



FCC REPORT

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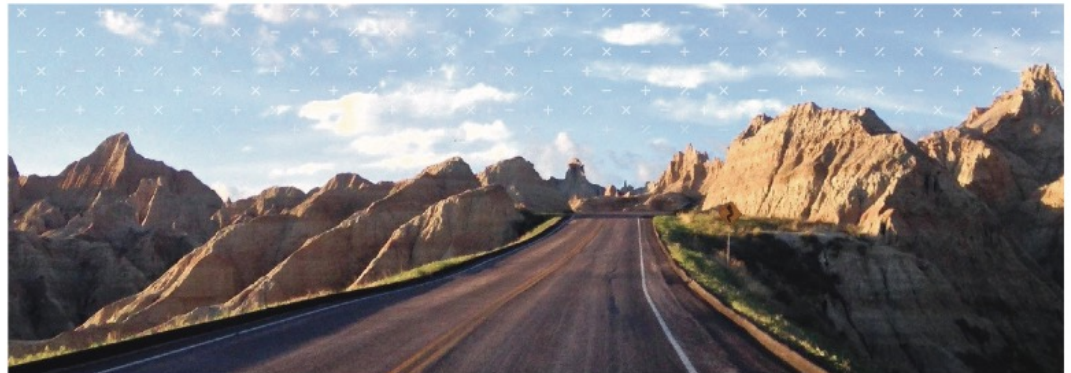
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FCC Provides Guidance on Broadband Reporting and Deployment Obligations for CAF-BLS Recipients

In a [Public Notice](#) released March 1st, the Wireline Competition Bureau provides additional guidance and clarification on FCC Form 477 and High Cost Universal Broadband (HUBB) reporting obligations for carriers receiving CAF-BLS support.

The Notice first addresses the effect of corrected Form 477 data on CAF-BLS carrier deployment obligations. Any CAF-BLS recipient that believes its pre-existing deployment percentage is incorrect due to an error in its filed 2015 Form 477 data must refile corrected data. However, corrected 2015 Form 477 data that shows a carrier 80 percent or more deployed *will not* change the carrier's defined deployment obligations. Additional deployment included in the corrected Form 477 submission will not be credited towards or reduce the carrier's deployment obligation, since CAF-BLS recipients can receive credit only for locations deployed after May 25, 2016.

Second, the Notice establishes a process for CAF-BLS recipients to demonstrate that there are fewer unserved locations in their study area than the number associated with their deployment obligation, or that the carrier's study area is fully deployed. Any CAF-BLS recipient may voluntarily certify to USAC that it is fully deployed (and thus has fulfilled its buildout obligation) because it has deployed qualifying broadband to all locations in its study area that do not result in its total support per line exceeding the \$250 per-line per-month cap or the carrier's Maximum Average Per Location Construction Project Limitation. USAC will adjust the carrier's deployment obligation accordingly and will note that its deployment obligation has been met. To determine whether the cost of serving a census block would exceed the \$250 per month-per line cap or the Maximum Average Per Location Construction Project Limitation, USAC will examine the carrier's costs during the 5-year support term. All certifications regarding the costs of deployment

are subject to USAC audit and verification, and carriers will need to retain all records and analysis so that USAC can authenticate the carrier's certification.

Finally, the Bureau clarifies that carriers with HUBB filing obligations are required to submit locations and make related certifications on an annual basis until the end of their support term, even after the carrier has met its final deployment obligation. Once the final deployment obligation has been met, a carrier can certify in the HUBB each year that it did not deploy to any new locations in the prior year.

FCC Reconsiders CBOL Rules

The FCC has released a [*Second Order on Reconsideration and Clarification*](#) ("*Reconsideration Order*") that reconsiders rules relating to the provision of Consumer Broadband-Only Loops (CBOLs) that were adopted in the 2016 *Rate-of-Return Reform Order*. The Order addresses two primary issues: (1) the method for determining the cost of CBOLs, and (2) the imputation of the Access Recovery Charge (ARC) on CBOLs. The rule changes adopted in the Order are effective July 1, 2018 and will apply on a going forward basis.

