In the Supreme Court of the United States



AMEREN CORPORATION, ET AL.,

Petitioners.

v.

${\tt FEDERAL\ COMMUNICATIONS\ COMMISSION,\ ET\ AL.,}$

Respondents.

On Petition for Writ of Certiorari to the United States Circuit Court for the Eighth Circuit

BRIEF OF AMICUS CURIAE UTILITIES TECHNOLOGY COUNCIL IN SUPPORT OF PETITIONERS

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STATEMENT OF INTEREST OF AMICUS CURIAE¹

The Utilities Technology Council is the international association for the telecommunications and information technology interests of electric, gas and water utilities and other critical infrastructure industries. Its members include investor-owned utilities that are subject to the FCC's pole attachment regulations, as well as cooperatively organized and governmentally owned utilities that are excluded under Section 224(a)(1) of the Communications Act (hereinafter, the Act) from federal pole attachment regulations but which may be subject to state pole attachment regulations, many of which follow the FCC regulations. UTC has been an active participant in the FCC pole attachment proceedings, including the underlying proceeding that led to the rules that were appealed to the U.S. Court of Appeals for the Eighth Circuit and which is now the subject of the petition for certiorari that UTC supports in this amicus brief. UTC's members are directly and significantly affected by pole attachment regulations, and UTC advocates on behalf of its members for policies that provide just compensation for access to

¹ In accordance with Rule 2(a) of the Supreme Court Rules, Amicus Curiae has obtained written consent from all of the parties, and it provided notice of its intent to file the brief to all of the parties at least 10 days prior to the due date for the brief. In accordance with Rule 37.6, Amicus Curiae states that no counsel for any party authored this brief in whole or in part, and no person or entity, other than the Amicus, its members, or its counsel has made any monetary contribution intended to fund the preparation or submission of this brief.

pole attachments by cable operators and telecommunications carriers.



SUMMARY OF THE ARGUMENT

UTC supports Supreme Court grant of the Petition for Writ of Certiorari filed by Ameren Corporation, American Electric Power Service Corporation, Center-Point Energy Houston Electric, LLC, and Virginia Electric and Power Company d/b/a Dominion Energy Virginia and d/b/a Dominion Energy North Carolina (collectively referred to herein as "Petitioners") that seeks review of the decision of the U.S. Court of Appeals for the Eighth Circuit, Ameren Corp. v. Fed. Comma'ns Commin, 865 F.3d 1009 (8th Cir. 2017) (hereinafter "Ameren"), which affirmed the FCC's decision in its Order on Reconsideration, In the Matter of Implementation of Section 224 of the Act, Order on Reconsideration, WC Docket No. 07-245; GN Docket No. 09-51, Order on Reconsideration, 30 FCC Rcd 13731 (2015)."

UTC agrees with Petitioners that the U.S. Court of Appeals for the Eighth Circuit erred in affirming the FCC's decision to adopt "cost allocators" for the express purpose of providing a single rate for pole attachments. This action is contrary to Sections 224(d) and (e) that set out separate rates for pole attachments that are used to provide either solely cable television services or telecommunications services and contrary to the specific terms of Section 224(e) which provide for the recovery of the pro rata share of the costs of the unusable space among the attaching entities. Not only are these cost allocators contrary to

Section 224, but as a practical matter they deprive just compensation by subsidizing attaching entities at the expense of utilities and ratepayers.

The adoption of cost allocators is the latest step in the FCC's ever-expanding interpretation of its own pole attachment authority—one that comes completely untethered here and is fundamentally at odds from the specific terms or the context of the statute as a whole. It is completely results-oriented, policy-based decision making. Worse, it has been affirmed by the Eighth Circuit based on *Chevron* deference that fails to engage in any meaningful assessment of the reasonableness of the FCC's interpretation of its authority, *Chevron, U.S.A., Inc. v. Nat. Res. Def. Council, Inc.*, 467 U.S. 837 (1984)(hereinafter "*Chevron*").

