NTCA THE RURAL BROADBAND ASSOCIATION

August 18, 2023

***Ex Parte* Notice**

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
45 L Street, NE
Washington, DC 20554

RE: *Connect America Fund*, WC Docket No. 10-90; *ETC Annual Reports and Certifications*, WC Docket No. 14-58; *Telecommunications Carriers Eligible to Receive Universal Service Support*, WC Docket No. 09-197; *Connect America Fund – Alaska Plan*, WC Docket No. 16-271; *Expanding Broadband Service Through the A-CAM Program*, RM-11868

Dear Ms. Dortch:

This letter is submitted by NTCA-The Rural Broadband Association ("NTCA") in the record of the above-referenced proceedings to urge the Wireline Competition Bureau (the "Bureau") to provide sufficient ongoing support as described further herein for services delivered over existing networks that are today capable of delivering 100/20 Mbps or better speeds as part of finalizing enhanced Alternative Connect America Cost Model ("A-CAM") offers.

By way of background, over the course of a series of *ex parte* meetings leading up to the adoption of an order creating an enhanced A-CAM program, NTCA repeatedly advocated as one of its highest priorities to provide sufficient support specifically for currently served locations as part of any such offers.[1] This advocacy was prompted by and consistent with the underlying statutory mandate that universal service is not merely about the act of *getting* locations connected by networks, but rather involves a continuing mission of *keeping* rural Americans connected with services that are reasonably comparable in price and quality to those available in urban areas.[2] Indeed, the Commission articulated this same notion in its "future of universal service" report to Congress, observing that the statute requires ensuring "continuing access to advanced telecommunications services that meet or exceed evolving consumer needs."[3] In turn, in its recent order in these

[1] *See, e.g.*, *Ex Parte* Letter from Michael R. Romano, Executive Vice President, NTCA, to Marlene H. Dortch, Secretary, Federal Communications Commission (the "Commission"), WC Docket No. 10-90, *et al*. (filed July 3, 2023); *Ex Parte* Letter from Michael R. Romano, Executive Vice President, NTCA, to Marlene H. Dortch, Secretary, Commission, WC Docket No. 10-90, *et al*. (filed June 30, 2023); *Ex Parte* Letter from Michael R. Romano, Executive Vice President, NTCA, to Marlene H. Dortch, Secretary, Commission, WC Docket No. 10-90, *et al*. (filed June 15, 2023).

[2] 47 U.S.C. § 254(b)(3).

[3] *Future of the Universal Service Fund*, WC Docket No. 21-476, Report (rel. Aug. 15, 2022), at ¶¶ 41-42 (further stating the Commission's intent to seek comment on how to "sustain and improve broadband operations" in the wake of significant deployment efforts currently underway).

proceedings, the Commission expressly recognized the importance of providing ongoing support in furtherance of serving the ongoing mission of delivering universal service, and thus directed the Bureau to establish a level of support for locations already served with broadband at 100/20 Mbps or better that is between 50% and 75% "of the support that they would have received under A-CAM I or A-CAM II."[4]

As the Bureau considers the question of whether and to what degree to provide ongoing support above the 50% minimum established by the Commission in the *Enhanced A-CAM Order* for such currently served locations, it is important to take full account of what such ongoing support is intended to help recover. While it is true that "a primary purpose of this ongoing support is to ensure the maintenance (or improvement) of service to locations that would otherwise be unserved," this is not the sole purpose. Indeed, as noted earlier in the same paragraph, ongoing support is essential to cover not only the higher costs of "operating expenses" but also "depreciation."[5] Moreover, it cannot be overlooked that the vast majority of the networks being supported through high-cost universal service programs to date have *not* been built with the benefit of grant funds; to the contrary, until just the past few years when grant funds became far more prevalent, most, if not nearly all, networks eligible for support under the enhanced A-CAM program have been built leveraging a mix of private capital that has not yet been fully recovered and loans that have not yet been repaid. Thus, ongoing support is essential not simply to cover ongoing operating expenses but to assist with the recovery of capital and repayment of loans where grants did not help to facilitate network deployment.

Against this backdrop, NTCA supports the establishment of ongoing support at the 75% threshold for "ILEC-Only Served" locations or as close to that level as reasonably possible. As an initial matter, it appears that the budget set by the Commission for the enhanced A-CAM program readily accommodates such support, while still also providing a reasonable "reserve" with which to accommodate potential support adjustments that may become necessary as contemplated by the order over the next few years. More specifically, in the *Enhanced A-CAM Order*, the Commission established a budget for the program of at least $1.27 billion and up to $1.33 billion annually (including amounts already committed under the existing A-CAM mechanisms), with a delegation to the Bureau to provide support as high as that level if needed to encourage adoption of and greater deployment under the enhanced A-CAM program or as needed to accommodate changes in supported locations due to further development of the National Broadband Map and updates to coverage claims on it.[6] In setting this budget, the Commission expressly acknowledged that one of the important factors under consideration was "to maintain the provision of []service where it is already deployed."[7]

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[4] *Connect America Fund*, *et al*., WC Docket No. 10-90, *et al*., Report and Order, Notice of Proposed Rulemaking, and Notice of Inquiry (rel. July 24, 2023) ("*Enhanced A-CAM Order*"), at ¶ 74.

