**BUDGET**

**Q: Although the order discusses the uses of the $2 billion budget and possible reductions in legacy support, won't the effective budget be $2.15 billion for the next 10 years, given the commitment of an additional $150 million for A-CAM?**

**Will the $150M/year be added to the overall $2B RoR budget such that if not all $150M/year is needed to fully fund eligible model-based carrier locations the remainder will be made available for reformed legacy RoR mechanisms?**

A: The budget is $2 billion per year plus up to an additional $150 million per year for carriers that voluntarily adopt model-based support. The $150 million additional support will be allocated only to the extent that the model-based support plus transitional support exceed the amount of legacy support that the carriers electing model-based support had received in 2015. The $150 million will not be reallocated to rate-of-return carriers receiving legacy support in the event that demand for the voluntary path to the model is less than $150 million.

The effective budget may therefore be as high as $2.15 billion, if warranted by voluntary elections of model-based support. We note that actual support provided may, in fact, be less than $2 billion, if model-based support and support calculated pursuant to the revised HCLS and CAF-BLS rules together produce a smaller amount.

**Q: How are targeted HCLS and targeted CAF BLS calculated for purposes of the budget rule?**

A: In applying the budgetary constraint, USAC is required to divide the amount of support available between HCLS and CAF BLS. These “targeted” amounts for HCLS and CAF BLS are calculated by multiplying the forecasted disbursements for each mechanism by the ratio of the budgeted amount to the total calculated support for the mechanisms.

**STUDY AREA MERGERS**

**Q: Does the Notice address any study area merger plans?**

A: No, neither the Notice nor the Order addresses any study area mergers.

**IMPACT ON AVERAGE SCHEDULE COMPANIES**

**Q: Are average schedule companies that stay on the legacy plan affected by the changes adopted in the Order?**

A: Average schedule carriers that stay on the legacy plan will continue to receive high-cost support based on formulas, submitted by NECA and approved by the Commission, that simulate the payments the carrier would have received had they submitted a cost study. Like other rate-of-return companies, average schedule companies that stay on the legacy mechanisms will be subject to the operating expense limitation, the capital budget allowance, the overall budget, and buildout requirements.

Q. Can average schedule companies elect the voluntary path to the model?

A: Yes, they can.

**BROADBAND LOOP SUPPORT**

**Q: The April 4 webinar slides indicate that CAF BLS will cover the difference between broadband-only loop costs and broadband-only loop revenues. What about any shortfall in voice or voice/broadband loop costs (i.e., what the ICLS covered)? Is that a second component of the CAF BLS?**

A: Yes, the common line revenue requirement and revenue elements of the ICLS calculation are included in the CAF BLS. Thus, CAF BLS will provide support for broadband-only lines, voice/broadband lines, and voice-only lines.

**Q: Does section 54.305 or the Safety Valve rules related to acquired lines apply to BLS and HCLS or only HCLS?**

A: Section 54.305 (sale or transfer of exchanges) and the Safety Valve rule apply only to HCLS. Section 54.903 addresses the effect of sale or transfer of exchanges on CAF BLS.

**Q: What categories of revenues will be included calculating CAF BLS for broadband-only lines? For example, will video delivery service revenues be included in this calculation?**

A: CAF BLS is calculated by subtracting interstate common line and consumer broadband-only loop revenues from interstate common line and consumer broadband-only loop revenue requirements. The revenues included in the calculation include the federal Subscriber Line Charge, line port costs in excess of basic analog service, special access surcharges, and a revenue imputation intended to estimate the amount of revenue associated with the loop component of a broadband-only service that could reasonably be recovered from an end-user. It does not include revenue associated with video services.

**Q: Has the Commission considered making the timing of reporting a calendar year like our cost studies rather than continuing to use the July-June period?**

A: The Commission did not consider changing the tariff year as part of this Order.

**RATE FLOOR**

**Q: Rate-of-return ILECs are currently subject to a rate floor, such that universal service support is deducted on a dollar-for-dollar basis when an ILEC’s local rate is below the rate floor. Will carriers choosing model-based support be subject to the rate floor?**

A: For rate-of-return carriers, the reduction of support due to the rate floor pursuant to section 54.318 applies only to HCLS. Because carriers electing A-CAM model-based support will no longer receive HCLS, they no longer will be subject to any reduction of support associated with the rate floor.

**CARRIER OF LAST RESORT**

**Q: If a carrier no longer gets funding for certain census blocks, can that carrier relinquish its carrier-of-last-resort obligations in those census blocks?**

A: Carrier-of-last-resort obligations are governed by state law and regulation. However, if an incumbent chooses to discontinue a service subject to Commission jurisdiction, it must make the appropriate section 214 submission to the Commission.

