



PUBLIC NOTICE

Federal Communications Commission
445 12th St., S.W.
Washington, D.C. 20554

News Media Information 202 / 418-0500
Internet: <http://www.fcc.gov>
TTY: 1-888-835-5322

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WIRELINE COMPETITION BUREAU RELEASES ILLUSTRATIVE RESULTS FROM CONNECT AMERICA COST MODEL VERSION 3.1.2, AND METHODOLOGY DOCUMENTATION

WC Docket No. 10-90

Today, as part of its open, transparent, and deliberative process to adopt a cost model for Phase II of the Connect America Fund,¹ the Wireline Competition Bureau (Bureau) announces the release of illustrative model outputs from running the Connect America Cost Model version 3.1.2 (CAM v.3.1.2) using different combinations of possible model inputs and support assumptions.² The reports show potential support amounts and number of supported locations, by carrier, by state. The reports are available at <http://www.fcc.gov/encyclopedia/connect-america-cost-model-version-312-illustrative-results>. The Bureau also announces the release of model methodology documentation for CAM v.3.1.2 to assist the public in understanding the current model architecture, processing steps, and data sources.³ The methodology documentation is available at http://transition.fcc.gov/Daily_Releases/Daily_Business/2013/db0531/DOC-321341A1.pdf

The Bureau has sought comment in the virtual workshop on adopting the input values currently in CAM v.3.1.2 and on setting the appropriate thresholds that will determine which census blocks lacking an

¹ Connect America Fund Phase II will provide ongoing support for voice services and the extension of broadband-capable networks to millions of unserved locations using “a combination of a forward-looking cost model and competitive bidding.” See *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 17673, para. 23 (2011) (*USF/ICC Transformation Order*), *pets. for review pending sub nom. In re: FCC, No. 11-9900* (10th Cir. filed Dec. 8, 2011). The Commission delegated to the Bureau the task of selecting a specific engineering cost model and associated inputs, consistent with the parameters set forth in the *USF/ICC Transformation Order*, to determine support amounts to be offered to price cap carriers that make a state-level commitment. See *USF/ICC Transformation Order*, 26 FCC Rcd at 17735, para. 187.

² See *Wireline Competition Bureau Announces Availability of Version 3.1.2 of the Connect America Fund Phase II Cost Model and Adds Additional Discussion Topics to Connect America Cost Model Virtual Workshop*, WC Docket No. 10-90, Public Notice, DA 13-1136 (Wireline Comp. Bur. rel. May 17, 2013) (*Version 3.1.2 Announcement PN*). See also Letter from Charles A. Acquard, Executive Director, National Association of State Utility Consumer Advocates, to Marlene H. Dortch, Secretary, Federal Communications Commission, WC Docket Nos. 10-90, 05-337 (filed May 9, 2013) (noting the importance of model outputs being available to the public).

³ The methodology documentation has been, and will continue to be, revised as work progresses on the Connect America Cost Model.

unsubsidized competitor are funded.⁴ CAM v.3.1.2 can be run using different combinations of input values and thresholds. The model results that we publish today illustrate a range of outcomes for support amounts by carrier per state, depending on final decisions on a number of issues, including values for the lower “funding threshold” and the upper “extremely high-cost threshold” that will determine which census blocks are eligible for Connect America Phase II support, and values for the cost of money that will be used in the model’s annual charge factors to capture the annual cost of capital investments. The reports also indicate the number of locations eligible for support per state for each of those runs. For each combination, the reports also show the total support amounts and number of eligible locations under two alternative scenarios: (1) all carriers that serve non-contiguous states and territories have their support frozen at 2011 levels; and (2) all such carriers receive model-based support.⁵

In order to access any version of the model, parties must execute the relevant acknowledgement of confidentiality, licensing, and nondisclosure documents released as attachments to a Third Supplemental Protective Order.⁶ Numerous interested parties have executed the protective order and have had full access to each version of the model, enabling them to run their own customized reports. The Bureau has not yet finalized and adopted a cost model, and is still seeking public input on a number of issues.⁷ Accordingly, the results that we release today are not final support amounts. When the Bureau does adopt a cost model, we expect to release a public notice indicating the support amounts to be offered to each price cap carrier for each state, as calculated by the final version of the model.

We anticipate that the Bureau will continue to release illustrative reports of model results as work on the model progresses in the weeks ahead, including study area level reports. We encourage the public to contact Bureau staff if they would like other types of reports to be published.

For further information, please contact Katie King at (202) 418-1500 or via e-mail at Katie.King@fcc.gov, or Heidi Lankau at (202) 418-2876 or via email at Heidi.Lankau@fcc.gov.

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⁴ See “Support Thresholds,” *WCB Cost Model Virtual Workshop 2012*, <http://www.fcc.gov/blog/wcb-cost-model-virtual-workshop-2012-support-thresholds> (last visited May 30, 2013); “Rate of Return for Connect America Cost Model,” *WCB Cost Model Virtual Workshop 2012*, <http://www.fcc.gov/blog/wcb-cost-model-virtual-workshop-2012-rate-return-connect-america-cost-model> (last visited May 30, 2013).

⁵ See *Wireline Competition Bureau Seeks Comment on Connect America Phase II Support for Price Cap Areas Outside of the Contiguous United States*, WC Docket No. 10-90, Public Notice, 28 FCC Rcd 1030 (Wireline Comp. Bur. 2013).

⁶ See *Connect America Fund*, WC Docket No. 10-90, Third Supplemental Protective Order, 27 FCC Rcd 15277 (Wireline Comp. Bur. 2012).

⁷ *WCB Cost Model Virtual Workshop 2012*, <http://www.fcc.gov/blog/wcb-cost-model-virtual-workshop-2012> (last visited May 30, 2013). The Bureau released an order adopting key engineering assumptions for the Connect America Cost Model earlier this year. See *Connect America Fund; High-Cost Universal Service Support*, WC Docket Nos. 10-90, 05-337, Report and Order, 28 FCC Rcd 5301 (Wireline Comp. Bur. 2013).