CAM 3.2 do not exceed 700,000, less than half the number estimated by CenturyLink. This discrepancy arises because, while the Commission has stated that the RAF should not exceed one percent of the households, it has not stated that it could not contain fewer households – which is what occurs when CAM 3.2 is run using the same High-Cost Benchmark and Alternative Tech Cutoff used by CenturyLink in its analysis.<sup>8</sup>

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<sup>4</sup> See *Wireline Competition Bureau Announces Availability of Version 3.2 of the Connect America Fund Phase II Cost Model, and Illustrative Results; Seeks Comment on Several Modifications for Non-Contiguous Areas*, WC Docket No. 10-90, Public Notice, DA 13-1846, n. 31 (Aug. 29, 2013) ("Version 3.2 Public Notice").

<sup>5</sup> See CenturyLink Network Analysis at 2.

<sup>6</sup> Version 3.2 Public Notice, n. 31.

<sup>7</sup> Estimates for CAM 3.2 are based on 'Support Model Summary' outputs from solution set SS20130828CAM32ACF8UndSeaCpx. Estimates for CAM 4.1 are based on 'Support Model Summary' outputs from solution set SS20140317CAM41. Both solution sets were run at the 'Service Area' geographic level with costs unitized by 'No TakeRate Demand' and with 'Cable Unserved' and 'Fixed Wireless Unserved' toggles set to 'True.'

<sup>8</sup> See CenturyLink Network Analysis at 3.

Marlene H. Dortch  
 April 10, 2014  
 Page Three

Because the baseline is much lower, the reduction in the number of RAF locations from CAM 3.2 to CAM 4.1 is much less pronounced, even as the Alternative Technology Cutoff has increased.

TABLE 1

CAM Version	Date	High-Cost Benchmark	Alternative Tech Cutoff	Funded Locations	RAF Locations <sup>9</sup>
3.2	8/2013	\$52.00	\$176.63	4,528,963	686,789
4.1	4/2014	\$52.50	\$203.98	4,220,748	416,302 <sup>10</sup>

**2. CenturyLink’s baseline for RAF Locations is incorrect because it did not account for census blocks ineligible for CAF Phase II support.** In its Submission, CenturyLink stated that for CAM 4.1 there are 598,257 RAF Locations.<sup>11</sup> This was the amount produced in the CAM 4.1 Illustrative Results published by the Wireline Competition Bureau. However, unsubsidized competitors serve approximately 182,000 of these locations, which means these locations are ineligible for CAF II support, regardless of the Alternative Technology Cutoff that is selected. By definition, these ineligible census blocks cannot migrate from being RAF “funded” to CAF Phase II “funded” and will not become CenturyLink’s responsibility to serve.<sup>12</sup> ACA’s analysis in Table 1 makes this adjustment.

<sup>9</sup> As discussed in point 2, these RAF Locations have been reduced by the number of locations ineligible to receive support because they are served by unsubsidized competitors.

<sup>10</sup> If the Alternative Technology Cutoff is lowered to \$176.43, for CAM 4.1 there are 542,222 RAF locations.

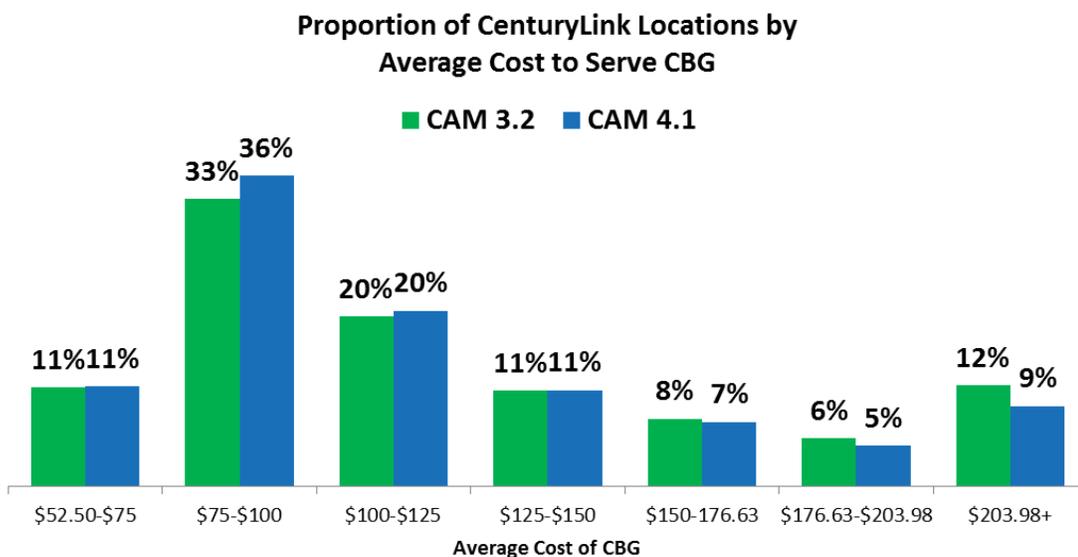
<sup>11</sup> See CenturyLink Network Analysis at 2.

<sup>12</sup> See note 10 in the ‘Introduction’ worksheet of DOC-326199A1 (available at <http://www.fcc.gov/document/connect-america-cost-model-41>), the CAM 4.1 Illustrative Results which specifies that “Total Number of Price Cap Locations in Census Blocks Above Extremely High Cost Threshold, Column H, are pulled from a separate query with Funding Benchmark set to 0 and Extremely High Cost Threshold equaling the upper threshold value (\$52.50 report = \$203.977) with both cable unserved and fixed wireless unserved set to false.” By setting cable unserved and fixed wireless unserved to false, this queried estimate includes locations with unsubsidized competition that would not be eligible for CAF II support.

