

ENERGY AND TELECOMMUNICATIONS INTERIM COMMITTEE
SEPTEMBER 13, 2013

PSC Broadband Survey Update

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BACKGROUND

PSC Broadband Jurisdiction

Internet services provided by traditional phone companies (Digital Subscriber Line/DSL service) and by cable companies are classified as information services by the Federal Communications Commission (FCC) under Title I of the Communication Act rather than as common carrier services under Title II. Therefore, the Montana PSC does not have jurisdiction over broadband services.

Designation of Eligible Telecommunications Carriers (ETCs) and the Federal Universal Service High Cost Fund/Connect America Fund (CAF).

While the PSC does not have jurisdiction over broadband services, the Federal Communications Act delegates to state commissions the obligation to designate ETCs that are then eligible to draw high cost support from what is now called the CAF.

The PSC designated 28 ETCs for high cost CAF support for 2013 (see Attachment 1). Montana ETCs have received approximately \$800 million for the ten year period 2003-2012. 2013 annual support is estimated to be approximately \$86 million.

Until the FCC November 18, 2011 Transformation Order high cost support was to be utilized for networks capable of providing voice and advanced services. The Transformation Order now makes it explicit that high cost CAF support is to be utilized for networks capable of offering both voice and **broadband** service.

The Montana PSC is tasked by the FCC with helping to insure high cost CAF support for Montana ETCs is spent properly including **bringing broadband to underserved and unserved areas of Montana.**

Future CAF high cost support for Montana rate-of-return and price-cap carriers.

For purposes of CAF high cost support the FCC classifies ETCs as either rural rate-of-return carriers or price-cap carriers. The method of allocating support to the two types of companies under the FCC Transformation Order is different. In Montana, Citizens/Frontier and CenturyLink are the only two price-cap carriers.

Rural rate-of-return CAF high cost support. The FCC has capped annual amount of support for the rural carriers at \$2 billion annually. This has led to some reductions in support for

Montana carriers. The public interest obligations regarding the receipt of high cost CAF support is that the rural companies must provide broadband at speeds of at least 4Mbps downstream and 1 Mbps upstream **upon reasonable request**.

Price-Cap CAF high cost support. The FCC has capped annual support for the price-cap companies at \$1.8 billion annually. The support is being implemented through two programs as follows:

CAF Phase I – Rounds 1 & 2

In July, 2013 the FCC made available \$300 million in Round 1 in one-time dollars under this program to provide support to extend broadband to certain underserved and unserved (by broadband) census blocks. CenturyLink accepted \$1.9 million in Montana to extend broadband to 2,425 locations in Round 1. The FCC made available an additional \$485 million in Round 2 and CenturyLink is in the process of accepting another \$4.3 million to serve an additional 7,231 locations. Frontier has not participated in CAF Phase I in Montana.

CAF Phase II

The FCC is in the process of implementing CAF Phase II which will be budgeted at \$1.8 billion annually for five years. The FCC will offer Phase II money to serve “unserved” census blocks only. A price cap carrier must agree to serve all unserved locations in all unserved census blocks within their territory in a given state. Price-cap companies do not have to accept the support. If a price-cap carrier declines the CAF Phase II money then the FCC will use competitive bidding to determine which carrier will receive the funding.

Other FCC Broadband Programs

The Mobility Fund for wireless broadband ultimately is funded at \$500 million annually and the Remote Area fund for extremely high cost locations is funded at \$100 million.

THE PSC BROADBAND SURVEY (SURVEY)

The survey was conducted between April 1, 2013 and June 30, 2013. The survey asked Montana consumers to respond either online or by paper copy. It asked if the consumer had broadband access at his location, regardless of technology. The PSC received 384 responses. The vast majority of those responses were regarding lack of broadband access although there were a handful which expressed concerns about available speeds or other broadband issues. Of the 384, 353 or 92% were from customers served by one of Montana’s two price cap companies, Frontier or CenturyLink. The PSC received only 32 (8%) responses from customers of Montana’s rural companies. These results come as no surprise. Per the November 18th, 2011 FCC USF/ICC Transformation Order, the FCC estimated that 83% of the nation’s 18 million Americans lacking access to broadband resided in price-cap companies territories.

Rural rate-of-return company survey responses.

