



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

May 14, 2014

The Honorable Pedro Pierluisi
U.S. House of Representatives
1213 Longworth House Office Building
Washington, DC 20515

Dear Congressman Pierluisi:

Thank you for your letter expressing views about the development of the forward looking cost model to determine ongoing universal service support to areas served by price cap carriers, known as Connect America Fund (CAF) Phase II. I understand your concern about the impact of the Universal Service Fund (USF) reforms on carriers serving insular areas like the Puerto Rico. Your letter also will be included in the record of the proceeding.

We believe we have implemented a solution that addresses the concerns you raised while ensuring that USF supports the deployment of robust voice and broadband networks throughout the United States. Specifically, on April 22, 2014, the Commission's Wireline Competition Bureau released an *Order* that provided carriers serving non-contiguous areas, such as Puerto Rico, with the option of continuing to receive frozen high cost support rather than model-based support. And, as part of a *Further Notice of Proposed Rulemaking* we adopted last month, we are seeking comment on what public interest obligations should attach to the acceptance of those funds. We look forward to hearing from interested parties as we continue to move forward on the implementation of the Connect America Fund.

These decisions were the result of an open, transparent, and deliberative process to adopt a cost model. The Bureau solicited feedback on model design and inputs through Public Notices and a "virtual workshop," made available model documentation and illustrative results multiple times, and made several presentations regarding the model and CAF Phase II implementation. The Bureau also released multiple working versions of the proposed forward-looking cost model, with each successive version containing refinements and improvements over the prior version. A number of outside parties, including the Puerto Rico Telephone Company, have actively participated in this model development process. The information provided in the carrier's numerous filings was given full consideration as the cost model was developed.

I appreciate your interest in this matter. Please let me know if I can be of any further assistance.

Sincerely,

Tom Wheeler