



Indiana Broadband^{and}
Technology Association

July 13, 2018

Ms. Beth Heline
General Counsel
Indiana Utility Regulatory Commission
101 West Washington - Suite 1500 East
Indianapolis, Indiana 46204-3407

Re: IURC General Administrative Order 2018-3 – IUSF-Broadband Study

Dear General Counsel Heline:

The Indiana Broadband and Technology Association (“IBTA”), a non-profit trade association representing Indiana’s broadband and technology industries, respectfully submits its Reply Comments on General Administrative Order (“GAO”) 2018-03 - IUSF-Broadband Study. Please direct any questions or comments regarding the IBTA’s Reply Comments to Alan Matsumoto on (317) 531-0710 or alan.i.matsumoto@centurylink.com.

Respectfully submitted,

/s/ John Koppin

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STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

GENERAL ADMINISTRATIVE ORDER 2018-03

IUSF-BROADBAND STUDY

INDIANA BROADBAND AND TECHNOLOGY
ASSOCIATION'S REPLY COMMENTS

The Indiana Broadband and Technology Association, Inc.¹ (“IBTA” or the “Association”), a non-profit trade association representing Indiana’s broadband and technology industries, on behalf of its members² submits its Reply Comments on the Commission’s General Administrative Order (“GAO”) 2018-3, regarding a study of the Indiana Universal Service Fund (“IUSF”) and broadband deployment (“IUSF-Broadband Study”). The IBTA’s Reply Comments are submitted in response to the Initial Comments that were filed in this proceeding.

¹ This entity’s legal name is: “Indiana Telecommunications Association, Inc.” The assumed business name is “Indiana Broadband and Technology Association, Inc.”.

² AT&T Indiana, CenturyTel of Central Indiana, d/b/a CenturyLink, CenturyTel of Odon, d/b/a CenturyLink, Cincinnati Bell Telephone, Citizens Telephone Corp., Craigville Telephone Company, Inc., Endeavor Communications, Enhanced Telecommunications, Frontier Communications of Indiana, Frontier Communications of Thorntown, Frontier North Inc., Frontier Midstates Inc., Geetingsville Telephone Co. Inc., Ligonier Telephone Company, Monon Telephone Company Inc., Mulberry Cooperative Telephone Co., Inc., New Lisbon Telephone Company, New Paris Telephone Company, Northwestern Indiana Telephone Company, Inc., PSC, Pulaski White Rural Telephone Cooperative, Inc., Rochester Telephone Co., Inc., RTC Communications, Smithville Telephone Company, Southeastern Indiana Rural Telephone Cooperative (SEI), Swayzee Telephone Co. Inc., Sweetser Telephone Company, Inc., TDS Telecom – Camden, TDS Telecom – Hillsboro, TDS Telecom - New Richmond, TDS Telecom – Pittsboro, TDS Telecom – Poseyville, TDS Telecom – Roachdale, TDS Telecom – Sandborn, TDS Telecom – Tipton, TDS Telecom – Waldron, TDS Telecom – West Point, United Telephone Company of Indiana, Inc., d/b/a CenturyLink, Washington Country Rural Telephone Cooperative d/b/a Tele-Media Solutions, and Yeoman Telephone Company.

In its Initial Comments, the IBTA recommended the Commission maintain the status quo for the IUSF and that it not convert the IUSF to directly fund the capital expenditures associated with broadband deployment and expansion. The IBTA stated that the IUSF is needed for its originally intended purpose, to support the continuing provision of universal telephone service, by ensuring its availability at just, reasonable and affordable rates, reasonably comparable between rural and urban areas of Indiana and that it remains an important source of funding for Communications Service Providers (“CSP”). In their Initial Comments, other parties, including the Indiana Exchange Carrier Association, Inc. (“INECA”) and the Indiana Broadband Innovation Group (“IBIG”) also advocated maintaining the status quo for the IUSF and that it not be used to support broadband services³.

The “Indiana Federal High Cost USF Support Summary” (the “Summary”) that is included with these Reply Comments as Attachment 1 demonstrates that Indiana CSPs are receiving approximately \$112 million in federal Connect America Fund (“CAF”) support to deploy broadband to homes and small businesses throughout rural Indiana. The INECA Initial Comments provided numerous examples of efforts by its members to provide broadband in rural areas of Indiana using CAF and Rural Utilities Service (“RUS”) support. In addition, the FCC will begin conducting a CAF Phase II auction (the “Phase II Auction”) this month that will award up to \$198 million annually for 10 years to service providers that commit to offer voice and broadband services to fixed locations in unserved high-cost areas. The IBTA’s members continue to commit substantial capital investment in broadband deployment to expand and enhance access to broadband services at greater speeds and recommends the federal programs be allowed to continue

³ INECA’s Initial Comments in GAO 2018-3 at 10.
IBIG Initial Comments in GAO 2018-3 at 2.

operating in order to advance the broadband access objectives for the state of Indiana.

