A REGULATORY PRIMER: BECOMING AN ELIGIBLE TELECOMMUNICATIONS CARRIER (ETC)

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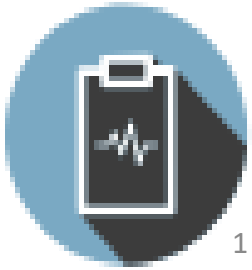


Agenda

1. What is an Eligible Telecommunications Carrier?
2. What are the Benefits of Becoming an Eligible Telecommunications Carrier (ETC)
3. Where do I Apply for an ETC Designation?
4. What are the Obligations Associated with ETC-Designation

Agenda Item #1: What is an ETC?

What is an ETC?

- A designation given to telecommunications service providers by their state public utility commissions or the FCC, enabling them to participate in universal service programs.

Agenda Item #2: What are the Benefits of Becoming an ETC

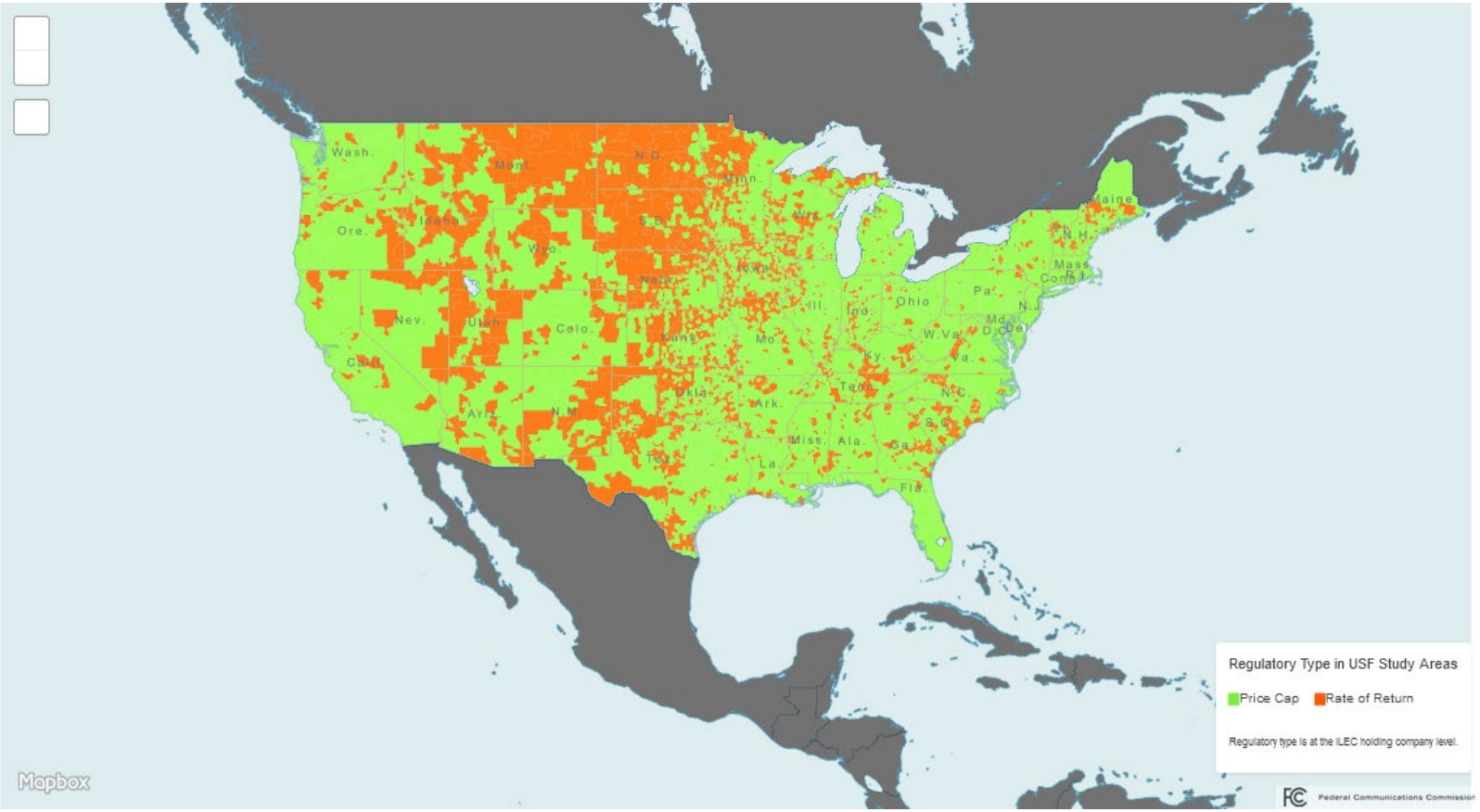
Universal Service Fund Mechanisms

- **High Cost (i.e., Connect America Fund)**
  - provides support to certain qualifying telecommunications carrier that serve high cost areas, thereby making service affordable for the residents of these regions.
- **Low Income (i.e., Lifeline)**
  - assists low-income customers by helping to pay for monthly telephone charges as well as connection charges to initiate telephone service.
- **Rural Health Care**
  - allows rural health care providers to pay rates for telecommunications services similar to those of their urban counterparts, making telehealth services affordable.
- **Schools and Libraries (i.e., E-Rate)**
  - provides telecommunication services (e.g., local and long-distance calling, high-speed lines), Internet access, and internal connections (the equipment to deliver these services) to eligible schools and libraries.

High Cost Program: Background

