

Rural Broadband Auctions: Rural Digital Opportunity Fund Phase I (Auction 904)

FCC Webinar
May 5, 2020

Questions During Webinar

During the webinar, you can email questions to:

ruralbroadband@fcc.gov

Ex Parte Information

- With a limited exception, attending and/or participating in this webinar on proposed procedures to conduct the Rural Digital Opportunity Fund Phase I auction made by the Commission in the recent *Comment Public Notice*¹ will not require a filing under the Commission's rules governing *ex parte* communications²
- Presentations to Commission personnel directed to the merits or the outcome of the matters raised in the *Comment Public Notice* or other pending proceedings will require the filing of an *ex parte* notice

1. *Comment Sought on Competitive Bidding Procedures and Certain Program Requirements for the Rural Digital Opportunity Fund Auction (Auction 904)*, Public Notice, AU Docket No. 20-34, WC Docket No. 19-126, 35 FCC Rcd 2295 (2020);

2. See 47 CFR § § 1.1200 *et seq.*

Rural Broadband Auctions Overview

- **Connect America Fund Phase II Auction (completed):**
 - \$1.48B over 10 years for fixed broadband and voice services
- **Rural Digital Opportunity Fund (adopted):**
 - Up to \$20.4B over 10 years for fixed broadband and voice services
 - Phase I: up to \$16B (Auction 904)
 - Phase II: up to \$4.4B + remainder of Phase I budget
 - Phase I auction bidding expected to commence in October 2020
- **5G Fund for Rural America (proposed):**
 - Up to \$9B for 5G service, with up to \$1B for network deployments facilitating precision agriculture
 - NPRM adopted at April 23, 2020 Open Meeting

Task Force Overview

- Rural Broadband Auctions Task Force created to implement rural broadband auctions
 - Task Force coordinates with multiple Bureaus and Offices to develop and implement regulatory / technical details of auctions

How Did We Get Here?

- **2011 USF Transformation Order**
 - Introduced new funding approach for price-cap areas using cost-model to identify high-cost areas and competitive bidding to allocate support
- **2014 Connect America Cost Model (CAM)**
 - Estimated cost of providing service, and numbers of locations, in census blocks nationwide
 - Identified census blocks with costs above a specified benchmark
- **2015 Offer of Model-Based Support to Price Cap Carriers**
 - 9 carriers accepted over \$1.5 billion/year to serve 3.6M homes and businesses in their study areas by end of 2020 in 45 states and one territory

CAF Phase II Auction Framework

- Reverse auction of high-cost support to census blocks
 - Included census blocks in price cap study areas where carriers declined offers of model-based support, and certain other areas
 - Excluded areas where carriers reported voice and broadband service with speeds of $\geq 10/1$ Mbps
- Census blocks were aggregated to census block groups (CBGs) for bidding
 - Each CBG had reserve price and estimated number of locations
 - 30,000 CBGs, 210,000 census blocks, 975,000 locations
- CAF Phase II Auction Budget: \$2.15B

CAF Phase II Auction Results Overview

- CAF Phase II Auction closed on August 21, 2018
 - Approximately \$1.5 billion in support awarded to provide service to more than 700,000 locations in 45 states
 - Locations assigned had initial reserve price of \$5B over 10 years
- Support authorized as of April 14, 2020:
 - \$1.436 billion for 629,231 locations in 45 states

Rural Digital Opportunity Fund Framework

- Up to \$20.4 billion in support over 10 years
 - High-cost support to serve locations in census blocks that lack voice and broadband service with minimum speeds of 25/3 Mbps
- Two-phased auction approach
 - Phase I (Auction 904): census blocks that entirely lack voice and 25/3 Mbps broadband service (\$16B)
 - Phase II: partially served census blocks and census blocks unsold in Phase I auction (remainder of \$20.4B)
- Multi-round, reverse clock auction format, similar to CAF Phase II auction format