In the 2016 *Rate-of-Return Reform Order*, the FCC adopted a surrogate method for identifying CBOL costs. Rather than using actual CBOL costs determined in the annual cost study, the surrogate method used the average cost of a voice loop in determining the costs to be shifted from the Special Access category to the CBOL category. The FCC later determined that there were situations where the surrogate method over-allocated special access costs to CBOL, resulting in an unintended reduction in rates for other special access services. As a result, the Wireline Competition Bureau granted a limited waiver of the rules in cases where the surrogate cost method would result in unintended rate reductions. For companies that participate in the NECA traffic sensitive pool, NECA required the use of the methodology (surrogate method or actual cost) that produced the lower cost allocation from special access to CBOL. In the *Reconsideration Order*, the FCC eliminates the surrogate method entirely and requires companies to use their actual CBOL investment costs, as calculated in their annual cost study. This change is effective with annual access tariff filings beginning July 1, 2018.

Also in the 2016 *Rate-of-Return Reform Order*, the FCC required carriers to impute an amount equal to the ARC on CBOL service, so that the migration of lines from voice/broadband to broadband-only would not have an impact on the amount of CAF ICC support paid to carriers. In the *Reconsideration Order*, the FCC limits the ARC imputation on CBOLs so that a carrier that offers CBOL service will not report ARC revenues that are greater than the ARC it reported for Tariff Year 2015/2016. If the forecasted ARC revenue prior to the CBOL imputation is greater than the Tariff Year 2015/2016 ARC revenue, then there is no imputation on CBOLs. If the forecasted ARC revenue prior to the CBOL implementation is less than the Tariff Year 2015/2016 ARC revenue, then the imputation is equal to the difference between the two amounts. This revision is effective beginning July 1, 2018 and sunsets after five years.

Finally, the *Reconsideration Order* addresses a couple of minor issues associated with the competitive overlap procedures adopted in the 2016 *Rate-of-Return Reform Order*. First, it clarifies the support reduction ratios utilized in the second disaggregation

method (i.e., ratio of competitive to non-competitive square miles). And second, it clarifies the support reduction schedule for carriers where the reduction of CAF BLS from competitive census blocks represents 25 percent of total CAF BLS.

Second Quarter 2018 USF Contribution Factor Decreases to 18.4%

The FCC [announced](#) that the proposed universal service contribution factor for the second quarter of 2018 is 18.4 percent (0.184), down from the current contribution factor of 19.5 percent. All companies that assess their customers a Federal Universal Service Charge (FUSC) will need to implement the decrease in their billing systems. If the FCC takes no action on USAC's projections of demand and administrative expenses and the proposed contribution factor, they will be deemed approved and become effective April 1, 2018.

FCC Releases CAF Phase II Short-Form Application Instructions and Schedules Workshop on Application Process

The FCC's Rural Broadband Auctions Task Force has released [instructions](#) for completing the short-form application for entities seeking to participate in the Connect America Fund Phase II auction. The instructions indicate how an applicant can: (1) select the specific state(s) in which it wishes to bid; (2) select the performance tier and latency combination(s) on which it wishes to bid in its selected state(s); (3) submit operational and financial information demonstrating that it can meet the service requirements associated with the performance tier and latency combination(s) for which it intends to bid; (4) disclose auction-related agreements; and (5) provide information regarding its ownership structure.

There is also an online tutorial that provides additional assistance to applicants in completing their short-form applications. The tutorial is located on the [Connect America Fund Phase II Auction website](#) through a link under the "Education" tab.