The Broadband Grant framework that was established through House Enrolled Act (“HEA”) 1065, under the auspices of the Office of Community and Rural Affairs (“OCRA”), is targeted toward unserved areas only⁴. Accordingly, any funding through that program must be designated for unserved areas only and not be used to overbuild locations where a CSP is offering broadband or for those locations where a CSP has committed to providing broadband services under the federal programs discussed above.

As a matter of principle, the IBTA believes any broadband deployment incentive program should be funded through appropriations from the state’s general treasury fund. Virtually all segments of the economy depend upon or are enabled by the universal availability of retail internet service. By increasing internet access availability, Indiana’s policy makers seek to improve education and educational opportunities, improve the quality of health care and make health care more cost effective, and facilitate economic development – all objectives normally funded by the state’s general treasury funds. FCC commissioner Michael O’Reilly, in remarks to the Hudson Institute earlier this year, indicated that the FCC has declared broadband to be an interstate service and that state broadband programs should be funded through separate programs using general funds. Broadband internet access connections help the public sector, at every level of government, to operate more efficiently and effectively, significantly diminishing bureaucracy and red tape. Recognizing the many competing demands upon the state’s general fund, Indiana’s policy makers should establish a firm and time-limited budget for the program.

⁴ IC 4-4-38

Conclusion

The IBTA appreciates the opportunity to provide its Reply Comments in support of the Commission's efforts to prepare a final report to the Interim Study Committee on Energy, Utilities, and Telecommunications, pursuant to Section 13 of HEA 1065. The IBTA's members are committed to work with the Commissioners or Staff through technical conferences or other opportunities to assist in its efforts to develop a comprehensive and effective IUSF-Broadband Study.

Indiana Federal High Cost USF Support Summary

Rate of Return ILECs' CAF Support:

- Rate-of-return ILECs in Indiana** who accepted CAF support based on the Alternative Connect America Cost Model (A-CAM) will be receiving more than **\$3.5 million/year** in CAF support, or **more than \$35.8 million over the 10-year funding period**. In total, this program will support the availability of internet service to more than **7,900 locations** in areas served by rate-of-return carriers: Rate of return ILECs who voluntarily accepted this support will be required to make 25 Mbps download/3 Mbps upload ("25/3") internet access service available to more than 5,700 locations in Indiana; 10/1 internet access service available to more than 1,900 Indiana locations, and 4/1 internet access service to more than 170 Indiana locations. They will also be required to make 4/1 internet access available to 180 additional locations upon reasonable request.¹
- Rate-of-return ILECs** who voluntarily declined, or who were ineligible for A-CAM-based support, will receive federal USF high-cost support from the new CAF BLS (Broadband Loop Support) mechanism and other legacy mechanisms.² In 2016, it appears from USAC support distribution databases that these rate of return carriers in Indiana received **more than \$50 million** in legacy high-cost support.³ Rate of return carriers who have less than 80% deployment of 10/1 internet access service in their entire study areas must utilize a specified percentage of their 5-year forecasted CAF BLS support to deploy 10/1 or better internet access service in areas where it is lacking, over a 5-year period, as follows:⁴

If Rate-of-Return ILEC has...	Amount of CAF BLS support that must be utilized to extend 10/1 where currently lacking
< 20% deployment of 10/1	35% of 5-year forecasted CAF BLS;
> 20% but < 40% deployment of 10/1	25% of 5-year forecasted CAF BLS;
> 40% but < 80% deployment of 10/1	20% of 5-year forecasted CAF BLS;
and	
Must build-out to number of locations determined by the amount of support by a cost per location figure calculated pursuant to 47 CFR § 54.308(a)(2)(ii).	
≥ 80% deployment of 10/1	No specific buildout obligations, but must continue to deploy 10/1 or better where cost effective

- Rate-of-return** carriers serving Indiana also received **more than \$6 million** in CAF ICC (CAF Inter-carrier Compensation) support in 2016.⁵

SUBTOTAL, RATE-OF-RETURN CARRIERS' ESTIMATED ANNUAL CAF SUPPORT (WITHOUT CAF ICC): More than \$54 million

SUBTOTAL, RATE-OF-RETURN CARRIERS' ESTIMATED CAF ANNUAL HIGH-COST SUPPORT (WITH CAF ICC): More than \$61 million

Price Cap Carriers' CAF Support:

