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OCTOBER 4, 2016

## SPECIAL BULLETIN

### Capital Investment Allowance and Competitive Areas

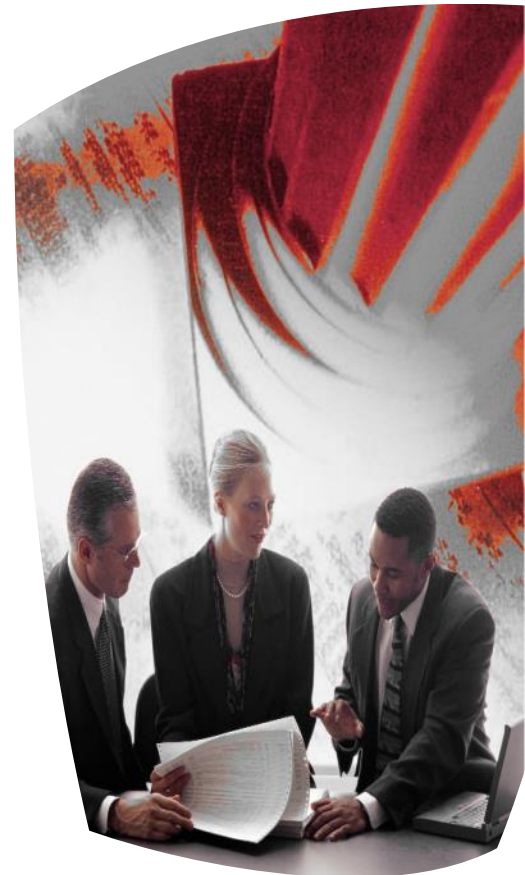
The FCC’s Wireline Competition Bureau issued two Public Notices late last week notifying RoR carriers of the release of (1) resources to calculate the Capital Investment Allowance adopted in the *RoR USF Reform Order*, and (2) a list of census blocks showing deployment by unsubsidized competition and a revised list of RoR carrier broadband deployment percentages.

#### Capital Investment Allowance

In the *RoR USF Reform Order*, the FCC adopted a process for limiting annual capital investment per carrier recoverable from HCLS and CAF BLS. The process, in general, is driven by the calculation of an Annual Allowable Loop Plant Investment (AALPI) factor. The AALPI is subject to several adjustments, with the most important being the broadband deployment adjustment (see September 20, 2016 *Special Bulletin*). There are other adjustments (see 54.303(k)) to the AALPI allowed (e.g., geographic areas where there are currently no existing wireline loop facilities) that are carrier-specific and have to be separately requested and supported and that *are not* considered in the information released. It is important to note that the minimum adjusted AALPI during any year is \$4,000,000.

In addition, there is a *per-location limit on new construction* that is based on the \$10,000 limit adopted by the FCC adjusted by the change in GDP-CPI. This is in then modified by a carrier-specific loop cap adjustment factor (calculated based on the overall \$3,000 annual per loop support cap and the carrier’s actual per loop support), and (2) construction limit factor, derived by dividing the study area-specific investment per location by the investment per location related to all RoR carriers.

The Bureau’s Public Notice announces the release of two spreadsheets to assist carriers. One lists carrier-specific illustrative information on the broadband deployment-adjusted AALPI and the per-location new construction limit if the CIA was applied to 2015 data (it is not effective until 2017 investment. The other is a template that shows how the carrier-specific data was calculated. According to the Public Notice, the template can be used to replicate the illustrative 2015 results, calculate the 2017 allowance, or test alternative investment plans.



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Questions? Comments?

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## Unsubsidized Competition / Broadband Deployment Data

Since CAF BLS (broadband loop support) will not be available in areas that are served by qualified, unsubsidized competition, the Bureau is [releasing](#) a list of census blocks for each RoR carrier study area where such a competitor reports the deployment of voice and broadband Internet access service at speeds of at least 10/1 mbps ([link](#)). This data contains a list of the areas with possible unsubsidized competition, but *does not* consist of the final list of covered census blocks. The next step is for the unsubsidized competitors to certify coverage to at least 85% of the reported census blocks. Once that is done, the Bureau will release a Public Notice containing a list of the affected census blocks by RoR carrier study area, at which point the challenge process will begin.

Also released by the Bureau is an updated RoR study area [broadband deployment list](#), which was originally released on September 19 (see September 20 Special Bulletin). The updated data reflects some revisions to a small number of carriers, and results in a slightly higher (74.58% vs the previous 74.39%) overall broadband deployment figure. The national percentage and the individual carrier percentages are used to (1) determine the broadband deployment adjustment to the AAPLI, and (2) determine whether each study area meets the 80% deployment threshold and thus is subject to the broadband buildout obligations.

### Bottom Line

- ⇒ The capital investment allowance (CIA) and construction allowance limitations will begin for investment made in 2017. Support constraints, if any, will begin in 2017 for CAF BLS and in 2019 for HCLS.
- ⇒ While helpful, the capital investment allowance worksheet still needs input from companies. As stated, the illustrative results show the impact of the CIA if applied to 2015 investment.
- ⇒ At the very least, companies should utilize the USAC spreadsheets and calculate the 2017 allowance (i.e., the “Adjusted Annual Allowed Loop Plant Investment.” This should give you a good idea of the total amount of capex that will be allowed in the determination of HCLS and CAF BLS.
  - ⇒ Companies should also be aware of adjustments to the AALPI allowed due to “special circumstances”
- ⇒ The construction allowance limitation should also be calculated to determine if total recoverable capex will be constrained starting in 2017.
- ⇒ Companies will be able to revise Form 477 data up until October 7 (Friday)
- ⇒ The competitive coverage data provides the highest amount of coverage possible, with the final product likely showing significantly less coverage.
- ⇒ Next steps to watch for in regards to competitive coverage: (1) certification by competitive carriers of the percent of locations covered in the affected census blocks, and (2) the challenge process related to the competitive coverage.

Please let us know if you have any questions.



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