The origins of this matter can be traced directly to this Court's decision in Nat'l Cable & Telecommunications Ass'n v. Gulf Power, 534 U.S. 327 (2002) (hereinafter "Gulf Power"), which deferred to the FCC's argument that the specific rates set out in Sections 224(d) and (e) were less than the "theoretical coverage" of the Pole Attachment Act as a whole. Id. at 328. The Court agreed that the FCC's authority to prescribe "just and reasonable" rates under Section 224(b) for "any attachments" under Section 224(a) could be reasonably interpreted to include attachments that were used to provide comingled cable and Internet services. Id. at 338. Citing Chevron, the Court concluded that "agencies have authority to fill gaps where the statutes are silent," and the FCC's interpretation was more sensible than one that would subject comingled attachments to "monopoly pricing" that would potentially "defeat Congress' general instruction to the FCC 'to encourage the deployment' of broadband Internet capability and, if necessary, 'to accelerate deployment of such capability by removing barriers to infrastructure investment." *Id.* at 339, citing Pub. L. 104–104, Tit. VII, §§ 706(a), (b), and (c)(1), 110 Stat. 153, note following 47 U.S.C. § 157 (1994 ed., Supp. V).

The difference here is that there is no gap to fill and the statute is not silent on the issue of the rate for telecommunications attachments. The cost allocators at issue here are to be applied squarely to the rate formula for pole attachments by telecommunications carriers that provide telecommunications services, and Section 224(e)(2) requires that the telecommunications rate formula must allocate the pro rata share of the unusable and usable space costs of the pole among the number of attaching entities on the pole. However, the cost allocators effectively nullify these provisions within Section 224(e) by applying a set of percentages that offset the number of attaching entities component of the rate formula so that the resulting rate is the same as the rate for attachments used to provide cable television services. In addition, the cost allocators ensure that the rate for telecommunications attachments is the same as the rate for cable television attachments, despite the intent of Congress to provide two different rates for both, as shown in Section 224(d) and Section 224(e). 47 U.S.C. § 224(d)-(e). Even the current Chairman of the FCC (who at that time was a Commissioner) has recognized that the adoption of the cost allocators renders Section 224(e) as surplusage. See "Concurring Statement of Commissioner Pai" regarding the Order on Reconsideration, 30 FCC Rcd. 13731 (2015). Hence, Section 224(e) runs directly contrary to the FCC's contention that it has the authority to adopt cost allocators that effectively prevent the allocation of usable and unusable space costs among the attaching entities on a pole and require uniform rates for cable and telecommunications attachments.

In affirming the FCC's decision, the Eighth Circuit relied heavily on the Commission's discretion to define the term "cost" within Section 224(e) so as to include a potentially limitless number of percentages to be inserted into the telecommunications rate formula as cost allocators. It found the D.C. Circuit's decision in Am. Elec. Power Serv. Corp. v. FCC, 708 F.3d 183, 190 (D.C. Cir. 2013) to be "persuasive" in that it deferred to the FCC's definition of the term "cost". Ameren, 865 F.3d at 1010. However, the D.C. Circuit's decision was distinctly different because there the FCC had only created two different definitions of "cost" for telecommunications attachments in either urban and rural areas. Here, the FCC has adopted cost allocators that are wholly at odds with its underlying rationale for determining two different definitions of cost for purposes of the rate for telecommunications attachments. Instead of just two definitions of the term "cost," which could be arguably reasonable, here the Commission has adopted a potentially limitless set of cost allocators to apply to offset the number of attaching entities component of the telecommunications rate formula. Arguably the FCC's earlier rate decision at issue in AEP had adhered to the allocation of costs in Sections 224(e)(2) and (3). Here it renders it meaningless. Therefore, the Eighth Circuit erred by summarily deferring to the FCC's policy arguments without questioning the reasonableness of the statutory basis for the FCC's cost allocators.

Therein lies the larger problem with the Eighth Circuit's decision and how it brings this Court's decision in *Gulf Power* around full circle. In *Gulf Power*. the Court declined to apply a limiting principle to the FCC's interpretation of Section 224 because it reasoned, "the attachments at issue [i.e. attachments used to provide comingled services and wireless attachments] did not test the margins of the Act." 534 U.S. at 342. That point of departure from *Gulf Power* is where this case begins. The cost allocators here test the margins of the Act, because they have no basis in the express terms of the Act and in fact nullify the terms of Section 224(e) as well as this provision's context within the Act as a whole. This is the point where the FCC has departed from the limits of the Act by deliberately negating any meaning of the term "cost" within Section 224(e)(2) and rendering the telecommunications rate provisions of Section 224(e) as surplusage within the context of the Act. Therefore, the Court should grant certiorari.

