

Connect America Fund

Report and Order and Further Notice of Proposed Rulemaking

Washington Utilities and Transportation
Commission

February 28, 2012

Transition to the Connect America Fund and Mobility Fund

- Existing high-cost mechanism for wireless carriers being phased out.
- Support frozen as of January 1, 2012 at 2011 level (avg. of 12 mos.)
- Starting July, 2012, support reduced by 20%.
- Each July thereafter, support reduced by 20% until July, 2016, at which support is reduced to zero.

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Transition to the Connect America Fund and Mobility Fund

- If Mobility Fund II is not implemented by June 30, 2014, then the phase down is halted – support remains at 60% of the freeze amount until Mobility Fund II is implemented.
- Line count filing with USAC discontinued.

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New Mobility Funds

- Funds dedicated to mobility for the first time.
- Mobility is not a supported service, but funds set aside for provision of mobile services to unserved areas
- Two funds, Mobility Fund I and Mobility Fund II
- Within both mobility funds, support is set aside for tribal lands.

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Phase I Mobility Fund

- One-time funding of \$300 million.
- Purpose: To fill in areas with wireless service of 3G or better. If an area has no service, or no 3G service, **from any carrier**, it is eligible.
- Areas where, (1) a carrier has made a regulatory commitment to provide 3G/4G service by 12/31/12, or (2) where funding is already being provided from another government program (stimulus) are **excluded** from eligibility.
- Public Notices implementing Phase I have commenced. See, http://wireless.fcc.gov/auctions/default.htm?job=auction_summary&id=901
- Map located at: <http://www.fcc.gov/maps/mobility-fund-phase-1-potentially-eligible-areas>

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Phase I Mobility Fund Auction

- Non-tribal lands: Road miles used to determine bidding units.
- Tribal lands: A population metric will be used instead of road miles. Tribal auction 2013, separate public notices to come.
- Unserved areas will be identified by census blocks using American Roamer data.
- There are 8 million blocks in the U.S., very granular look at what is “unserved.”
- If the “centroid” of a census block is not covered by 3G or better, it is considered “unserved” and eligible for auction.
- Deadline to challenge FCC’s map: 3/16/12.

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Performance Requirements

- 3G service must be 200 kb down/50 kb up to mobile handsets operating outdoors, and to fixed terminals, all the way to the cell edge.
- 4G service must be 768 kb down/200 kb up to mobile handsets operating outdoors, and to fixed terminals, all the way to the cell edge.
- Latencies must be short enough to enable VoIP.
- Data usage limits in rural areas must be reasonably comparable to those in urban.

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Regulatory Requirements

- Collocation
 - Must construct towers, where reasonable, in a manner that allows collocation.
 - Must engage in reasonable negotiations, on not unreasonably discriminatory basis, with any party seeking to collocate.
 - Cannot enter into tower lease that restricts access by third parties.
- Voice and data roaming
 - Must comply with FCC's voice and data roaming requirements on networks built with support, as set forth in Section 20.12 of FCC's rules.
 - Collocation and roaming rules enforced by withholding or claw back of support.

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Regulatory Requirements

- Reasonably comparable rates
 - Recipients must certify annually that they offer rates that are within a reasonable range of rates for similar rate plans offered in urban areas.
- Eligibility requirements
 - Must be designated as a wireless ETC by the deadline for participating in the auction (exception for tribally owned/controlled).
 - Must have access to spectrum capable of providing 3G/4G service. License rights or lease must be in effect at the time of auction.
 - Must certify as to technical/financial qualifications.

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Phase II Mobility Fund

- Fund set at \$500 million per year, of which \$100 million reserved for Tribal, including Alaska.
- Unserved areas identified on census block basis. Blocks with 3G or better service from any unsubsidized provider are ineligible for Phase II funding. American Roamer data used.
- If 3G service is available only from a subsidized provider, the block is eligible.
- Service availability is determined at the census block's "centroid."

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ILEC-CMRS Interconnection

- CAF Order mandates bill-and-keep for all traffic exchanged between an ILEC and CMRS carrier that originates and terminates within the same MTA.
- New rule is effective July 1, 2012, pending further review.

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State Regulator Issues

- CAF Order shifts power from states in several areas.
 - Funding of one ETC frustrates Congressional determination that states empowered to designate more than one ETC.
 - Use of census blocks frustrates 214, which requires states and FCC to determine funded service areas for competitors serving rural telco areas.
 - Broadband is being funded without defining it as a supported service, circumventing 254(c)(1) which requires fed-state joint board action.
 - FCC maps will now control where funding goes instead of state commissions.
 - FCC regulatory regime shifts reporting/compliance to FCC by 2013.

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State Regulator Issues

- Designating New ETCs for Mobility I and II.
 - In auction format, new ETCs who will compete for funding need to be designated in advance of September auction.
 - Newly designated ETCs get \$0 from legacy CETC fund, so submission of five-year plans for use of support no longer applicable.
 - CAF Order and new rules provide ETC designation, conditioned upon winning auction, is appropriate.
 - Phase I – requires project description to show build-out.

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State Regulator Issues

- Ending the CETC Program.
 - Approximately \$33 M in annual federal support for mobile infrastructure is being removed from Washington between 2012-2016.
 - New mechanism, capped at \$400 M nationwide for non-tribal areas, unlikely to replace that funding.
 - WUTC should consider expansion of state fund to supplement federal high-cost fund, to prevent loss of rural service and accelerate mobile broadband investment.
 - Carriers phasing down support will file amended annual build plans reflecting lower levels of investment and decommissioning of facilities if necessary.

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