- **Price cap carriers** serving Indiana (AT&T, CenturyLink, and Frontier) accepted **more than \$51 million** in CAF Phase II model-based support for Indiana – about \$35 million/year *more* in annual federal high-cost universal service support than they received before the CAF was implemented. The CAF support obligates them to deploy 10/1 internet access to more than **135,000 locations** in the state. CAF II model-based support will **total more than \$306 million over the 6-year funding period**. Each may also voluntarily accept an optional 7th year of funding. If they do so, their CAF II support will total more than \$357 million over 7 years.⁶

SUBTOTAL, PRICE CAP CARRIERS' ESTIMATED CAF ANNUAL HIGH-COST SUPPORT (WITH CAF ICC): More than \$51 million

Rate-of-Return Carriers' + Price Cap Carriers' CAF Support:

SUBTOTAL, ANNUAL CAF SUPPORT (WITHOUT CAF ICC): More than \$105 million

SUBTOTAL, ESTIMATED ANNUAL CAF SUPPORT (WITH CAF ICC): More than \$112 million

Competitive ETCs CAF Frozen Support

- **Three (3) competitive ETCs in Indiana currently receive more than \$58,000 in CAF I frozen support,**⁷ representing 60% of their 2011 frozen support amounts. This support was originally supposed to have been completely phased out in equal increments of 20% per year between 1/1/2012-7/1/2016, but has been frozen at the 60% level since 2013 because the FCC has not yet implemented Mobility Fund Phase II rules. In 2017, the FCC adopted certain Mobility Fund Phase II rules, under which, the phase-out will restart 1 month after the MF II auction.⁸

**SUBTOTAL, CETCS' ESTIMATED CAF I FROZEN ANNUAL HIGH-COST SUPPORT:
About \$58,000**

**TOTAL INDIANA ESTIMATED ANNUAL CAF SUPPORT:
About \$112 million**

¹ See FCC News Release, *Wireline Competition Bureau Authorizes 182 Rate-of-Return Companies to Receive \$454 Million Annually in Alternative Connect America Cost Model Support to Expand Rural Broadband*, WC Docket No. 10-90, DA 17-99 (released January 24, 2017), available at <https://www.fcc.gov/document/wcb-authorizes-182-companies-454m-annually-cam-support>, containing a hyperlink in FN3 to

https://apps.fcc.gov/edocs_public/attachmatch/DOC-343180A1.xlsx (summarizing all carriers authorized to receive A-CAM, list of CBs eligible for A-CAM support, and the accompanying broadband location obligations).

² FCC, Report & Order, Order, & Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 16-33, ¶ 66 (released March 30, 2016) (the "Rate-of-Return CAF Order").

³ The source of data regarding rate-of-return carriers' CAF BLS, other legacy support, and CAF intercarrier compensation (ICC) support is the federal universal service administrator's support distribution database, identifying actual 2016 support disbursements for each rate-of-return carrier. See Universal Service Administrative Co. (USAC) Funding Disbursement Search, <http://www.usac.org/hc/tools/disbursements> ("USAC Funding Disbursement Search"). To replicate the search, generate a funding disbursement, identifying the year as 2016 and the state as Indiana.

⁴ 47 CFR § 54.308(a)(2); Rate-of-Return CAF Order, ¶¶ 168, 173.

⁵ USAC Funding Disbursement Search. See note 3 above.

⁶ See FCC News Release, State, County and Carrier Data on \$9 Billion, Six-Year Connect America Fund Phase II Support for Rural Broadband Expansion (Sept. 15, 2015), and accompanying attachments, specifically, attachment labeled DOC-335269A5, a hyperlink to which is included in the text of the press release. The press release and attachment are available at <https://www.fcc.gov/document/connect-america-fund-phase-ii-funding-carrier-state-and-county>; and https://apps.fcc.gov/edocs_public/attachmatch/DOC-335269A5.xlsx.

⁷ USAC FCC Filings, 2016 Fourth Quarter Filings, HC08 - Frozen High Cost Support Projected by State by Study Area - 4Q2016 available at <http://www.usac.org/about/tools/fcc/filings/2016/q4.aspx> (last checked April 27, 2017).

⁸ Report & Order & Further Notice of Proposed Rulemaking, FCC 17-11 ¶¶ 69-79 (released March 7, 2017) (the "MF-II Auction Order"). The decision to phase out CETCs' legacy high-cost support dates back to the FCC's 2011 USF/ICC Transformation Order.