Unlike *Gulf Power*, eliminating the FCC's cost allocators will not subject attachments to monopoly pricing or frustrate broadband deployment as a policy matter. *See Gulf Power*, 534 U.S. at 339. It will simply enable utilities to use their own pole count data when calculating the telecommunications rate formula, which is entirely appropriate and consistent with Section 224(e), which provides for the allocation of costs among the attaching entities on the pole. Using pole count data is an established practice by which utilities are permitted to recover their costs under the Act and which has been followed since the Commission adopted the telecommunications rate formula in 1998. *See Implementation of Section 703(e) of the Telecommunica*

tions Act of 1996, Report and Order, CS Docket No. 97-151, 13 FCC Rcd 6777 (1998). Doing so would still result in a regulated rate, albeit one that may be different from the cable television rate. Moreover, eliminating the cost allocators will not frustrate the policy goals of the Act to promote broadband deployment, because as a practical matter reduced rates for pole attachments have not been shown to have any effect on broadband deployment. In fact, the marginal increase in rates that might result from the elimination of the cost allocators is insignificant compared to the total cost of broadband deployment and would mainly affect urban areas where broadband access tends to be already available. Consumers have not seen any reduction in broadband rates since the FCC reduced the telecommunications rate, and it appears that providers have simply pocketed the profits and worse, refrained from deploying broadband in unserved areas.

The cost allocators further subsidize the communications industry at the expense of electric consumers and systematically deprive utilities of just compensation as a constitutional matter. Pole attachments effect a per se taking of utility property for which just compensation is due. While much ink has been spilled over the meaning of the word "cost" and whether the Commission has broad authority to establish just and reasonable rates for pole attachments that are neither solely used to provide cable nor telecommunications service, here there is no dispute that the cost allocators operate to deprive utilities of the recovery of twothirds of the unusable space costs of the pole, as provided under Section 224(e)(2) of the Act for attachments by telecommunications carriers that are used to provide telecommunications services. As such, the cost allocators deny utilities from receiving just compensation for that portion of the costs of pole attachments that are expressly provided for recovery under Section 224(e)(2) of the Act.



ARGUMENT

I. THE EIGHTH CIRCUIT ERRED BY DEFERRING TO THE FCC AND AFFIRMING THE USE OF COST ALLOCATORS THAT ARE CONTRARY TO THE SPECIFIC TERMS AND THE CONTEXT OF THE ACT, AS WELL AS THE FCC'S PREVIOUS POLICIES.

A. Introduction

The Supreme Court should grant certiorari because the Eighth Circuit completely deferred to the FCC's expansive interpretation of its authority to adopt cost allocators and failed to provide any analysis of the reasonableness of the FCC's interpretation. This is despite the fact that the cost allocators are contrary to both the statute and the FCC's previous policy that recognized different rates for telecommunications and cable television attachments and despite the fact that the cost allocators would operate to systematically deny utilities and electric ratepayers just compensation for the per se taking effected by pole attachments. The Eighth Circuit deferred to the FCC because it accepted the FCC's policy rationale that the cost allocators would promote broadband deployment by avoiding rate disparity between attachments that are used to provide telecommunications services and attachments that are used to provide cable television services. The Eighth Circuit also found the D.C. Circuit Court's opinion in AEP was

persuasive; and it followed the D.C. Circuit's conclusion that the term "cost" was ambiguous and that FCC's interpretation was reasonable.

B. The Eighth Circuit Improperly Deferred to the FCC.

The Eighth Circuit should not have deferred to the FCC because the cost allocators operate to nullify the specific terms within Section 224(e) and is contrary to the context of this provision within the Act as a whole. The cost allocators render meaningless Section 224(e)(2), which provides for the recovery of the pro rata share of "two-thirds of the costs of providing space other than the usable space" on the pole. 47 U.S.C. § 224(e)(2). The cost allocators provide a sliding scale of percentages that are designed to be applied for the express purpose to offset and negate the component of the telecommunications rate formula that recovers the unusable space costs of the pole and apportions those costs among the number of attaching entities on the pole, thereby rendering the terms of Section 224(e)(2) meaningless.