In addition, the Task Force [announced](#) that it is holding a workshop on the application process at the FCC *on Wednesday, March 14th, from 11:00 am – 1:00 pm ET*. Coverage of the meeting will be provided over the Internet from the FCC's webpage at www.fcc.gov/live. Pre-registration is not required for Internet viewing of the event. During the event, those watching the live coverage may email questions to auction903@fcc.gov. After the event, a recording of the workshop will be available for streaming and the email address will remain available for questions. Participation in the workshop is not a pre-requisite for applying to participate in the auction. However, the FCC strongly encourages potential applicants to attend or view the event online.

As a reminder, the period for filing an application to participate in the CAF Phase II auction will open at noon ET on March 19th, and close at 6:00 pm ET on March 30th. Applications must be submitted prior to the close of the filing period.

FCC Releases Map of Initially Eligible Areas for Mobility Fund Phase II Auction and Procedures for Challenge Process

On February 27th, the FCC's Rural Broadband Auctions Task Force released the [map of areas presumptively eligible](#) for Mobility Fund Phase II (MF-II) support. Concurrent with release of the map, the Task Force also released a [Public Notice](#) establishing the procedures for the MF-II challenge process. All mobile service providers and government entities, as well as other interested parties that successfully seek a waiver from the Commission, may challenge areas that are deemed presumptively ineligible for MF-II support in the initial eligible areas map. A challenger will have 150 days (the challenge window) to submit a challenge via the USAC portal. A valid challenge must include evidence in the form of actual outdoor speed test data showing a lack of unsubsidized, qualified 4G LTE coverage. The system will validate that each challenge meets the Commission's requirements for data characteristics and quantity on a grid cell by grid cell basis. Once validation processing is complete, a challenger will be able to view and certify its challenge(s), and only those challenges that are certified at the close of the challenge window will proceed.

No sooner than 30 days after the system completes processing all certified challenges, a 30-day response window will open during which a challenged provider may submit additional data in response to a challenge in its coverage area. Once the response window closes, Commission staff will adjudicate certified challenges and responses using a preponderance of the evidence standard.

The MF-II challenge window will open on March 29th. A link to the USAC challenge process portal will be posted on the FCC's [Mobility Fund Phase II website](#). Beginning on March 22nd, any party that submits contact information to the [portal access request form](#) and obtains login credentials will be able to test its credentials by logging into the portal. Challengers will not be able to upload speed test data to the portal until the challenge window opens on March 29th. The challenge window will remain open until August 27th and challenges must be certified by that date to proceed.

Law Enacted to Improve Rural Call Completion

On February 26th, President Trump signed into law the [Improving Rural Call Quality and Reliability Act of 2017](#), which empowers the FCC to oversee a significant source of rural call completion failures. Specifically, the new law will require "intermediate providers" to register with the Commission and comply with service quality standards to be established by the agency.

The law defines an "intermediate provider" as a provider that:

- 1) enters a business arrangement with a long-distance voice service provider that makes the initial call path choice for more than 100,000 domestic retail subscriber lines, or with another intermediate provider, to carry, route, or transmit voice traffic from a call placed from or to an end user connection using a North American Numbering Plan resource; and

- 2) does not itself (directly or in conjunction with an affiliate) serve as a long-distance initial call path choice provider in the context of originating or terminating a given call.

The law prohibits long-distance providers (including local exchange carriers, interexchange carriers, mobile wireless services, interconnected VoIP services, and certain non-interconnected VoIP services) from using an intermediate provider to transmit voice communications and signals unless the intermediate provider is registered with the FCC.

Certain long-distance providers that make initial call path choices are exempt from the service quality standards to be established by the Commission if they certify under an existing safe harbor provision that they monitor the performance of, or do not use, intermediate providers.

FCC Updates and Modernizes National Broadband Map

The FCC has updated and modernized its [National Broadband Map](#) in order for the map to be a key source of broadband deployment information for consumers, policymakers, researchers, and others. The new, cloud-based map will support more frequent data updates and display improvements at a lower cost than the original mapping platform, which had not been updated in years.

