



**6712-01**

**FEDERAL COMMUNICATIONS COMMISSION**

**47 CFR Part 54**

**[WC Docket Nos. 18-143, 10-90, 14-58; FCC 18-57]**

**The Uniendo a Puerto Rico Fund and the Connect USVI Fund, Connect America Fund, ETC**

**Annual Reports and Certifications**

**AGENCY:** Federal Communications Commission.

**ACTION:** Final action.

**SUMMARY:** In this document, the Federal Communications Commission (Commission) establishes the Uniendo a Puerto Rico Fund and the Connect USVI Fund to rebuild, improve and expand voice and broadband networks in Puerto Rico and the U.S. Virgin Islands. Through the Uniendo a Puerto Rico Fund, the Commission will make available up to \$750 million of funding to carriers in Puerto Rico, including an immediate infusion of \$51.2 million for restoration efforts in 2018. Through the Connect USVI Fund, the Commission will make available up to \$204 million of funding to carriers in the U.S. Virgin Islands, including an immediate infusion of \$13 million for restoration efforts in 2018. As a result of these Funds, as well as the Commission's decision not to offset more than \$65 million in advance payments it made to carriers last year, it will make available up to \$256 million in additional high-cost support for rebuilding, improving, and expanding broadband-capable networks in Puerto Rico and the Virgin Islands.

**DATES:** This action is effective **[INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

**FOR FURTHER INFORMATION CONTACT:** Alexander Minard, Wireline Competition Bureau, (202) 418-7400 or TTY: (202) 418-0484.

**SUPPLEMENTARY INFORMATION:** This is a summary of the Commission's Order in WC Docket Nos. 18-143, 10-90, 14-58; FCC 18-57, adopted on May 8, 2018 and released on May 29, 2018. The full text of this document is available for public inspection during regular business hours in the FCC

Reference Center, Room CY-A257, 445 12th Street S.W., Washington, D.C. 20554 or at the following Internet address: <https://docs.fcc.gov/public/attachments/FCC-18-57A1.pdf>.

## **I. INTRODUCTION**

1. The 2017 hurricane season caused widespread devastation to Puerto Rico and the U.S. Virgin Islands, destroying thousands of homes and causing near total destruction of critical infrastructure. Hurricane Maria, the strongest storm to hit Puerto Rico in almost a century, ripped through the island as a Category 4 storm with 155-mph winds. Following on the heels of Hurricane Irma, Maria's damage to the communications network proved particularly devastating. The government of Puerto Rico estimates that the two hurricanes caused approximately \$1.5 billion of damage to the communications network. Similarly, Maria "decimat[ed] the communications and power grid" across St. Croix, the largest of the U.S. Virgin Islands. And the "[t]wo other main islands, St. John and St. Thomas, [had been] pummeled by Hurricane Irma just 14 days earlier." Recovery of the communications networks in Puerto Rico and the U.S. Virgin Islands has proven especially challenging, particularly compared to other locations in the United States impacted by this season's hurricanes, due to their isolation from the mainland, which has caused logistical difficulties and contributed to ongoing electrical power outages.

2. Restoring communications networks is a critical element of recovery. The Commission establishes the Uniendo a Puerto Rico Fund and the Connect USVI Fund to rebuild, improve and expand voice and broadband networks in Puerto Rico and the U.S. Virgin Islands.

3. Through the Uniendo a Puerto Rico Fund, the Commission will make available up to \$750 million of funding to carriers in Puerto Rico, including an immediate infusion of \$51.2 million for restoration efforts in 2018. Of the remainder, the Commission anticipates that about \$444.5 million would be made available over a 10-year term for fixed voice and broadband (an \$84 million increase over current funding levels) and that about \$254 million would be made available over a 3-year term for 4G Long-Term Evolution (LTE) mobile voice and broadband (a \$16.8 million increase).

4. Through the Connect USVI Fund, the Commission will make available up to \$204 million of funding to carriers in the U.S. Virgin Islands, including an immediate infusion of \$13 million

for restoration efforts in 2018. Of the remainder, the Commission anticipates that about \$186.5 million would be made available over a 10-year term for fixed broadband (a \$21 million increase) and that about \$4.4 million would be made available over a 3-year term for 4G LTE mobile voice and broadband (a \$4.2 million increase).

5. As a result of these Funds, as well as the Commission's decision not to offset more than \$65 million in advance payments it made to carriers last year, the Commission will make available up to \$256 million in additional high-cost support for rebuilding, improving, and expanding broadband-capable networks in Puerto Rico and the Virgin Islands. The Commission intends to target high-cost support over the next several years in a tailored and cost-effective manner, using competitive processes where appropriate.