The cost allocators also nullify Section 224(e) within the context of the Act as a whole, because they operate effectively to result in the same rates for telecommunications attachments and for cable television attachments, despite the fact that Congress provided separate provisions under Section 224(d) and Section 224(e) for the rates that would apply either to cable television or telecommunications attachments. These two separate provisions evince Congress's intent that the rates for cable television attachments should be different from telecommunications attachments.

Although it is true that an agency's interpretation need only be reasonable even if it is not the best reading of its authority, the FCC's interpretation must at least give meaning to all of the specific terms and the context of the provisions of the Act as a whole – which it does not. At the outset, the term "cost" within Section 224(e) should not be considered ambiguous in the abstract. Instead, its meaning is informed by its purpose within Section 224(e)(2) to both recover the unusable space costs of the pole and apportion two-thirds of those costs on a pro-rata basis among the attaching entities on the pole. Its meaning is also informed by the context of Section 224(e), which provides a separate rate for telecommunications attachments that is different than the rate for cable television attachments. For all of these reasons, the term cost cannot not be considered ambiguous as it is used within Section 224(e), because the cost allocators strip the meaning of the word "cost" within the purpose of Section 224(e) and its context within the Act.

Even if cost could be considered an ambiguous term, the FCC's interpretation cannot be considered reasonable. As explained above, the cost allocators are unreasonable because they prevent utilities from recovering the unusable space costs and apportioning those costs among the attaching entities on the pole, contrary to the specific terms of Section 224(e)(2) and rendering Section 224(e) surplusage in the context of the Act as a whole. Moreover, the cost allocators are unreasonable because they prevent the telecommunications rate from diverging from the cable television rate, even though Congress clearly intended for different rates. Finally, they are unreasonable because they operate to produce different meanings of the term "cost"

in different provisions of the Act, contrary to fundamental canons of consistency and construction for statutory interpretation.

The Eighth Circuit erred by accepting the FCC's policy rationale as the basis for its interpretation of Section 224(e) and relying on the D.C. Circuit's decision in AEP to affirm the FCC's cost allocators, as described more fully below. First, the FCC should not have been permitted to rely on a policy rationale alone that is divorced from and actually in conflict with—the express terms of the specific provisions at issue in the Act. Likewise, the Eighth Circuit should not have deferred to the FCC, when as here, its interpretation of Section 224(e) departs from its previous two-rate policy for pole attachments. As a general matter, agency interpretations that are in conflict with previous policies are "entitled to considerably less deference" than a consistently held agency view. The FCC's new interpretation that the two rates should be the same is wholly at odds with the FCC's previous and longstanding interpretation that the provisions of Section 224(d) and Section 224(e) should be read together in harmony to require different rates for cable television or telecommunications attachments.

The Eighth Circuit also erred by relying on the D.C. Circuit's decision in *AEP*. In that regard, it declined to distinguish the "costs" at issue in *AEP* from the cost allocators that the FCC adopted here. The costs in *AEP* only involved two sets of percentages that could be easily applied to calculate the rate for telecommunications attachments in either urban or rural areas. Here, the cost allocators use a limitless sliding scale of percentages that are much more complicated and apply

regardless of whether the attachments are in urban or rural areas. Hence, the Eighth Circuit also erred in relying on the D.C. Circuit's decision in *AEP*.

Finally, the Eighth Circuit should have construed the Act narrowly, because courts are required to narrowly interpret statutes where, as here, an expansive interpretation would effect a taking without just compensation. The cost allocators systematically deny utilities just compensation by preventing the recovery of the two-thirds of the unusable costs of the pole, as required by Section 224(e). Hence, the Eighth Circuit erred by deferring to the FCC's expansive interpretation, which as a practical matter denies utilities and electric ratepayers just compensation for the recovery of each attaching entity's pro-rata share of the unusable space costs of the pole.

For all of these reasons, the Supreme Court should grant certiorari to review and correct the Eighth Circuit's improper application of *Chevron* in this case.

