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### **FCC ISSUES A MULTIFACETED ORDER AND ANNOUNCES AN FNPRM FOR BROADBAND SERVICE REQUIREMENTS FOR CAF**

On June 10, 2014, the Federal Communications Commission (“FCC”) issued a multifaceted order that finally put text to the Seventh Order on Reconsideration that was announced on April 23, 2014. The Order establishes a transition process for carriers to raise rates in order to meet the urban floor rate for residential voice services over the next four years to avoid High-Cost support reductions. The Order also sets forth rules to establish awards for support in price capped areas where the price capped carrier declines the offer of model-based support. In addition, the FCC announced a FNPRM for broadband service requirements relating to the Connect America Fund (“CAF”) and is seeking comments on several matters.

#### **THE ISSUES IN THE ORDER AND THE FNPRM**

**Residential Floor Rate** – The FCC is waiving the application of 54.318(b), which requires a dollar-for-dollar reduction of High-Cost support, for voice lines with a rate of \$14 or higher that are reported this year by July 1, 2014. In order to continue to get the waiver each year over the next four years, carriers need to minimally increase their rates by the following dates:

- \$16 or higher by December 1, 2014
- \$18, or the new 2016 floor rate, whichever is lower, by July 1, 2016
- \$20, or the new 2017 floor rate, whichever is lower, by July 1, 2017

**Requests For Broadband Service** – Carriers, when evaluating a request to extend broadband service, should consider whether it would be reasonable to make the necessary upgrades in light of anticipated end-user revenues from the service and other sources of revenue like state and federal support projected to be available. A request is not reasonable if it would require a carrier to undertake new network upgrades to install new backhaul facilities or to replace existing copper lines to the home with fiber merely for the purpose of newly providing broadband service in study areas where total support already is subject to the \$250 per line monthly cap.

**Quantile Regression Benchmark Limitation (QRA)** – The high-cost loop support (“HCLS”) benchmarking rules have been eliminated so that rate-of-return carriers’ support will no longer be limited by the benchmarks calculated using the QRA.

**Safety Net Additive (SNA)** – Companies that would have qualified, based on plant investment in 2010 or 2011, will receive SNA.

**Eligibility For Support In Competitive Bidding Process And Remote Areas Fund** – Recipients of support must certify as to their financial and technical capabilities to provide the required services within the specified timeframe in the geographical area for which they seek support.

**OTHER ISSUES IN THE FNPRM AND REQUEST FOR COMMENTS** – The following are some of the many revisions to the current broadband requirements and comments requested by the FCC relating to the CAF Phase II bidding process and support:

- Minimum speeds of 10 Mbps downstream
- Apply performance obligations uniformly to CAF Phase II recipients and rate of return carriers
- Develop record on ability of Phase II recipients to satisfy obligation using any technology or a combination thereof.
- Exclusion from eligibility for Phase II those areas served by any provider that offers voice and broadband services – whether subsidized or unsubsidized.
- No recovery of any investment on or after January 1, 2015 attributable to HCLS or ICLS in areas that are served by a qualifying voice and broadband service competitor.
- Winning bidders for Phase II support can apply for ETC designation within 30 days of announcement of winning bid.
- Design of Phase II competitive bidding process for areas where price cap carriers decline model-based support.
- Measures to address 4G Long Term Evolution (LTE) where LTE is not available and will not be available in the foreseeable future, and to maintain existing mobile voice and broadband service where it would not otherwise exist without support.
- Developing and implementing a CAF for rate-of-return carrier.
- Adoption of a stand-alone broadband support mechanism.
- Providing one-time funding for middle mile projects on Tribal Lands in 2015.
- Broadband certification requirements for recipients of funding that are subject to performance obligations, and seek comments on specific levels of support reduction for non-compliance.

Additional g-Points will be developed on issues that require sufficient time and demand special attention. If you have any questions about the new rules regarding the transition to the urban rate floor by 2017, or any other issue, please contact your GVNW consultant.