## **II. ORDER: NO OFFSET OF ADVANCE PAYMENTS**

6. At the outset, the Commission now declines to offset the approximately \$65.8 million in emergency high-cost support provided immediately following the hurricanes against future payments. Although the Commission had previously anticipated offsetting the advance payments against future support, it no longer believes that to be a prudent course. The continuing difficulties in bringing service and power back to Puerto Rico and the U.S. Virgin Islands have impeded and delayed restoration efforts so that conditions on the islands have not improved sufficiently to justify reducing future support payments. Restoration efforts are still ongoing rather than largely complete and persistent power outages and other logistical challenges have made the continued operation of restored networks more expensive than some expected. As such, requiring the offset of advance payments would substantially delay, if not prevent, further restoration efforts—and the Commission finds that the public interest is best served by allowing carriers to continue their critical work to restore their communications networks. The Commission therefore declines to offset future payments against the emergency relief granted by the 2017 Hurricane Funding Order.

7. As a result, the Commission will continue in 2018 to provide, at a minimum, current levels of high-cost support to carriers in Puerto Rico and the U.S. Virgin Islands. This means that in

Puerto Rico, the fixed carrier (PRTC) will continue to receive approximately \$3 million each month (or \$36 million annualized) and mobile carriers (Centennial Puerto Rico Operations Corp., Suncom Wireless Puerto Rico Operating Co., Cingular Wireless, Puerto Rico Telephone Company, PR Wireless Inc., and Worldnet Telecommunications, Inc.) will continue to receive approximately \$6.6 million each month (or \$79.2 million annualized) in frozen support in the near term. In the U.S. Virgin Islands, the fixed carrier (Viya) will continue to receive approximately \$1.4 million each month (or \$16.5 million annualized) and the mobile carrier (Choice Communications, LLC) will continue to receive approximately \$5,600 each month (or \$67,000 annualized) in frozen support in the near term.

8. Also as a result of this decision, the advance payments should be considered a new, one-time source of high-cost support provided in the immediate aftermath of the hurricanes. The same rules and accountability measures as currently govern the frozen high-cost support these carriers receive will continue to apply. The Commission will also apply its accounting and audit rules to prevent waste, fraud, and abuse. For the reasons given in section III, paras. 22-23 in the following, the Commission finds good cause to forego the usual notice-and-comment procedure for this Order.

### **III. THE UNIENDO A PUERTO RICO FUND AND THE CONNECT USVI FUND**

9. The Commission will establish the Uniendo a Puerto Rico Fund and the Connect USVI Fund in two stages. In stage one, the Commission makes \$51.2 million in new funding available to Puerto Rico and \$13 million to the U.S. Virgin Islands to help restore voice and broadband service. The Commission provides this immediate relief to allow impacted carriers to rebuild more quickly in 2018 and set the stage for the longer-term plan. In stage two, the Commission intends to make about \$699 million available in the Uniendo a Puerto Rico Fund and about \$191 million available in the Connect USVI Fund to rebuild, improve, and expand voice and broadband networks on the islands in the longer term.

10. The Commission finds that it is in the public interest to provide new funding in the short term to restore service in Puerto Rico and the U.S. Virgin Islands. Given the devastation wrought by these two back-to-back hurricanes, which collectively were unprecedented in their severity and in the

protracted duration of damage they caused, the Commission decides to make available up to \$64.2 million of new funding—roughly equal to the amount it has decided not to offset against existing support payments—to bolster the ability of existing carriers to restore their facilities across the islands. This additional support should help restore and maintain service as quickly as possible for as many people as possible during that interim period.

11. Specifically, the Commission directs a one-time infusion of \$51.2 million through the Uniendo a Puerto Rico Fund and \$13 million through the Connect USVI Fund to support any facilities-based providers of voice and broadband services even if they have not previously received universal service support. The Commission finds this allocation of support (in addition to existing support streams) to be likely sufficient to cover the short-term costs of restoration while the Commission considers further reforms and funding over the longer term. In so finding, the Commission takes into account, among other factors, differences in landmass, geography, topography, and population between Puerto Rico and the U.S. Virgin Islands, the significant financial and operational challenges faced by carriers in both areas, and the past and current availability of high-cost support to carriers.

12. The Commission distributes the Stage 1 funding for each territory through a three-step process. First, any facilities-based provider of voice and broadband Internet access service may elect to participate in this opportunity for new restoration funding. To participate, a facilities-based provider must submit a certification regarding the number of subscribers (voice or broadband Internet access service) it served in the territory as of June 30, 2017 (before the hurricanes), along with accompanying evidence, to the Commission within 14 days of the publication of this Order. A voice-only subscriber, a broadband-only subscriber, and a voice-and-broadband subscriber each count as one subscriber. For mobile network operators, each line in a multi-line plan counts as one subscriber. For fixed network operators, each enterprise location served counts as one subscriber; such treatment reflects the high fixed costs of deploying service to any one location as well as the higher revenue potential of enterprise customers. The Commission uses the same definition of voice and broadband subscribers as applies to FCC Form 477 reporting. Providers also must file a copy of the certification and accompanying evidence through the

Commission's Electronic Comment Filing System (ECFS) as well as email a copy to ConnectAmerica@fcc.gov. The Commission will then verify eligibility using various data sources, including FCC Form 477 data.