II. SUPREME COURT REVIEW IS IMPORTANT TO ENSURE THAT UTILITIES RECEIVE JUST COMPENSATION FOR POLE ATTACHMENTS.

Because pole attachments are a permanent physical occupation of utility property, they effect a *per se* taking for which utilities are entitled to just compensation. However, the FCC cost allocators operate to deny just compensation because they prevent utilities from recovering two-thirds of the unusable space costs on the pole, contrary to the provisions of Section 224(e) that prescribe the rates that apply for pole attachments that are used by telecommunications carriers to provide telecommunications services.

The FCC purports to justify the adoption of the cost allocators on the basis that the courts have held that utilities are only entitled to "just and reasonable" rates under Section 224(b), which can range between incremental costs and fully allocated costs. As the FCC's argument goes, as long as utilities recover more than the incremental costs associated with pole attachments, such as through make ready fees, they have received just compensation under Section 224.

The problem with this reasoning is that the rate for the pole attachments in question here (i.e. the rate for telecommunications attachments) is defined by the specific terms of Section 224(e) that control the general terms of Section 224(b). Under the FCC's reading, Section 224(e) would be rendered as surplusage, as explained above. Hence, it is unreasonable as a matter of fundamental statutory construction. Moreover, as a substantive matter, this is not a situation such as the one that existed in *Gulf Power* where there was uncertainty regarding the regulatory classification of comingled Internet and cable television services and hence a question as to the appropriate rate that should apply to the attachments in question. Here, there is no gap for the FCC to fill. The FCC has adopted cost allocators that are directly contrary to the provisions of Section 224(e) that apply to the telecommunications attachments at issue in this case. Not only is there no gap to fill, but there is no limiting principle behind the cost allocators. They are limitless and confiscatory, cut from whole cloth to suit the FCC's policy of subsidizing the communications industry in the hope that it will spur further deployment and greater access to broadband networks and services.

Whereas in *Gulf Power* the Court declined to adopt a limiting principle, this case begs for judicial intervention to prevent further usurpation of legislative authority by the FCC and to ensure that utilities receive just compensation. *Id.* 534 U.S. at 342. This is not the same situation in *Gulf Power*, where the Court expressed the need for judicial restraint for fear that reversal of the FCC rules would subject pole attachments to monopoly prices. *Id.* 534 U.S. at 339. Instead, Petitioners here are merely asking that the Court require the FCC to follow the provisions of Section 224(e), which prescribes the terms for the regulated rates that apply to pole attachments that are used by telecommunications carriers to provide telecommunications services.

As explained above, the Eighth Circuit should not have deferred to the FCC based solely on the Commission's policy rationale that uniform rates for pole attachments are necessary to promote broadband. Unlike *Gulf Power*, where there was a theoretical basis for the reasonableness of promoting broadband through pole attachments, here that rationale doesn't withstand scrutiny. As explained below, this policy rationale is not supported by the record or in practice; and in any event, detrimentally impacts utilities and electric ratepayers far more than attaching entities.

Despite the FCC's claims that the rates for pole attachments may discourage broadband deployment, as a practical matter the amount that attachers pay for pole attachments is marginal compared to the overall costs of broadband deployment and it is even smaller compared to the revenues from subscribers. For example, utilities have compared Comcast's average monthly revenue per subscriber against the monthly

cost of pole attachments on a per pole basis and they have determined that pole attachment costs are only one-half of one percent (i.e. .53%) of Comcast's per subscriber revenue. See Letter from Jack Richards, counsel for Allegheny Power, Baltimore Gas and Electric, Dayton Power & Light, FirstEnergy, Kansas City Power & Light, National Grid, NSTAR and PPL Electric Utilities to Julius Genachowski, Chairman, FCC in WC Docket No. 07-245, filed Feb. 26, 2010. Furthermore, utilities have estimated that pole attachment rental rates "account for no more than 2% (10% of 20%) of the total 'cost of fiber optic deployment," and concluded, that "the insignificant operating expense of pole attachment rentals does not drive broadband deployment; capital expenditures drive deployment." Comments of Ameren Corp., American Electric Power Service Corp., Duke Energy Corp., Oncor Electric Delivery Company LLC, Southern Company, and Tampa Electric Company in FCC Docket No. 07-245, filed Jun. 4, 2015.