**PRICING CONSIDERATIONS**

**Q: Are rate-of-return carriers permitted to assess a Subscriber Line Charge (SLC) or Access Recovery Charge (ARC) on broadband-only lines?**

A: No. Rate-of-return carriers are not permitted to assess either a SLC or ARC on broadband-only lines. A line used to provide VoIP service not offered as regulated local exchange service would be considered a broadband-only line. Further, carriers must impute an amount equal to the ARC they assess on voice or voice/broadband lines to their supported broadband-only lines.

**Q: For companies electing ACAM model-based support, are cost studies still required for Special Access services?**

A: Yes, cost studies are still required to determine the revenue requirement for the Special Access service category.

**Q: If a rate-of-return carrier currently has no broadband-only lines and elects ACAM model-based support, must it refile its Special Access tariff to move the relevant costs into the new service category?**

A: Yes, carriers are required to move these costs from the Special Access service category to the new Consumer Broadband-Only Loop category. Rate-of-return carriers then have the option of tariffing a consumer broadband-only loop charge for this service.

**Q: Do the requirements concerning the reporting of double recovery in the Tariff Review Plan filings apply to all rate-of-return carriers regardless of whether they elect ACAM model-based support or CAF BLS?**

A: Yes.

**Q: Is the new rate of return going to affect the frozen baseline (also known as Base Period Revenues) for purposes of calculating ICC recovery?**

A: The represcribed rate of return will not affect any calculation and recovery amounts associated with switched access rates that are currently capped or transitioned under the *USF/ICC Transformation Order*.

**Q: Because rate-of-return carriers filing tariffs under 61.38 and 61.39 of the Commission’s rules perform cost studies and file tariffs in alternating years, does the rate of return transition now require carriers to file tariffs annually to implement the rate of return transition? If so, must new cost studies be performed each year?**

A: Because the authorized rate of return will be reduced by 25 basis points per year, rate-of-return carriers will be required to file tariffs annually until the end of the rate-of-return transition in July 2021. If the carrier would not typically be performing new cost studies in the relevant filing year, it will have an option of either applying the revised rate of return to the cost data from the previous filing year or completing new cost studies.

**Q: Will average scheduled companies need to convert to cost if they accept model-based support and are removed from the Common Line pool?**

A: No, although companies electing model-based support must exit the Common Line pool, they may maintain their average schedule status for the traffic sensitive pool.

**Q.  Will the SLC revenues from census blocks deemed competitive (after the conclusion of the challenge process for carriers remaining on legacy mechanisms) be used as a revenue offset to the CAF-BLS revenue requirement for the whole study area?**

A. Yes, those revenues will offset the study area common line revenue requirement.

**Q: I am rate-of-return carrier. Should I be challenging the competitive coverage in the current CAF-ACAM challenge process if I’m not interested in electing to receive model-based support?**

A: No.  The decisions that the Wireline Competition Bureau makes in the context of the CAF-ACAM challenge process, which is using June 2015 FCC Form 477 data as the starting point, do not bind the Commission or the Wireline Competition Bureau in any other proceeding that may involve a challenge process, including determining the extent of competitive coverage for CAF-BLS or implementing the 100% overlap rule for rate-of-return carriers.  A decision in the CAF-ACAM challenge process that a block is unserved does not necessarily mean that same block will be treated as unserved for purposes of CAF-BLS. The converse is also true: a decision in the CAF-ACAM challenge process that a block is served by an unsubsidized competitor for purposes of determining eligibility for model-based support does not necessarily mean that the same block will be treated as served for purposes of reducing CAF-BLS.  The Commission directed the Bureau to commence the competitive coverage challenge process for CAF-BLS using the then-most recent publicly available FCC Form 477 data at that time.  Because the Bureau does not expect to commence that challenge process until late 2016, it expects to be using more recent Form 477 data as the starting point.

**A-CAM CHALLENGE PROCESS**

**Q: I am a rate-of-return carrier. Can I update my reported broadband coverage for my incumbent territory in the CAF-ACAM challenge process?**

A: No. Only FCC Form 477 broadband coverage of an incumbent rate-of-return carrier that was filed on or before March 30 will be incorporated into the final version of the A-CAM. Evidence that the incumbent’s own broadband coverage has changed will not be considered in the challenge process.

**REPORTING**

**Q: I hear the FCC eliminated the five-year plan requirement. So do I have to file a progress report this July?**

A: Yes, rate-of-return carriers must still file a progress report with the Form 481 due July 1, 2016. A carrier is required to file a progress report on the five-year service quality improvement plan it filed in 2014, including maps detailing its progress towards in 2015 meeting its plan targets, an explanation of how much universal service support was received in 2015 and how it was used to improve service quality, coverage, or capacity, and an explanation regarding any network improvement targets that have not been fulfilled in 2015. The rule does not require a projection of what a carrier expects to do in the coming years; it requires a report on what a carrier did last year. In the *Rate-of-Return Reform Order*, the Commission eliminated the requirement to file progress reports only once we have received Paperwork Reduction Act approval for the geolocation reporting requirement.