- High Cost provides funding to telecom carriers for capital expenses and operating expenses.
- With a $4.5 billion annual budget, it is the largest of the four USF programs.
- High Cost areas in the continental United States are designated either:
  - Price cap territories: Traditionally within the service area of one of Bell Operating Companies or other large/ mid-sized carrier
  - Rate-of-return (RoR) territories: Traditionally within the service area of a small rural carrier.
- More than 83 percent of unserved Americans reside in price cap territories.

High Cost Program: Price Cap & RoR Areas



Source: https:/ / www.fcc.gov/ reports-research/ maps/ regulatory-type-holding-company-level-study-area/

High Cost Program: RDOF in Price Cap Areas

- The Rural Digital Opportunity Fund (RDOF) is the primary support mechanism in price cap territories.
- RDOF will disburse up to $20.4 billion over 10 years to support the capital and operating expenses of providing fixed broadband to unserved homes and small businesses.
- RDOF uses a two-phase, competitive reverse auction to award support.
- The RDOF Phase I Auction ended on Nov. 25, 2020 and awarded $9.2 billion in support. FCC is in process of reviewing long-form applications from winning bidders.
- The RDOF Phase II Auction will award up to another $11.2+ billion in support for:
  - (1) census blocks determined as partially served by new broadband maps, and
  - (2) the remaining unserved areas not reached through RDOF Phase I.

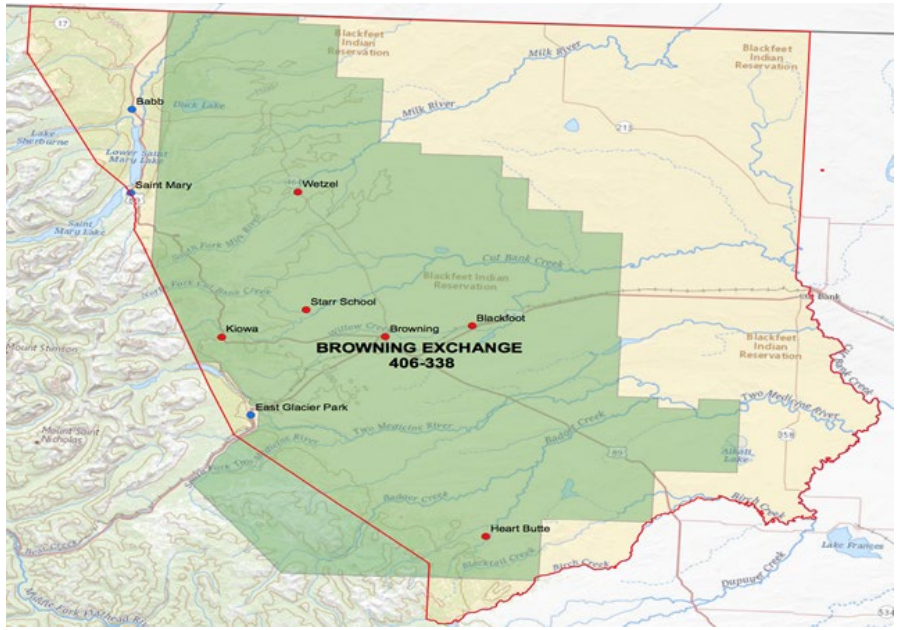
RDOF winners historically not required to obtain ETC designation until after close of auction.

