



6712-01

FEDERAL COMMUNICATIONS COMMISSION

47 CFR Chapter I

[WC Docket No. 10-90; DA 14-1569]

Connect America Fund

AGENCY: Federal Communications Commission

ACTION: Final Rule.

SUMMARY: In this document, the Wireline Competition Bureau adopts a specific methodology for calculating reasonable comparability benchmarks for fixed broadband services. The methodology the Commission adopts today establishes reasonable comparability broadband benchmarks that vary, depending on the supported service's download and upload bandwidths and usage allowance.

DATES: Effective [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

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SUPPLEMENTARY INFORMATION: This is a synopsis of the Wireline Competition Bureau's Report and Order in WC Docket No. 10-90; DA 14-1569, released October 29, 2014. The complete text of this document is available for inspection and copying during normal business hours in the FCC Reference Information Center, Portals II, 445 12th Street SW, Room CY-A257, Washington, DC 20554. The document may also be purchased from the Commission's duplicating contractor, Best Copy and Printing, Inc. (BCPI), 445 12th Street SW, Room CY-B402, Washington, DC 20554, telephone (800) 378-3160 or (202) 863-2893,

facsimile (202) 863-2898, or via the Internet at <http://www.bcpweb.com>. It is also available on the Commission's web site at https://apps.fcc.gov/edocs_public/attachmatch/DA-14-1569A1.pdf

I. INTRODUCTION

1. In this Report and Order (Order), the Wireline Competition Bureau (Bureau) adopts a specific methodology for calculating reasonable comparability benchmarks for fixed broadband services. In the USF/ICC Transformation Order, 76 FR 73830, November 29, 2011, the Commission required that as a condition of receiving high-cost support, eligible telecommunications carriers (ETCs) must offer voice and broadband services in supported areas at rates that are reasonably comparable to rates for similar services in urban areas. The methodology we adopt today establishes reasonable comparability broadband benchmarks that vary, depending on the supported service's download and upload bandwidths and usage allowance. This approach recognizes that ETCs may choose to meet their broadband performance obligation with a service offering that exceeds the minimum requirements in one or more respects. The approach also is sufficiently flexible to account for any changes that the Commission may adopt regarding the required minimum performance characteristics.

2. The Bureau notes that because they are announcing the methodology late in the calendar year, the results for 2014 are illustrative and to inform parties that are potentially interested in bidding on Connect America funding for rural broadband experiments in the weeks ahead. The Bureau also will take into account the benchmarks published below when adjudicating Connect America Phase II challenges. The Bureau plans to announce the 2015 reasonable comparability benchmarks for fixed broadband services when the Bureau completes our analysis of the data collected in the annual urban rate survey. The Bureau also waives on our own motion implementation of the reasonable comparability benchmarks for Alaska carriers for 2015 to allow further time to determine whether an alternative methodology should be adopted for Alaska.

II. DISCUSSION

3. The Bureau now adopts a methodology that will be used annually to develop reasonable comparability benchmarks for fixed broadband services offered to residential and small business

customers, using the data from the annual urban rate survey. The Bureau adopts its proposal to use a weighted linear regression to estimate the mean rate for a specific set of service characteristics and then to add two standard deviations to this mean to determine the benchmark for services meeting those defined service characteristics. Because broadband service has multiple characteristics (i.e., download and upload bandwidth, usage allowance) that may affect its price, a regression is the most straightforward approach to developing an average urban rate that appropriately takes into account those varying service characteristics. The Bureau will annually develop an average urban rate through a regression approach, using data collected from the annual survey, and then determine reasonable comparability benchmarks that are two standard deviations above the average.

4. The Bureau adopts the Rural Associations' proposal to develop a single regression using a broader sample of observations, ranging in download speeds from 2 to 40 Mbps. Given that these benchmarks will be applicable to winning bidders in the rural broadband experiments, and those ETCs will be offering fixed broadband service to residential and small business locations significantly faster than the current 4/1 Mbps minimum, the Bureau concludes that it makes sense to include higher speed observations in the calculation. In addition, the Bureau calculates separate standard deviations for service offerings in the vicinity of 4/1 Mbps using observations where the download speed ranged from 2 up to 8 Mbps, and for services that exceed 8 Mbps downstream using observations with download speeds from 8 to 25 Mbps. The Bureau did so because they found that the standard deviation of rate differences from the average of services in the 8 to 25 Mbps range was higher than the standard deviation for services in the lower speed tier. The Bureau concludes that calculating two different standard deviations for the lower speed service and the higher speed service effectively addresses the Rural Associations' concern that these services are differentiated products. The Bureau incorporates this approach into the benchmark equations provided below.

