29. *Deployment Obligations*. We require rate-of-return carriers accepting the offer of model-based support to offer at least 10/1 Mbps broadband service to the number of locations identified by the model where the average cost is above the funding benchmark and below the funding per location cap, and at least 25/3 Mbps to a subset of those locations.[58] These are the locations that are "fully funded" with model-based support. In contrast to the approach taken in price cap areas, where we did not provide support to locations above an extremely high-cost threshold, in rate-of-return areas we will provide support to all census blocks with average costs above the funding benchmark. However, each location within census blocks where the average cost exceeds the funding cap will receive the same amount of support. This funding for locations above the funding cap should be sufficient to preserve existing service and allow carriers to extend broadband service to a defined number of the capped locations, and to the remaining locations upon reasonable request, using alternative technologies where appropriate.[59] If a carrier identifies census blocks that it will not be able to serve by the date specified by public notice, as discussed above, its support will be reduced to reflect the fewer number of locations, and it will not be subject to the reasonable request standard for those locations if another provider wins those areas in an auction.

30. We decline to adopt an approach that would base a company's build-out obligations solely on the extent to which its model-based support exceeds its legacy support.[60] We agree with proponents of such an approach that the locations to which a company will be required to deploy broadband should be based on the A-CAM modeled cost characteristics of each company, but we find that our approach is preferable and more consistent with the overall framework of providing model-based support. Like CAM, A-CAM estimates "*the full average monthly cost of operating and maintaining an efficient, modern network*," and includes both capital and operating costs.[61] Although actual costs may differ from forward-looking economic costs at any particular point in time, allowing monthly recovery of the model's levelized cost means, on average, all carriers will earn an amount that would allow them to maintain the specified level of service going forward over the longer term.[62]

31. We are not persuaded by the argument that we should tie broadband deployment obligations only to the supplemental support in excess of legacy support and determine the extent of new broadband deployment obligations based on modeled capital costs.[63] Our methodology is based on modeled capital and operating costs for each census block and provides the entire support amount calculated for areas above the funding benchmark and below the per-location funding cap; that is, these locations will be "fully funded" by the model under our method.

32. *Interim Deployment Milestones*. We adopt evenly spaced annual interim milestones over the 10-year term for rate-of-return carriers electing model-based support, as proposed by ITTA, NTCA, USTelecom, and WTA with a minor modification.[64] We adopt enforceable milestones beginning in year

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[58] As discussed below, we adopt a funding threshold of $52.50. *See infra* para. 53.

[59] Low-cost locations are subject to the reasonable request standard because the model calculates carriers will be able to recover the cost of serving those locations through end-user revenues alone. Carriers should be prepared to demonstrate in an audit or other context how they evaluate requests under the reasonable request standard. We expect all carriers to be able to produce documents describing the standards they use to process such requests.

[60] ITTA/USTelecom/WTA Oct. 2, 2015 *Ex Parte* Letter, Attach. A (updating broadband build-out requirement methodology filed by ITTA on June 29, 2015).

[61] *Connect America Fund; High-Cost Universal Service Support*, WC Docket Nos. 10-90, 05-337, Report and Order, 28 FCC Rcd 5301, 5307-08, paras. 11, 15 (WCB 2013) (*CAM Platform Order*).

[62] *Id*. at 5311, para. 23.

[63] ITTA/USTelecom/WTA Oct. 2, 2015 *Ex Parte*, Attach. A at 1-3.

[64] For administrative efficiency, we will align the deployment milestones and funding term to the calendar year, although we expect to authorize electing carriers to receive CAF-ACAM support before the end of this year.

four, whereas the enforceable milestones proposed by the rural associations would begin in year five.[65] As shown in the chart below, we require carriers receiving model-based support to offer to at least 10/1 Mbps broadband service to 40 percent of the requisite number of high-cost locations in a state by the end of the fourth year, an additional 10 percent in subsequent years, with 100 percent by the end of the 10-year term. We do not set interim milestones for the deployment of broadband speeds of 25/3 Mbps; we require carriers receiving model-based support to offer at least 25/3 Mbps broadband service to 25 percent, 50 percent or 75 percent of the requisite locations by the end of the 10-year term, depending upon the state-level density discussed above..

**Deployment Milestones for Rate-of-Return Carriers Receiving Model-Based Support**

| | |
|---|---|
| Year 1 (2017) | **% |
| Year 2 (2018) | **% |
| Year 3 (2019) | **% |
| Year 4 (2020) | 40% |
| Year 5 (2021) | 50% |
| Year 6 (2022) | 60% |
| Year 7 (2023) | 70% |
| Year 8 (2024) | 80% |
| Year 9 (2025) | 90% |
| Year 10 (2026) | 100% |

33. We also conclude that rate-of-return carriers receiving model-based support should have some flexibility in their deployment obligations to address unforeseeable challenges to meeting these obligations.[66] When the Commission adopted flexibility in deployment obligations for price cap carriers accepting model-based support, we recognized that the "facts on the ground" when they are deploying facilities may necessitate some flexibility regarding the number of required locations.[67] Because rate-of-return carriers electing model-based support may face similar circumstances, we find that providing the same flexibility and allowing deployment to less than 100 percent of the requisite locations is equally appropriate for these carriers as well. We therefore will permit them to deploy to 95 percent of the required number of locations by the end of the 10-year term. To the degree an electing carrier deploys to less than 100 percent of the requisite locations, the remaining percentage of locations would be subject to the deployment obligations for the carrier's capped locations.[68] And, as noted above, to the extent the electing carrier does not foresee being able to serve some fraction of the remaining five percent of locations in any way, not even with alternative technologies, we encourage them to identify such census blocks for inclusion in an upcoming auction.

[65] *See* ITTA/NTCA/USTelecom/WTA Oct. 2, 2015 *Ex Parte* Letter, Attach. B, Table 1; *see also* ITTA/USTelecom Dec. 4, 2015 *Ex Parte* Letter, Attach. at 15.

[66] *See* TDS Nov. 12, 2015 *Ex Parte* Letter at 1-2 (arguing that the same type of flexibility granted to price cap companies should be afforded to rate-of-return companies electing model support).

[67] *December 2014 Connect America Order*, 29 FCC Rcd at 15659, paras. 38-39 (requiring deployment to at least 95% of the funded locations).

[68] The Commission required price cap carriers taking advantage of the flexibility to refund an amount of support based on the number of locations left unserved at the end of the term. *Id*. at 15660-61, para. 42. We do not require rate-of-return carriers to refund support if they deploy to at least 95% of the required locations, but not 100%, because they will use that support to maintain service and deploy new broadband to unserved customers under the standard for capped locations adopted above.