13. Second, the Commission allocates 60 percent of the funding available to the territory to fixed network operators and 40 percent to mobile network operators. The Commission does so for two reasons. For one, allocating more to fixed service providers is appropriate in light of the relatively higher costs of restoring fixed services. For another, the Commission expects that restoring and improving the fixed network will facilitate more reliable and faster backhaul for the mobile services. In other words, new funding for fixed networks may in fact decrease at least some of the need for funding of mobile networks.

14. Third, the Commission directs the Wireline Competition Bureau (WCB) and the Wireless Telecommunications Bureau (WTB) to allocate these amounts among qualifying providers of each territory and type according to the number of subscribers (voice or broadband Internet access service) each served as of June 30, 2017. The Bureaus shall make public these allocations via a Public Notice as soon as practicable.

15. The Commission notes that to be eligible for funding, the provider must be willing at the time of certification to be designated an eligible telecommunications carrier (ETC) by the relevant commission, must in fact become an ETC and submit that designation to the Universal Service Administrative Company (USAC) before receiving any funding, and must remain an ETC for at least one year after first receiving funding. Given the importance of conducting restoration operations as quickly as possible, the Commission expects local regulators and providers to work together to designate ETCs as quickly as possible. If a provider has not been designated an ETC within 60 days of the Bureaus' announcement of support allocations, the Commission reserves the right to redirect that provider's allocation toward other universal service purposes, such as increasing the funding available for long-term rebuilding of voice and broadband-capable networks in Puerto Rico and the U.S. Virgin Islands.

16. The Commission reminds providers that section 254(e) of the Act and § 54.7 of the

Commission's rules provide that carriers receiving federal universal service support "shall use that support only for the provision, maintenance, and upgrading of facilities and services for which the support is intended." Carriers must therefore use this additional funding to help restore and improve coverage and service quality to pre-hurricane levels and to help safeguard their equipment against future natural disasters. Appropriate uses include repairing, removing, reinforcing or relocating network elements damaged during the hurricanes; repairing or restoring customer premise equipment; replacing, rebuilding, and reinforcing the physical outside plant (poles, fiber, nodes, coaxial cables, and the like); hardening networks against future disasters; and increasing network resiliency to power outages or other potential service interruptions due to natural disasters. To help ensure that support is targeted towards short-term restoration and rebuilding expenses, the Commission limits eligible expenditures to those incurred through June 30, 2019, beginning from the date that the affected areas were declared a disaster by the Federal Emergency Management Agency following Hurricanes Irma and Maria. Carriers will be required to certify both at the time of acceptance of support and after support is spent that all support was used for the intended purpose. The Commission also notes that, during the short term when networks are still being restored, backhaul from fixed-service providers is essential to the provision of mobile services and it requires providers seeking restoration funding to offer backhaul to all interested parties on nondiscriminatory terms for a period of one year after first receiving funds. Failure to abide by these conditions may result in the loss of some or all restoration funding. The Commission reminds Puerto Rico and the U.S. Virgin Islands that the Act prohibits the territories from adopting regulations related to funding that are "inconsistent with the Commission's rules to preserve and advance universal service."

17. To protect against duplicative recovery and guard against waste, fraud, and abuse, carriers may not use this support for costs that are (or will be) reimbursed by other sources of funding inclusive of federal or local government aid or insurance reimbursements. Moreover, carriers are prohibited from using Stage 1 support for other purposes, such as the retirement of company debt unrelated to eligible expenditures, or other expenses not directly related to hurricane restoration and improvement. The Commission reminds carriers that high-cost support recipients "are subject to random

compliance audits and other investigations to ensure compliance with program rules and orders.” Carriers must retain for at least ten years the records required to demonstrate that their use of this support complied with this Order and other Commission rules. The Commission directs USAC to initiate audits of Stage 1 disbursements in conjunction with its 2018 audits.

18. The Commission acknowledges that they are not allocating the new funding in proportion to frozen high-cost support. That is in large part because those frozen allocations were by and large established at least seven years ago and do not necessarily reflect the costs of providing or restoring service or the extent of today’s networks. Indeed, if the Commission were to follow such allocation, wireless carriers in Puerto Rico would receive approximately 1,177 times the support of such carriers in the U.S. Virgin Islands—a strange result given that Puerto Rico is only 33 times larger than the U.S. Virgin Islands. And networks owned by those not historically universal-service recipients would be entirely excluded—despite the damage they incurred from the hurricanes. Instead, the Commission believes the relative size of each network, coupled with a recognition that fixed service networks generally require greater funding for restoration efforts and the need to provide non-contiguous service in the U.S. Virgin Islands, better reflect the likely costs of restoration.

