

# Connect America Fund Issue Brief

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## SUMMARY

Electric utilities, including not-for-profit cooperatively owned and publicly owned utilities, are offering robust, affordable and reliable broadband services in rural and unserved areas of the country. As noted in the companion issue brief titled “Broadband Progress Report,” the Federal Communications Commission’s (FCC) research indicates that such areas have been neglected by telecommunications providers for almost two decades. These areas are eligible for funding under the FCC’s Connect America Fund (CAF), and utilities are positioned to apply for funding available in certain census blocks that are currently unserved by broadband.

The Utilities Technology Council (UTC) supports the preservation of funding in the census blocks where utilities are deploying broadband networks. UTC also supports criteria and weighting factors that enable funding for the kind of robust broadband services that rural America needs and that either is being provided by utilities or could be provided by them in unserved areas. UTC is concerned that the CAF rules might be adopted in a way that disadvantages utilities, preventing them from competing against incumbent telecommunications carriers and satellite providers for access to funding.

## BACKGROUND

Many utilities are offering broadband or considering offering broadband in unserved or underserved areas. In most cases, they are providing services that greatly exceed the minimum broadband speeds of 4/1 mbps (megabits per second) or 10/1 mbps offered by the incumbent telecommunications carriers. These utilities are offering services to all customers

in their existing territories, not just those in populated areas. Furthermore, these utilities offer service at prices that are affordable and “reasonably comparable” to prices for broadband in urban areas.

Under the rules for the CAF, incumbent carriers have a right of first refusal (ROFR) to funding in the form of an offer of model-based support for statewide service. The carriers accepted this offer in most of the country and took approximately \$1.5 billion out of the \$1.8 billion budgeted annually under the CAF. The remaining amount will be made available as part of a reverse auction in which bidders will submit competitive bids for funding to serve areas that are currently unserved with broadband services of at least 10/1 mbps by an unsubsidized broadband provider.

Utilities are positioned to compete for funding in areas where these carriers turned down the ROFR as well as in areas where there were non-winning applications to provide rural broadband experiments (RBE) capable of providing 25/5 mbps. The FCC carved out these areas from the ROFR, because it rightly recognized that it made more sense to fund RBE projects that would provide faster service at lower costs than the ROFR requirements for price cap carriers (10/1 mbps).

Inasmuch as utilities are positioned to compete for funding in these areas, they face several challenges. First, the FCC could adopt a framework for the reverse auction that awards funding to the lowest bid, even though a higher bid might provide much better broadband service. That would favor the satellite and wireless providers offering marginal broadband services with comparatively lower costs to deploy their networks. The result leaves customers in these areas with slower,

less reliable and less scalable broadband services than what the utilities are offering via fiber-based networks. Moreover, because the funding would be awarded for 10 years, it would saddle these areas with marginal broadband services for at least a decade, if not longer. UTC is concerned that these funding methods for marginal broadband services would prevent certain areas from accessing the type of broadband services that promote economic growth, better health care and improved education.

Second, the FCC has issued an Order that would render ineligible certain census blocks that the Commission has determined are now being served with broadband. This decision has already resulted in the loss of almost \$49 million in funding that would have been available in areas where rural electric cooperatives had proposed to provide RBE projects with 25/5 mbps speeds. Ironically, the FCC removed some of these census blocks from eligibility because utilities had deployed broadband networks in advance of the reverse auction without any federal funding, in effect punishing utilities for doing the right thing and deploying earlier rather than waiting for the FCC to hold its reverse auction. In other areas, funding was removed because entities are claiming that they are offering broadband service when, in reality, they may only be offering broadband to one customer in those census blocks, if at all. The FCC does not validate these claims.

Third, the FCC is redistributing funding to other areas of the country resulting in areas being underfunded where utilities are proposing to provide broadband services. It also means that utilities are being required to provide faster broadband services with less available funding than what carriers are afforded under the ROFR. UTC opposes the redistribution of such funding.

## UTC POSITION

UTC supports utility access to funding for rural broad-

band, particularly where utilities have proposed to provide RBE projects that would provide 25/5 mbps speeds. In that context, the FCC should develop rules for the reverse auction in support of funding for broadband networks capable of providing robust, affordable and reliable broadband services. Funding the deployment of broadband networks that are future-proof and scalable will be a better investment of federal funds rather than investing in networks that only make incremental increases in broadband speeds. Not only will this avoid having to continuously subsidize technologies that are rendered obsolete in short periods of time, it also will help to drive economic growth, better education and improved health care because better broadband is directly tied to these benefits. Utilities are proving that broadband can be deployed in rural and underserved areas of the country in a cost-effective manner. Policymakers should support utilities in order to promote broadband access and competition in areas that are currently unserved and underserved.

## ABOUT UTC

The Utilities Technology Council (UTC) is a global trade association dedicated to serving critical infrastructure providers. Through advocacy, education and collaboration, UTC creates a favorable business, regulatory and technological environment for companies that own, manage or provide critical telecommunications systems in support of their core business.

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