Marlene H. Dortch  
 April 10, 2014  
 Page Four

**3. Requiring service to very high-cost census blocks will not jeopardize the economics of CAF Phase II.** CenturyLink claims that the cost to serve the highest-cost census blocks is so exorbitant that it will undermine the success of CAF Phase II. However, only approximately five percent of CenturyLink’s eligible locations as determined by CAM 3.2 and 4.1 are in Census Block Groups with an average cost so high it approaches the Alternative Technology Cutoff. (See Table 2 below).

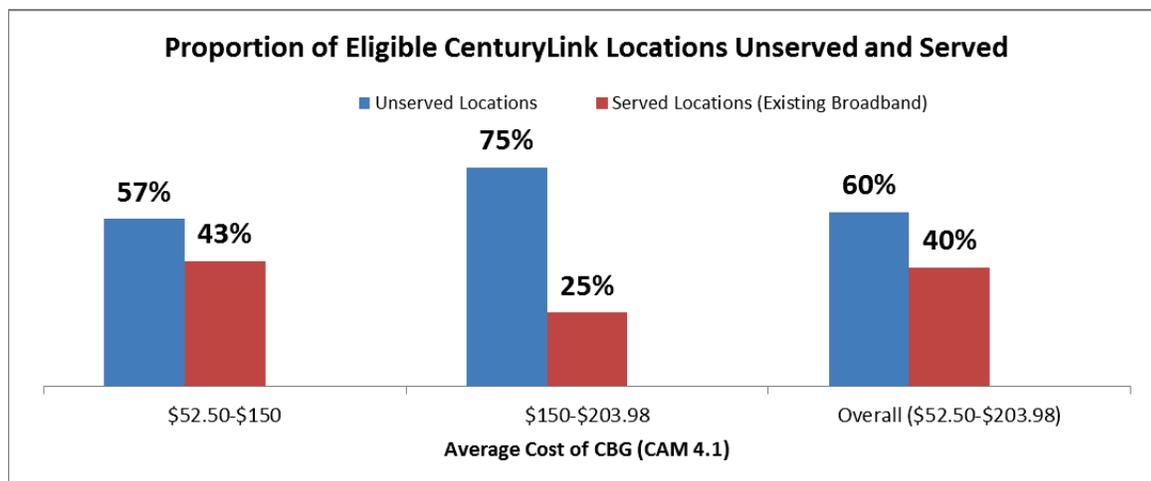
**TABLE 2**



**4. CenturyLink will not need to build new fiber feeder plant to a large percentage of its high-cost locations.** CAF Phase II provides support to price cap local exchange carriers for areas where they already provide broadband service meeting the CAF performance requirement of 4/1 Mbps. In these instances, support is provided only to maintain service in high-cost areas. As Table 3 below indicates, as determined by CAM 4.1, CenturyLink currently provides the required broadband service to 40 percent of its CAF Phase II eligible locations and 25 percent of these are locations are in Census Block Groups with average costs above \$150 per location. None of these locations should require new fiber feeder, and it is likely that nearby unserved locations can be served from existing feeder plant.

Marlene H. Dortch  
 April 10, 2014  
 Page Five

TABLE 3



**5. CAM 4.1 increases per location support.** For CenturyLink, CAM 3.2 provided average monthly support of \$34.22 per location. CAM 4.1 increases that amount by almost 10 percent to \$37.20 per location. This represents a significant increase and should offset the increased number of higher-cost locations in CAM 4.1 that will require new builds.

In sum, the Commission cannot conclude from CenturyLink’s filing that CAM 4.1 does not provide adequate support for it to provide broadband service to CAF Phase II eligible areas. As a result, there is no need to consider, much less pursue, the many remedies proposed by CenturyLink – from asking the Commission to abandon its current policies of prohibiting use of support to serve locations in partially-served census blocks to limiting support to a five year timeframe. ACA will not comment further on these proposed remedies except to note, assuming *arguendo* CenturyLink’s analysis is correct, they are inconsistent with and would undermine CAF Phase II rules and policies and, in any event, do not precisely address the putative problems raised in CenturyLink’s Network Analysis.<sup>13</sup> The most surgical remedy would be to move the very highest-cost CAF Phase II locations back into the RAF – such that the RAF contained one percent of the eligible unserved locations. If that were adopted, price cap carriers would not be required to serve these areas, and the CAF Phase II funding currently designated for these areas

<sup>13</sup> ACA notes that even CenturyLink proposes further investigation of its proposed remedies. See CenturyLink Network Analysis at 7.

Marlene H. Dortch  
April 10, 2014  
Page Six

could be made available to entities that wish to serve RAF areas, such as through a competitive bidding process.<sup>14</sup>

ACA welcomes the opportunity to discuss further with Commissioners and staff the data and arguments presented in this letter.

This letter is being filed electronically pursuant to section 1.1206 of the Commission's rules.

Sincerely,



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<sup>14</sup> Under no circumstance does decreasing the number of locations eligible for CAF Phase II model-based support as a result of shifting more locations into the RAF justify lowering the high-cost benchmark, since this benchmark is not a “made-up” arbitrary number, but instead, has a factual basis – current broadband price benchmarks and expected broadband take rates integrated with the principles underlying the CAM. ACA, in fact, has argued to the Commission that based on these factors, the \$52.50 benchmark is far too low and should be raised by \$64. See *Ex Parte* Letter of American Cable Association, WC Docket No. 10-90 (June 12, 2013).