

Five-Year (2019 – 2023) CAF BLS Projections Used to Determine Deployment Obligations and Minimum Threshold of Support Amounts

The 5-year CAF BLS projections were calculated using assumptions specified in Appendix D of the December 2018 USF Rate of Return Reform Order and FCC staff direction. CAF BLS projections were developed using 2017 calendar year data as the base and by applying the FCC's modeling assumptions and growth rates specified in Appendix D (see below). These forecasted amounts are used by the FCC to determine deployment obligations for carriers remaining on legacy support and in setting the minimum threshold of support for each legacy carrier.

APPENDIX D: CAF BLS Assumptions

- The first year of the forecast will be 2019.
- 2017 validated data will be used.
- NECA may use current data to assign converted study areas to a group and exclude their data from the weighted average growth rate calculations for the groups to which they are assigned. For this calculation, converted study areas are limited to those study areas which converted in the prior year.
- The forecast will assume that legacy companies that have not yet built out broadband will invest at a higher rate than those who have recently built out their networks. Companies will be sorted by descending ratio of net plant to gross plant based on net plant and gross plant in 2017. For the relevant period (2019 – 2023), the top one third of carriers (those with the highest level of investment currently) will be forecast to invest at the average rate of the bottom third of carriers (the average rate of those with the lowest net plant to gross plant ratios). Conversely, the bottom one third of carriers will be forecast to invest at the average rate of the top one third of carriers. The remaining third (those in the middle) will be forecast to continue investing at the same rate as previously.
- HCLS and BLS will be calculated based on the rules adopted in this Report and Order.
- For 2019 through 2023, the forecast will make the following assumptions. 1) Non-broadband only lines will decrease by 5.92 percent per year. We assume that 4 percent are converted to broadband only lines and that 2 percent of the remaining lines account for general line loss. Thus, a carrier with 10,000 non-broadband-only lines in the earlier period would be predicted to have 400 convert to broadband only and 192 (=9600*0.02) fewer lines to account for general line loss. 2) Broadband-only lines that existed in the prior year will be decreased by 1 percent.
 - For study areas with broadband-only lines in 2017, we assume in each year non-broadband-only lines will decrease by 5.92 percent per year; 4 percent of non-broadband-only lines are converted to broadband-only lines; the remaining non-broadband-only lines are reduced 2 percent; and broadband-only lines that existed in the prior year will be decreased by 1 percent.
 - For those study areas that report no broadband-only lines in 2017 but predict some broadband-only lines in Form 508 for 2018/2019, we assume that those study areas begin providing broadband-only in 2018 using the assumptions above to calculate broadband-only and non-broadband-only lines.
 - For all other study areas, we assume that all lines will be non-broadband-only lines in 2018 and that the study area will begin providing standalone broadband service in 2019 with line counts determined by the assumptions above.

In mathematical terms, the number of lines will be calculated based on the following equations, where BOL = broadband-only lines:

When determining Broadband only and non-broadband only lines for 2019 through 2023, NECA should use the below formulas:

$$\text{BOL}_{\text{Year}} = .04 * \text{non-BOL}_{\text{Year-1}} + \text{BOL}_{\text{Year-1}} * (1 - .01)$$
$$\text{Non-BOL}_{\text{Year}} = (.96 * \text{non-BOL}_{\text{Year-1}}) * (1 - .02)$$

For 2018 line counts, NECA should do the following:

For study areas that have stand-alone broadband in their current Form 507:

$$\text{BOL}_{2018} = .04 * \text{Non-BOL}_{2017} + \text{BOL}_{2017} * (1 - .01)$$
$$\text{Non-BOL}_{2018} = .96 * \text{non-BOL}_{2017} * (1 - .02)$$

For study areas that have no stand-alone broadband in their current Form 507 but who project to have stand-alone broadband in their current Form 508:

$$\text{BOL}_{2018} = .04 * \text{non-BOL}_{2017}$$
$$\text{Non-BOL}_{2018} = (.96 * \text{non-BOL}_{2017}) * (1 - .02)$$

For all other study areas:

$$\text{BOL}_{2018} = 0$$
$$\text{Non-BOL}_{2018} = \text{Non-BOL}_{2017} * (1 - .02)$$