



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

September 23, 2014

The Honorable Tim Walberg
U.S. House of Representatives
418 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Walberg:

Thank you for your letter regarding implementation of certain aspects of Phase II of the Connect America Fund (CAF Phase II). I appreciate your views and will ensure your letter is included in the record of the proceeding and considered as part of the Commission's review.

I agree with you that high-speed broadband access is an essential component for economic growth in rural communities. The universal service program is one of the most important tools at our disposal to ensure that consumers and businesses in rural America have the same opportunities as their urban and suburban counterparts to be active participants in the United States of the 21st century. We are focused on updating the universal service high-cost program to ensure that we are delivering the best possible voice and broadband experiences to rural America. Thus, I also agree with you that it is important that we allow all interested parties an opportunity to compete in order to bring robust broadband to rural areas through the receipt of support from the Connect America Fund. The Commission's goal is to bring broadband to all Americans, and I believe it is critical that we have a universal service program that supports any and all providers who are willing to step up and deliver service, consistent with the Commission's performance standards.

In April, the Commission voted to move forward with Phase II of the Connect America Fund in areas served by the larger telephone companies (known as price-cap carriers). Among other things, the *Connect America Fund Phase II Report and Order* sets a term of 10 years for support to be awarded through a competitive bidding process in areas where the incumbent provider is unwilling to serve based on model-based support amounts to be offered by the Commission. In states where the incumbent declines the offer, the Commission will initiate a competitive bidding process, which will be open to any entity interested in serving eligible areas, including electric cooperatives.

As you also note, the Commission took an important step forward last January when, in our unanimously adopted *Technology Transitions Order*, we authorized experiments to advance the deployment of voice and broadband-capable networks in rural areas with support from the CAF. In order to inform our policies on building next-generation networks in rural America, the Commission invited parties to submit expressions of interest to determine the level of interest in constructing high-bandwidth networks in rural, high-cost areas, including Tribal lands. Our initial announcement of rural broadband experiments received an enthusiastic response in the

form of over 1,000 expressions of interest from a wide range of entities, including rural electric cooperatives, proposing service over diverse technologies.

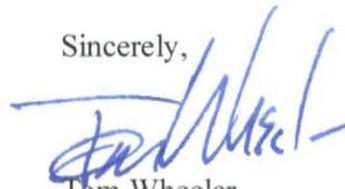
A *Rural Broadband Experiments Order* adopted by the Commission at our July Open Meeting builds on what we authorized in January by establishing a budget of \$100 million for funding rural broadband experiments in price cap areas. The *Order* sets an objective, clear-cut methodology for selecting winning applications and outlines the conditions that participating entities must meet in order to receive support, including specific eligibility, build-out, and accountability requirements. Now that we have clearly established the criteria for the experiments, interested entities must submit a formal application to the Commission no later than October 14, 2014. Applicants will compete nationwide for the funds, which will be awarded to projects that are most cost-effective. We hope to have the process completed by the end of 2014 because these experiments will allow us to explore how to structure the CAF Phase II competitive bidding process in price-cap areas, anticipated to occur later in 2015, and gather valuable information about deploying next-generation networks in high-cost areas.

Importantly, this effort will result in a competition-based mechanism to award universal support to bring broadband to rural America. Competition holds the promise of better services for rural America at lower costs. Better service at lower cost is the result of broadband competition in other areas of the country, and it is time to use that same dynamic for the benefit of rural America.

I look forward to working with you as we continue reforming and modernizing the universal service fund high-cost program – as well as other components of the Fund – to ensure that all Americans have access to robust voice and broadband services.

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

Sincerely,



Tom Wheeler