19. The Commission finds that using notice and comment procedures for this interim and one-time relief, and thereby delaying its effectiveness by at least several months, would be impracticable and contrary to the public interest. The good cause exception to the notice and comment procedures of the Administrative Procedures Act “excuses notice and comment in emergency situations, or where delay could result in serious harm.”

20. Given the emergency situation and the devastation to communications networks caused by the hurricanes, the sooner providers receive additional funds, the sooner service can be restored to the people of Puerto Rico and the U.S. Virgin Islands. As noted above, Hurricane Maria was a once-in-a-century storm that caused devastating damage. Even after months of recovery efforts, “the majority of citizens in Puerto Rico lack access to continuous and reliable telecommunications services.” Similarly, “only a small percentage of Viya’s wireline customers have had their voice, broadband, and cable service

restored, and there are still significant gaps in Viya's USVI wireless coverage." Voice and broadband-capable networks, of course, serve important public safety goals (including allowing the public to quickly notify first responders of emergencies). And the next hurricane season commences on June 1, 2018. Delaying these funds could result in serious harm if carriers are not able to restore and fortify their service before the start of the next hurricane season. Such efforts will take significant time, and the Commission wishes to help the carriers proceed as rapidly as possible.

21. The Commission is also concerned that some carriers might choose cheaper restoration plans that leave equipment vulnerable to another hurricane over more costly restoration plans that better protect against future natural disasters. Further, unlike other affected areas, Puerto Rico and the U.S. Virgin Islands have struggled to restore electrical power. One provider explains that "[t]he principal cause of communications outages and network unreliability in Puerto Rico undoubtedly has been the continued lack of commercial power and long-term reliance on backup generators." Based on these unique circumstances, the Commission finds that the need for rapid action provides good cause for forgoing the usual administrative procedures in this unique situation.

22. The Commission further finds good cause to make this relief effective immediately upon publication in the Federal Register. "In determining whether good cause exists, an agency should 'balance the necessity for immediate implementation against principles of fundamental fairness which require that all affected persons be afforded a reasonable amount of time to prepare for the effective date of its ruling.'" This interim relief imposes no regulatory burden on any carrier but merely offers funds to help their restoration efforts. The Commission therefore does not believe it would violate fundamental fairness to make the action effective immediately, particularly given the substantial need for immediate implementation of the relief, which only exists during calendar year 2018. Indeed, waiting 30 days to make this relief available "would undermine the public interest by delaying" restoration of service in hurricane-ravaged areas.

23. Finally, given the urgent need to bring service back to pre-hurricane levels as soon as possible, the Commission finds good cause to extend its previous waiver of § 54.313(c)(4) of the

Commission's rules, which requires carriers receiving frozen support to certify that all support is used "to build and operate broadband-capable networks used to offer the provider's own retail broadband service in areas substantially unserved by an unsubsidized competitor."

#### **IV. PROCEDURAL MATTERS**

##### **A. Paperwork Reduction Act**

24. This document does not contain new information collection requirements subject to the Paperwork Reduction Act of 1995 (PRA), Public Law 104-13. In addition, therefore, it does not contain any new or information collection burden for small business concerns with fewer than 25 employees, pursuant to the Small Business Paperwork Relief Act of 2002, Public Law 107-198, see 44 U.S.C. 3506(c)(4).

##### **B. Congressional Review Act**

25. The Commission will send a copy of this Order to Congress and the Government Accountability Office pursuant to the Congressional Review Act, see 5 U.S.C. 801(a)(1)(A).

26. Final Regulatory Flexibility Certification. Because the Order relies upon the good cause exception to notice and comment procedures, no final regulatory flexibility analysis is required under 5 U.S.C. 604.

#### **V. ORDERING CLAUSES**

27. Accordingly, IT IS ORDERED, pursuant to the authority contained in sections 4(i), 214, 254, 303(r), and 403 of the Communications Act of 1934, as amended, 47 U.S.C. 154(i), 214, 254, 303(r), and 403, and §§ 1.1, 1.3, and 1.412 of the Commission's rules, 47 CFR 1.1, 1.3, and 1.412, that this Order IS ADOPTED. The Order is effective upon publication in the Federal Register.

28. IT IS FURTHER ORDERED that, pursuant to § 1.3 of the Commission's rules, 47 CFR 1.3, that § 54.313(c)(4) of the Commission's rules, 47 CFR 54.313(c)(4), IS WAIVED to the extent described in this document.

FEDERAL COMMUNICATIONS COMMISSION.

Marlene Dortch,  
Secretary.

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