Moreover, ever since the FCC leveled the rates for cable television and telecommunications pole attachments, the FCC has concluded in all of its Section 706 reports that broadband is not being deployed on a reasonable and timely basis. See 47 U.S.C. § 706 (requiring the FCC to conduct inquiries into the deployment of broadband and to take immediate action to remove barriers if it finds that broadband is not being deployed on a reasonable and timely basis). According to its most recent broadband progress report, the FCC has found that a persistent digital divide has left approximately 40 percent of the people living in rural areas and on Tribal Lands without access to broadband. See Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a

Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, as Amended by the Broadband Data Improvement Act, GN Docket No. 15-191, 2016 Broadband Progress Report, 31 FCC Rcd 699 (2016). In addition, a closer examination of the FCC Form 477 data that forms the basis of these reports indicates that providers are tending to deploy broadband along the edges of their existing service territories (i.e. underserved areas that are primarily urban and suburban areas) rather than deploying into unserved areas (i.e. mainly rural and tribal areas). Hence, there has been no significant correlation between lower pole attachment rates and broadband deployment into unserved areas.

During the time that pole attachment rates have been reduced after 2011, the rates that the cable and telecommunications providers charge subscribers has continued to climb. According to the most recent FCC report on cable rates, the average monthly rate for basic service increased by 2.3 percent over the 12 months ending January 1, 2015, to \$23.79. See Implementation of Section 3 of the Cable Television Consumer Protection and Competition Act of 1992, Report on Cable Industry Prices, 31 FCC Rcd 11498, 11500, para. 2 (2016). That was a 15 percent increase over the previous report's average rate of \$20.55 in 2012, which itself was a 6.2 percent increase over the 12 months ending January 1, 2012. Implementation of Section 3 of the Cable Television Consumer Protection and Competition Act of 1992, Report on Cable Industry Prices, 28 FCC Rcd 9857, 9863, para. 14 (2013). Moreover, when it comes to broadband services, a recent survey by Morgan Stanley found that cable companies

were increasing prices for broadband-only services 12% to \$66 on average nationwide. *See* Reinhardt Krause, *Cable TV's Hail Mary: Hike Broadband Prices Amid Cord-Cutting*, Investor's Business Daily (Oct. 17, 2017). This evidence tends to show that reductions in pole attachment rates are not being passed onto consumers.

In the *Order on Reconsideration*, the FCC conceded that "the record does not include quantifiable information regarding the exact effect on deployment of pole attachment rates" and that there "remains room for improvement in the rate of broadband expansion." *Order on Reconsideration* at 13743, para. 27. Despite conceding the absence of any evidence to show a connection between reducing pole attachment rates and promoting broadband deployment, the FCC could only feebly state in defense of its policy rationale that "we cannot afford to dismiss the importance of even potentially small increments." *Id.* Therefore, the FCC's policy rationale is unreasonable and lacks sufficient foundation upon which to base the assertion that reduced pole attachment rates will promote broadband deployment.

Although the pole attachment rate is marginal compared to the total cost of deploying broadband networks and even smaller compared to broadband revenues per subscriber—the impact on utilities is significant. By denying utilities the recovery of two-thirds of the costs of the unusable space on the pole, the cost allocators systematically shortchange utilities out of hundreds of millions of dollars annually when the aggregate number of telecommunications attachments are factored. Those costs are borne by electric ratepayers, and unfairly subsidize communications companies. The magnitude of the disparity of the impact

of the cost allocators on utilities further underscores the need for the Supreme Court to review and reverse the decision of the Eighth Circuit.



CONCLUSION

UTC supports the Petition for Writ for Certiorari in this case because the Eighth Circuit erred by deferring to the FCC's policy-based rationale for adopting cost allocators that operate to nullify the specific terms of Section 224(e)(2) and the context of Section 224(e) within the Act as a whole. The Eighth Circuit should not have deferred to the FCC's limitless interpretation of the term "cost" within Section 224(e). Moreover, it failed to assess the reasonableness of the FCC's policy rationale. The Supreme Court should grant certiorari to provide guidance on *Chevron* deference and reverse the decision of the Eighth Circuit in order to ensure that utilities receive just compensation in accordance with the provisions of Section 224(e) of the Act.

Respectfully submitted,

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