



# Connect America Fund Issue Brief

UPDATED: FEBRUARY 2018

## SUMMARY

Many electric utilities, particularly not-for-profit consumer-owned and publicly owned utilities, are offering robust, affordable and reliable broadband services in rural and unserved areas of the country. 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 areas measured by census blocks that are currently unserved by broadband.

## UTC POSITION

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 are being provided by utilities or could be provided by them in unserved areas.

UTC has been active at the FCC on this issue by raising concerns that if the CAF rules are adopted in a way that disadvantages utilities, this would prevent them from competing against incumbent telecommunications carriers and satellite providers for access to funding.

## BACKGROUND

Many utilities are offering or considering offering

broadband in unserved or under-served 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 customers in their existing territories and beyond, and not just 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 require-

ments for price cap carriers (10/1 mbps).

The FCC in early 2018 finalized its rules and in bidding procedures for the Connect America Phase II Auction (CAFI), which will award nearly \$2 billion over the next 10 years to help fund broadband deployment in unserved areas. UTC believes this process will greatly benefit utilities and, by extension, their customers by providing resources for deploying robust, affordable and resilient broadband networks. The auction will be held in July 2018.

Nearly 1 million homes and businesses nationwide are in unserved rural areas where providers are eligible for support from the auction. Qualified providers will compete for support of up to \$1.98 billion over the next decade to offer voice and broadband service in unserved areas where, absent subsidies, there is no business case for expanding or providing service.

The reverse auction will use weighting factors to assess different proposals for different service tiers so that the FCC will favor proposals to provide faster speed and lower latency networks. These factors closely align with a proposal filed by UTC and a coalition of rural organizations. The FCC's weighting factors support higher speeds and lower latency broadband services.

#### **SITUATIONAL AWARENESS**

UTC believes this is a significant development that could provide significant benefits for utilities deploying broadband networks and services to

unserved areas. UTC has been working with the FCC for years on policies providing utilities with a fair opportunity to compete for access to broadband funding -- and with this action the FCC has provided utilities with that opportunity.

Utilities are proving that broadband can be deployed in rural and unserved 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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