High Cost Program: Model Support in RoR Areas

- The Alternative Connect America Cost Model (A-CAM) is increasingly becoming the primary support mechanism in rate-of-return areas.
- Incumbent carriers receive predictable monthly payments based on support of up to $200 for each funded location over the program's support term
- In exchange for this support, incumbent carrier must meet deployment obligations specified by the FCC's cost model.

High Cost Program: A RoR Case Study

- Siyeh Communications (SiyCom) is a telecommunications utility chartered by Siyeh Corporation, which in turn is owned by the Blackfeet Nation.
- The Blackfeet Indian Reservation is located in a RoR area.



High Cost Program: A RoR Case Study (cont.)

- To qualify for High Cost model-based support on the Blackfeet Indian Reservation, SiyCom took the following steps:
  1. Negotiated for the purchase of the existing telecommunications infrastructure from the incumbent rate-of-return carrier on the Blackfeet Nation;
  2. Sought FCC approval of assignment of the incumbent's assets to SiyCom;
  3. Sought creation of a new study area for purposes of High Cost model-based support.
  4. Petitioned FCC to be designated an ETC.

Timing consideration: FCC approval for actions 2, 3 and 4 took 8 months from date of initial filings

Low-Income Program: Background

- Lifeline is a federal program that offers a monthly benefit of up to $34.25 for eligible subscribers living on Tribal lands.
- To participate in the Lifeline program, service providers must be designated as an ETC.
- FCC has created a "Lifeline-only" ETC designation for carriers not seeking High Cost support. Carriers seeking a Lifeline-only ETC designation must also:
  1. Create a Compliance Plan;
  2. Obtain a Study Area Code; and
  3. Obtain a 498 ID

State Programs

- Many states also provide financial support through state universal service funds (SUSF) aimed at addressing specific communications issues.
- As of 2018, 42 states and the District of Columbia provide some form of state universal service support in addition to the monies provided by the Federal Universal Service Fund programs.
  - 22 States provide high-cost support
  - 17 states provide low-income support
- An ETC designation is typically required to access these funds.
- Learn more: https://pubs.naruc.org/pub/3EA33142-00AE-EBB0-0F97-C5B0A24F755A

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Agenda Item #3: Where do I Apply for an ETC Designation?

Jurisdiction to Designate ETCs

- Section 214(e)(2) of the Communications Act charges state public utility commissions with granting ETC designations.
- Section 214(e)(6) charges the FCC with granting ETC designations in situations in which the carrier "is not subject to the jurisdiction of the State commission."

The interplay between these two provisions afford most Tribes the option of seeking an ETC designation before the state commission or the FCC.

Agenda Item #4: What are the Obligations Associated with an ETC Designation?

ETC Obligations

- Offer all services designated for support (e.g., voice service and 9-1-1 service)
- Comply with service requirements applicable to support received (e.g., annual High Cost and Lifeline filing requirements, USF contributions)
- Remain functional in emergency situations (e.g., battery backup requirements for interconnected VoIP providers)
- Satisfy applicable consumer protection and service quality standards

Thank you!
If you have any questions, please contact me.

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