Information regarding the responses from rural customers has been shared with the appropriate rural companies and the PSC asked them to confirm the availability (or lack thereof) of broadband to the respondents. The PSC suggested if the respondents actually had available

broadband that the rural companies might wish to contact those respondents to inform them of broadband availability. If broadband is actually not available, the PSC has urged the rural companies to include those customer locations in the upcoming 5-year broadband build-out plans which must be filed with the FCC and the PSC by July 1, 2014. The response from the rural companies has, for the most part, been excellent.

Price-cap company survey responses.

Under CAF Phase II funding described above, the price-cap companies will receive funding for unserved census blocks as identified by the FCC.

The FCC identifies unserved census blocks from the National Broadband Map which is rolled up from the state broadband maps. The Montana Broadband Map is administered by the Department of Administration, State Information Technology Services Division.

PSC staff has worked closely with the Montana broadband mapping group to identify the census blocks which contain the addresses of the PSC price cap survey respondents who claim they are unserved by broadband. The broadband group identified for the PSC staff whether or not the census blocks in which the PSC respondents reside are shown on the state broadband map as being served or unserved (see attached map). They also provided the name of the provider who claims to serve the census blocks in which our PSC survey respondents reported they have no access to broadband.

The PSC goal for price-cap survey respondents is to insure if they are residing in an unserved census block that the census block be shown as unserved on the Montana Broadband Map. If the Montana Broadband Map correctly identifies unserved census blocks then the National Broadband Map should also show the status of those census blocks correctly and CenturyLink and Frontier should be offered CAF Phase II high cost support to provide broadband.

The broadband coverage data for the Montana Broadband Map comes from the providers themselves. Of the 353 price-cap survey respondents, with the help of the broadband mapping group, the PSC has identified 117 price cap survey respondent census blocks where the respondents claim they have no access to broadband but the Montana Broadband Map shows the census blocks as being served by either Frontier or CenturyLink. This information has been forwarded to Frontier and CenturyLink and the PSC has requested they review the accuracy of the information they supplied to the broadband mapping group.

Finally, the FCC has not yet published the list of unserved census blocks eligible for CAF Phase II high cost support. The FCC has provided for a 45 day challenge period in which various entities, including state commissions and broadband mapping authorities can challenge the accuracy of the FCC list. Once published, the PSC will review that list for Montana to see if census blocks the PSC believes to be unserved and that should be eligible for CAF Phase II support are on the list. If they are not, it would be the PSC's intent to file a challenge with the FCC regarding those census blocks.

Attachment 1

Montana Public Service Commission 2012 Certification of Eligible Telecommunications Carriers for 2013 Federal USF Support

List of Montana Certified Eligible Telecommunications Carriers for 2013

1. Blackfoot Telephone Cooperative, Inc. -- 482235 and 483308
2. Cable and Communications Corporation -- 489005
3. Central Montana Communications, Inc. -- 483310
4. CenturyTel of Montana, Inc. d/b/a CenturyLink -- 482249
5. Citizens Telecommunications Company of Montana,
dba Frontier Communications of Montana -- 484322
6. Hot Springs Telephone Company -- 482241
7. InterBel Telephone Cooperative, Inc. -- 482242
8. Lincoln Telephone Company, Inc. -- 482244
9. Mid-Rivers Telephone Cooperative, Inc. -- 482246
10. Mid-Rivers Telephone Cooperative, Inc. -- 489001
11. MTPCS, LLC dba Cellular One -- 489009
12. Nemont Telephone Cooperative, Inc. -- 482247
13. Northern Telephone Cooperative, Inc. -- 482248
14. Project Telephone Company -- 482250
15. CenturyTel of Montana, Inc. d/b/a CenturyLink (Legacy Qwest Corporation) -- 485104
16. Range Telephone Cooperative, Inc. -- 482251
17. Range Telephone Cooperative, Inc. -- 489007
18. Reservation Telephone Cooperative -- 381632
19. Ronan Telephone Company -- 482252
20. RT Communications, Inc. -- 512251
21. Sagebrush Cellular, Inc. -- 489006 and 489010
22. Southern Montana Telephone Company -- 482254
23. 3 Rivers Telephone Cooperative, Inc. -- 482255
24. 3 Rivers Telephone Cooperative, Inc. -- 489003
25. Triangle Communication System, Inc. -- 489008
26. Triangle Telephone Cooperative Association, Inc. -- 482257
27. Tri County Telephone Association, Inc., subsidiary TCT West, Inc. -- 512296
28. West River Cooperative Telephone Company -- 391689

PSC Survey Points