Improvements and features in the updated National Broadband Map include:

- Fixed deployment data based on the latest collection by the FCC and updated twice annually.
- Deployment summaries available for seven different geographical types: nation, state, county, congressional district, city or town (census place), Tribal area, and Core-based Statistical Area (i.e., New York-Newark-Jersey City NY-NJ-PA).
- Broadband availability and provider counts in each of the nation's over 11 million census blocks, available for six technologies (fiber, DSL, cable, satellite, fixed wireless, and other) as well as seven speeds, for a total of 441 combinations.
- Provider summary information available for 1,782 providers by technology, eight download speed tiers, and nine upload speed tiers.
- Deployment comparisons between geographic areas.
- A portal for data downloads.
- Satellite imagery map overlay that shows buildings, roads, and geography.
- Graphs that show what fraction of an area's population has access to broadband at a given speed.

While data on mobile service is not yet available on the new map, it is available on [separate maps](#) on the Commission's website.

FCC Eliminates Outdated Payphone Audit Rules

On February 22nd, the FCC released an Order that eliminates all payphone call tracking system audit and associated reporting requirements. Elimination of these requirements does not change the amount of compensation due to payphone service providers (PSPs) or their ability to seek redress for compensation they believe they are due. The Order also revises the rules to permit a company official other than the chief financial officer to certify that a carrier's quarterly compensation payments to PSPs are accurate and complete. Finally, the Order eliminates expired interim and intermediate per-payphone compensation rules that no longer apply to any entity. The Order will become effective 30 days following publication in the Federal Register, with the exception of a rule revision subject to OMB approval.

FCC Reporting Requirements

Mar. 16

MOSS ADAMS REGULATORY WEBCAST

8:30 am PT - 9:30 am MT - 10:30 am CT – 11:30 am ET

As part of Moss Adams' monthly regulatory compliance webcast series, we will discuss upcoming FCC, NECA, and USAC regulatory compliance reports that are due. Moss Adams will provide an overview of monthly reporting requirements followed by an opportunity for questions and answers. In addition, Moss Adams staff will discuss key FCC issues that have an immediate business impact.

Apr. 1

FCC Form 499-A: Telecommunications Reporting Worksheet

The FCC Form 499-A must be filed by all contributors to the USF support mechanisms, the Telecommunications Relay Service (TRS) Fund, the cost recovery mechanism for the North American Numbering Plan Administration (NANPA), and the shared costs of local number portability. Contributors include every telecommunications carrier that provides interstate, intrastate and international telecommunications services, and certain other entities that provide interstate telecommunications for a fee. VoIP providers (both interconnected and non-interconnected) are also required to file. Common carriers that qualify for the de minimis exemption must still file the Form 499-A. Form 499-A contains revenue information for January 1 through December 31 of the prior calendar year.

Apr. 1

Accessibility Recordkeeping Compliance Certification

Section 255 of the Communications Act requires telecommunications service providers (including broadband Internet access providers) and equipment manufacturers to make their services and equipment accessible to individuals with disabilities, if readily achievable. Telecommunications service providers must maintain records of the efforts they take to implement these accessibility requirements. FCC rules require providers to submit recordkeeping compliance certifications and contact information to the FCC annually by April 1. Provider contact information must be updated within 30 days of any material change. Annual certifications and updated contact information should be submitted online at <https://apps.fcc.gov/rccci-registry/>.

Apr. 8

Lifeline Claims for March Data Month

Service providers that file certified reimbursement claims through USAC's E-File system by the eighth day of the month can receive payment for the claim at the end of the same month. Services providers that do not file by the eighth day of the month will receive payment the following month.

Starting with the January 2018 data month (February 1, 2018 snapshot), all service providers are required to use the new Lifeline Claims System (LCS) online reimbursement process. Service providers can access the LCS online through the [National Lifeline Accountability Database \(NLAD\)](#). Detailed instructions are available by clicking on the "[Instructions](#)" link in the upper-right corner of the LCS interface.