PUBLIC NOTICE

DA 13-956

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WIRELINE COMPETITION BUREAU ANNOUNCES AVAILABILITY OF VERSION 3.1 OF THE CONNECT AMERICA FUND PHASE II COST MODEL

WC Docket No. 10-90

Today, the Wireline Competition Bureau (Bureau) announces the availability of version 3.1 of the Connect America Cost Model (CAM). CAM allows Commission staff and interested parties to calculate costs based on a series of inputs and assumptions for Connect America Phase II implementation, which 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."[1]

On December 11, 2012, the Bureau announced the release of version one of CAM, and on January 17, 2013, the Bureau announced the release of version two of the model.[2] The Bureau released version three of the model on March 11, 2013, building on version two by, among other things, updating the model's data for residential and business locations, revising the network topology to take into account the updated locations, and allowing users to modify how total cost in a census block is unitized.[3]

Version 3.1 of CAM updates version three in a number of respects. Specifically, to enable the public to see the impact of adjusting the assumed take rate, version 3.1 adjusts the default take rate from 90 percent to 80 percent for both residential and business locations, which results in lower cost estimates.[4] Version 3.1 makes minor adjustments to opex values for bad debt and customer operations/marketing.[5] It also revises the default assumptions for plant mix based on data submitted by the ABC Coalition.[6] Furthermore, Version 3.1 provides users the ability to compare the effect of

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[1] *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 11-161*, No. 11-9900 (10th Cir. filed Dec. 8, 2011).

[2] *Wireline Competition Bureau Announces Availability of Version One of the Connect America Fund Phase II Cost Model*, WC Docket Nos. 10-90, 05-337, Public Notice, 27 FCC Rcd 15356 (Wireline Comp. Bur. 2012); *Wireline Competition Bureau Announces Availability of Version Two of the Connect America Fund Phase II Cost Model*, WC Docket No. 10-90, Public Notice, 28 FCC Rcd 280 (Wireline Comp. Bur. 2013).

[3] *Wireline Competition Bureau Announces Availability of Version Three of the Connect America Fund Phase II Cost Model*, WC Docket No. 10-90, Public Notice, 28 FCC Rcd 2316 (Wireline Comp. Bur. 2013).

[4] *See* "Operating Expenses Input Values," WCB Cost Model Virtual Workshop 2012, http://www.fcc.gov/blog/wcb-cost-model-virtual-workshop-2012-operating-expenses-input-values (last visited Apr. 26, 2013); "Calculating Average Per-Unit Costs/Take Rate," WCB Cost Model Virtual Workshop 2012, http://www.fcc.gov/blog/calculating-average-per-unit-costs-take-rate (last visited Apr. 26, 2013).

[5] *See* "Operating Expenses Input Values," WCB Cost Model Virtual Workshop 2012, http://www.fcc.gov/blog/wcb-cost-model-virtual-workshop-2012-operating-expenses-input-values (last visited Apr. 26, 2013).

defining fixed wireless coverage based solely on June 2012 State Broadband Initiative (SBI) data or based on SBI data filtered to include only those fixed wireless providers who reported voice service on FCC Form 477 (as of June 2012). Finally, this version updates the TelcoMaster table to incorporate certain input received as a result of the Bureau's recent Public Notice seeking corrections to holding company and related information for individual study areas.[7]

The Bureau also announces that several input tables will be removed from the default Inputs Collection beginning with version 3.1.[8] Version 3.1 also eliminates as a reporting parameter the "FCC Portion" field, which enabled users to manipulate the model to assume that states would cover a portion of support for eligible high-cost areas. Consistent with the Commission's directive in the *USF/ICC Transformation Order*, version 3.1 will calculate federal support as the difference between the total model-derived support amount associated with each census block, and the low-end cost benchmark that will be used to identify high-cost areas.[9] Finally, consistent with the recent release of the order addressing the key engineering assumptions and design principles for the cost model platform,[10] version 3.1 makes fiber-to-the-premises (FTTP) the default run for new solution sets, eliminating the option to run new solution sets based on fiber-to-the-DSLAM (FTTD) builds. Although parties will only be able to run new solution sets for green-field FTTP builds for version 3.1, FTTD solution sets run using prior versions of the model will remain available for inspection.[11]

Parties should follow the same procedures to access version 3.1 of CAM as announced for previous versions. In particular, parties may access version 3.1 of the cost model at http://www.fcc.gov/encyclopedia/caf-phase-ii-models or https://cacm.usac.org.[12] Additionally, authorized users who have signed the protective order will have access to a system evaluator package that provides a test environment populated with a sample database, allowing users to view

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[6] Comments of the United States Telecom Association, AT&T, CenturyLink, Frontier Communications, Verizon, and Windstream Communications (ABC Coalition) in Response to the Bureau's Public Notices of December 11 & 17, 2012, WC Docket Nos. 10-90, 05-337, at App. A (filed Jan. 11, 2013). *See* also "Plant Mix," WCB Cost Model Virtual Workshop 2012, http://www.fcc.gov/blog/wcb-cost-model-virtual-workshop-2012-plant-mix (last visited Apr. 25, 2013) (comment of Steve Rosenberg, Chief Data Officer, Wireline Competition Bureau).

[7] *Wireline Competition Bureau Seeks Updates and Corrections to TelcoMaster Table for Connect America Cost Model*, WC Docket No. 10-90, Public Notice, 28 FCC Rcd 1151 (Wireline Comp. Bur. 2013). The "Updates to TelcoMaster" document, located at the Resources tab, documents which proposed changes to the TelcoMaster table were incorporated into this version of the model and which were not.

[8] In particular, version 3.1 eliminates the brown-field adjustment table. Version 3.1 also eliminates several in-active tables that have not been utilized in developing any of the solution sets to date.

[9] *USF/ICC Transformation Order*, 26 FCC Rcd at 17729, para. 171.

[10] *See Connect America Fund; High-Cost Universal Service Support*, WC Docket Nos. 10-90, 05-337, Report and Order, DA 13-807 (Wireline Comp. Bur. rel. April 22, 2013) ("*Connect America Platform Order*").

[11] Parties who require access to any of the eliminated input tables or wish to develop solution sets based on FTTD may contact the CAM Help Desk.

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

database structures, observe the processing steps of CAM for a subset of the country, and see changes in the database.

The Bureau will continue to evaluate the record received in response to the virtual workshop and various public notices that have been released to date. Given the recent release of the *Connect America Platform Order*, the Bureau is currently focusing on the relevant input values for the cost model.

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