[5] *Id*.

[6] *Id*. at ¶ 60.

[7] *Id*. at ¶ 61.

A few weeks after the release of the *Enhanced A-CAM Order*, the Bureau released "illustrative results" showing various ways in which offer parameters could be set and the relative levels of support distributed as a result.[8] A review of these illustrations indicates that, however the data are parsed, there should be sufficient resources both to fund ongoing support for currently served locations well above 50% and closer to the 75% level *and* also leave a reasonable reserve to accommodate subsequent support adjustments. The chart below highlights NTCA's attempt to approximate in rounded figures the budget impacts of various scenarios (looking at current A-CAM recipients) and what each scenario would render in terms of a reserve given the total amount potentially available for the program:

Scenario	Est. Annual Budget	Est. Reserve
$300 cap/ 80% alt/ 50% for ILEC-Only Served (*Scenario 1B from FCC Illustrative Runs*)	$1.13B	$3B
$300 cap/ 80% alt/ 65% for ILEC-Only Served (*Scenario 3B from FCC Illustrative Runs*)	$1.23B	$1.5B
$300 cap/ 80% alt/ 70% for ILEC-Only Served	$1.26B	$1.05B
$300 cap/ 80% alt/ 75% for ILEC-Only Served	$1.29B	$600M

Setting the threshold at 75% or something close to that level for ongoing support for currently served locations should therefore provide a reasonable reserve to address the kinds of concerns identified by the Commission.[9] Specifically, in the *Enhanced A-CAM Order*, the Commission indicated that the Bureau should consider retaining a reserve "to provide additional support if warranted if updates to the National Broadband Map result in increased deployment obligations." If the estimates provided above are found to be reasonable by the Bureau, this would indicate that approximately $40 to $70 million annually should be available to accommodate such demands if they arise if the threshold is raised to 70% or 75%. In turn, NTCA inquired of a group of several dozen members the extent to which they have seen changes in location counts from versions 1 to 3 of the Fabric, and the responses received report (outside of Alaska) relatively small variations across the versions thus far – which would appear to indicate relatively low risk that updates to the location counts in the National Broadband Map should result in materially increased demands in support.

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8 *Wireline Competition Bureau Releases Illustrative Results for Enhanced Alternative Connect America Cost Model*, WC Docket No. 10-90, Public Notice (rel. Aug. 7, 2023).

9 Indeed, it appears that the Commission could even increase the $300 cap to $350 along with setting the currently-served threshold at 75% and still retain a reserve of approximately $480 million, or roughly $32 million per year.

Furthermore, it is worth reiterating that the Commission articulated another justification to increase the annual budget above the $1.27 billion baseline beyond the maintenance of a reserve – in the order, the Commission indicated that the Bureau should consider whether use of the additional funds "will improve significantly the amount of deployment that would be expected to occur" through the enhanced A-CAM program.[10] NTCA submits that increasing the support for existing locations would stimulate greater adoption of enhanced A-CAM and thereby also promote a greater number of commitments to deliver 100/20 Mbps broadband to 100% of locations in more study areas. Indeed, while NTCA and its members continue to evaluate the order and its impacts and potential issues, one of the most significant concerns that NTCA members have raised is the ability to take an enhanced A-CAM offer and both fulfill the increased deployment commitment *and* sustain the substantial efforts already made to reach locations to date. To the extent the Commission were to increase the percentage of support for currently served locations from 50% closer to or at the 75% level, this would help to assuage such concerns and should promote adoption of enhanced A-CAM – thereby increasing the amount of deployment that the program would facilitate.

Finally, NTCA submits that a threshold at or nearer to 75% for ongoing support for currently served locations is appropriate and warranted as a substantive matter. Without delving into the details of the cost model, it is NTCA's understanding that the model estimates ongoing costs (including depreciation) as approximately 65% of total expenses, and NTCA further believes that Commission-approved cost studies typically reflect average ongoing costs (including depreciation) as at least 70% of total expenses. Such benchmarks further reinforce that ongoing support for locations currently served at 100/20 Mbps, particularly when one takes into account the fact that the vast majority of these locations have been connected *without* the benefit of grants and many remain subject to the need to repay existing loans, should be set at the levels recommended herein. It is further worth observing that costs have increased since the time the model was first developed, making it all the more important that model offers are calibrated to provide sufficient support through reasonable distribution formulas.

Thank you for your attention to this correspondence. Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed via ECFS.

Sincerely,

/s/ *Michael Romano*
Michael Romano
Executive Vice President

cc: Elizabeth Cuttner
Trent Harkrader
Suzanne Yelen
Ted Burmeister
Jesse Jachman
Katie King
William Layton
Stephen Wang

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10 *Enhanced A-CAM Order*, at ¶ 64.