5. In any given year, providers will need to determine the appropriate reasonable comparability benchmark based on the characteristics of the specific service offered to residential and small business customers that they are relying upon to meet their broadband performance obligations. To determine the

applicable benchmark for a given service using the 2014 data, where a service is defined by its download, upload, and usage allowance, a provider would use equations developed based on the weighted regression methodology. For 2014, the equations are as follows:

For services with download speeds greater than or equal to 4 Mbps and less than or equal to 8 Mbps, the equation is

$$\text{Benchmark} = 69.5015 + 0.839703 * \text{DOWNLOAD} + 1.44127 * \text{UPLOAD} - 1710.68 * K$$

For services with download speeds greater than 8 Mbps but less than or equal to 25 Mbps, the equation is

$$\text{Benchmark} = 75.6095 + 0.839703 * \text{DOWNLOAD} + 1.44127 * \text{UPLOAD} - 1710.68 * K$$

6. In each equation, the variables DOWNLOAD and UPLOAD must be entered in units of Mbps. The variable K equals zero (0) if the service has an “Unlimited” monthly usage allowance, and the variable K equals (1/USAGE ALLOWANCE) if the usage allowance is not unlimited. The variable USAGE ALLOWANCE must be entered in the units of GB per month. Calculated benchmarks should be rounded up to the nearest cent. Examples of benchmark calculations for 2014 are provided below.

Upload Speed/ Download Speed	Usage Allowance	Reasonable Comparability Benchmark
4/1 Mbps	100 GB	\$57.20
4/1 Mbps	Unlimited	\$74.31
10/1 Mbps	100 GB	\$68.35

10/1 Mbps	250 GB	\$78.61
10/1 Mbps	Unlimited	\$85.45
25/5 Mbps	250 GB	\$96.97
25/5 Mbps	Unlimited	\$103.81

7. To facilitate these calculations, the Bureau will post an Excel file and online tool in which providers can plug in the relevant variables to determine the benchmark for specific service characteristics at <http://www.fcc.gov/encyclopedia/urban-rate-survey-data>.

8. Temporary Waiver of Benchmarks for Alaska. On our own motion, the Bureau waives implementation of the reasonable comparability benchmarks for Alaska carriers for 2015 to allow further time to study this issue and determine whether an alternative methodology should be adopted for Alaska. The Bureau notes that the Commission has already relaxed the broadband public interest standards for carriers providing fixed broadband that rely upon satellite backhaul and has held that capacity requirements that generally apply will not apply to this subset of providers. The Bureau will consider in a future Public Notice whether and how to tailor our methodology to the unique circumstances of Alaska.

9. Effect on the Connect America Phase II Challenge Process. In the Phase II Service Obligations Order, 78 FR 70881, November 27, 2013, the Bureau adopted an interim presumption for rates to use in the Phase II challenge process, pending the publication of these reasonable comparability benchmarks. For situations where the potential competitor does not offer fixed wireline service in urban areas or does not serve an area where the incumbent itself offers broadband, the Bureau adopted interim benchmarks of \$37 for voice service and \$60 for broadband service to determine whether that competitor was offering reasonably comparable rates. The Bureau recognizes that challengers may have relied on the \$60 interim figure in preparing their challenges, but note that parties replying to those challenges are free to present evidence that takes into account these announced benchmarks. For example, a price cap carrier may have been able to make a prima facie challenge that a potential competitor's price is over \$60, but

that competitor may now respond that its particular speed/usage combination is in fact reasonably comparable because it meets a benchmark the Bureau adopts. The Bureau will consider the totality of the evidence in adjudicating these Phase II challenges.

III. PROCEDURAL MATTERS

1. Paperwork Reduction Analysis

10. The Report and Order does not contain information collection requirements required by the Paperwork Reduction Act of 1995, Public Law 104-13.

2. Congressional Review Act

11. The Commission will not submit this Report and Order pursuant to the Congressional Review Act, 5 U.S.C. 801(a)(1)(A) because the Commission has not yet defined the specific requirements associated with the standard adopted in this Report and Order. The Commission anticipates that when it does adopt the specific requirements applying the standard in this Report and Order, it will make all submissions required by the Congressional Review Act, 5 U.S.C. 801(a)(1)(A).

IV. ORDERING CLAUSE

12. Accordingly, IT IS ORDERED that, pursuant to sections 1, 4(i), 5(c), 201(b), 214, and 254 of the Communications Act of 1934, as amended, and section 706 of the Telecommunications Act of 1996, 47 U.S.C. 151, 154(i), 155(c), 201(b), 214, 254, 1302, sections 0.91 and 0.291 of the Commission's rules, 47 CFR 0.91, 0.291, and the delegations of authority in paragraph 113 of the USF/ICC Transformation Order, FCC 11-161, this Report and Order IS ADOPTED, effective thirty (30) days after publication of the text or summary thereof in the Federal Register.

FEDERAL COMMUNICATIONS COMMISSION.

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[FR Doc. 2014-27883 Filed 11/24/2014 at 8:45 am; Publication Date: 11/25/2014]