

Universal Service Reform Key Items: July 1, 2012

ITA/RIITA FCC Workshop

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Broadband in the Public Interest

- Broadband 4 Mbps downstream/1 Mbps upstream
- Latency suitable for real-time applications
- Usage comparable to fixed broadband in urban areas
- Actual speed and latency measured on carrier's access network from the end-user interface to the nearest Internet access point
- Scalable broadband going forward

Broadband in the Public Interest

- Service extension upon reasonable request and within a reasonable amount of time
- Assess (limited) construction charges to customer
- Broadband service deployment obligations similar to current voice obligations
- State/Federal compliance reporting/monitoring

Broadband in the Public Interest (?)

- Can you can comply with service standards?
- What is a reasonable request for service?
- What is a reasonable response?
- Unified line extension requirements for voice/broadband?

Recovery of Opex and Capex

- HCLS opex and capex recovery to be capped based on statistical benchmarks, using publicly available cost, geographic and demographic data
- Regression-derived limits set at 90th percentile of costs for 11 individual steps in NECA Cost Company Loop Algorithm, compared to similarly situated companies in each individual step

Recovery of Opex and Capex

- If actual costs exceed benchmarks, carrier is limited to recovering amounts that correspond to the 90th percentile of similarly situated companies
- WCB will publish an annual notice updating capped values that will be used in NECA formula in place of actual cost data for carrier's with costs exceeding the determined cap

Recovery of Opex and Capex

- NECA will modify HCLS formula for average schedule companies annually to reflect the caps derived from the cost company data
- Expect similar methodology for ICLS
- Carriers will not know if/how the benchmarks impact support levels until after investments are made

End User Rates

- Dollar-for-dollar reduction in HCLS for carriers with end user rates which do not *meet or exceed* an urban rate floor, representing the national average of local voice rates
- Local residential (R-1) rate, including state-regulated charges (SLCs, state USF and mandatory EAS service charges)

End User Rates

- 3-year phase in of established rate floor
 - **July 1, 2012 – June 30, 2013: \$10**
 - **July 1, 2013 – June 30, 2014: \$14**
 - **July 1, 2014 and after: \$???**

End User Rates

- Beyond July 1, 2014, rate floor established statistically by WCB survey
- FCC could set floor *above* the national average urban rate, but within a range considered reasonable

Elimination of LSS

- LSS will be eliminated as a separate support mechanism for rate-of-return carriers
- Limited recovery of costs previously covered by LSS will be available under CAF/ICC recovery mechanism

Limits on Total High Cost Support

- \$250 per line/per month cap on high cost support, not including any new CAF support resulting from ICC reform
- To reach \$250 cap, USAC will reduce support provided from each USF mechanism (excluding LSS) based on the relative amounts received from each mechanism

Limits on Total High Cost Support

- 3-year phase-in of cap
 - **July 1, 2012 – June 30, 2013:** \$250 plus 2/3 of difference between \$250 and uncapped support
 - **July 1, 2013 -June 30, 2014:** \$250 plus 1/3 of difference between \$250 and uncapped support
 - **July 1, 2014 and after:** No more than \$250 per line/per month



Competitive Overlap

- In areas with 100% competitive overlap, FCC will freeze ILEC high cost support at lesser of 2010 level or \$3,000 x line count at YE 2010
- Frozen support phased out entirely (1/3; 1/3; 1/3) over 3 years
- WCB will publish methodology for determining overlap and will identify 100% overlaps



Competitive Overlap

- “Unsubsidized Competitor” defined as a facilities based provider of residential terrestrial fixed voice and broadband service (meeting public interest specifications), to 100% of the residential and business locations in ILEC study area
- Reduced support for areas of substantial overlap?

CETC Support

- Identical support rule eliminated
- CETC baseline will be fixed at lesser of 2011 support or \$3,000 x line count at YE 2011

CETC Support

- 5 year phase out
 - **January 1, 2012 – June 30, 2012: 2011 Baseline**
 - **July 1, 2012 – June 30, 2013: 80% Baseline**
 - **July 1, 2013 – June 30, 2014: 60% Baseline**
 - **July 1, 2014 – June 30, 2015: 40% Baseline**
 - **July 1, 2015 – June 30, 2016: 20% Baseline**
 - **July 1, 2016 and after: Goodbye**

Thank you

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