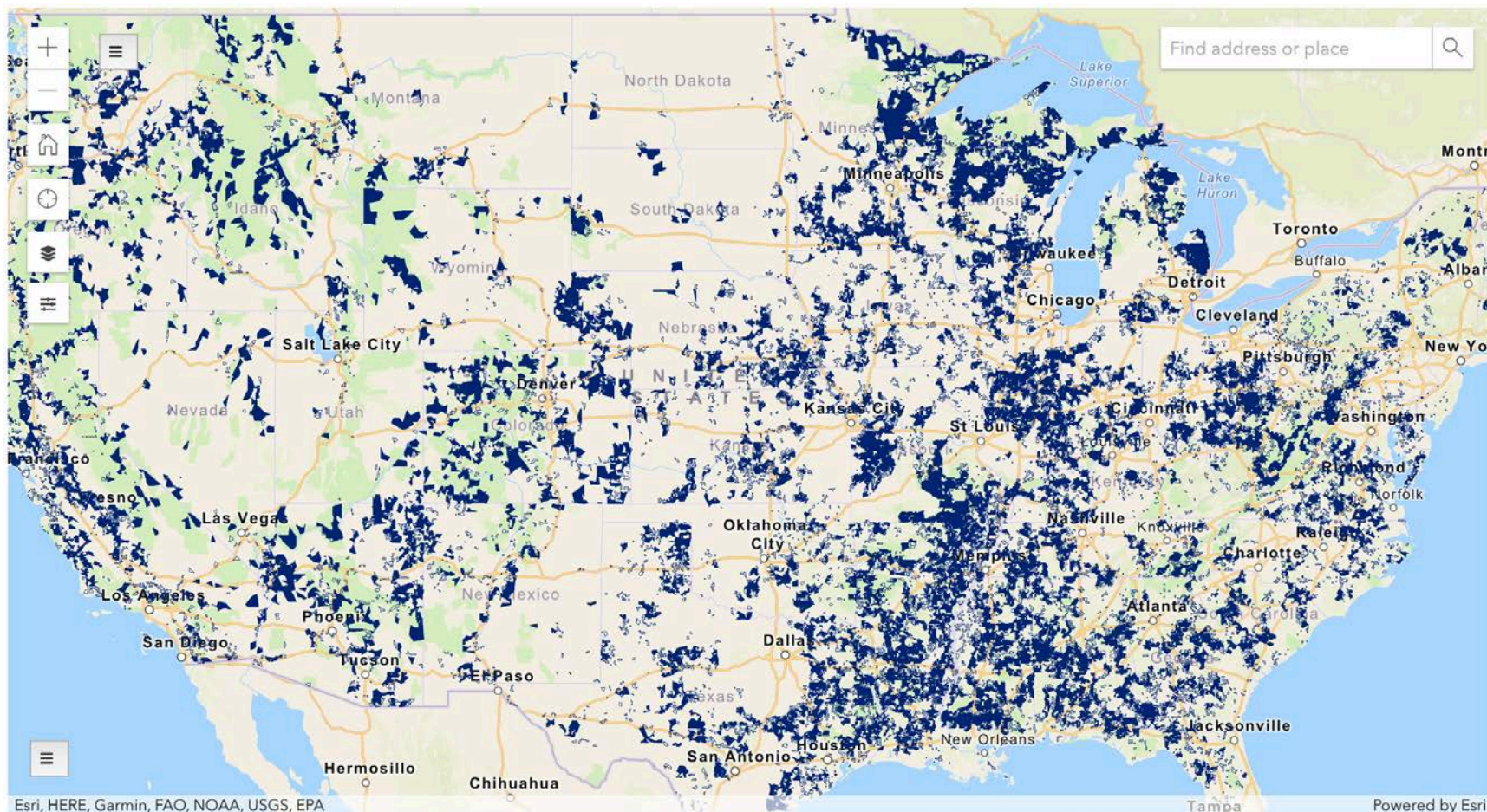
Rural Digital Opportunity Fund Framework

- Areas eligible for support:
 - All census blocks that lack voice and 25/3 Mbps broadband, excluding:
 - Census blocks with CAM costs < \$40, or, for Tribal areas and blocks that lack even 10/1 Mbps broadband, CAM costs < \$30
 - Census blocks awarded funding in CAF Phase II Auction
 - Census blocks awarded funding through federal or state broadband subsidy programs to provide \geq 25/3 Mbps (e.g., USDA ReConnect)
 - Rate of Return service areas, except areas the provider has indicated it will not serve
- Preliminary Eligible Areas Public Notice ([DA 20-275](#)):
 - Identified preliminary eligible areas, and
 - Established a limited challenge process

Auction 904 Preliminary Eligible Areas

- Challenge Process provided an opportunity to identify census blocks:
 - That have been served with 25/3 Mbps and voice since the June 2019 Form 477 filing (for Form 477 filers)
 - That have been awarded funding by a federal or state broadband subsidy
 - Only applies to census blocks for which a provider has an enforceable commitment to provide \geq 25/3 Mbps or where a formal commitment has been executed
 - Within rate-of-return carriers' service areas where the carrier does not expect to extend broadband as part of its USF obligations

Auction 904 Preliminary Eligible Areas I



<https://www.fcc.gov/reports-research/maps/auction-904-preliminary-eligible-areas>

Auction 904 Preliminary Eligible Areas II

State	Locations
Alabama	207,644
Arizona	138,175
Arkansas	215,793
California	473,522
Colorado	98,983
Connecticut	3,817
Delaware	7,905
Florida	155,310
Georgia	189,042
Hawaii	13,951
Idaho	44,400
Illinois	201,075
Indiana	182,628
Iowa	63,631
Kansas	57,183
Kentucky	102,789
Louisiana	182,458
Maine	33,522
Maryland	48,439
Massachusetts	32,313
Michigan	275,778
Minnesota	166,540
Mississippi	223,152
Missouri	216,683
Montana	49,540

State	Locations
Nebraska	53,623
Nevada	34,122
New Hampshire	19,525
New Jersey	13,561
New Mexico	67,354
New York	74,135
North Carolina	168,171
North Dakota	3,346
Ohio	214,701
Oklahoma	141,792
Oregon	88,675
Pennsylvania	197,833
Rhode Island	4,477
South Carolina	113,037
South Dakota	11,962
Tennessee	176,096
Texas	364,213
Utah	13,992
Vermont	24,631
Virginia	211,043
Washington	117,312
West Virginia	128,086
Wisconsin	262,382
Wyoming	19,554

Auction 904 Preliminary Eligible Areas III

- Interactive map and data files available for download:
 - <https://www.fcc.gov/auction/904>

Auction 904 Process and Timeline



Current timeline for Auction 904:

Summer 2020	Adoption of Auction 904 Procedures PN
	Release of Eligible Areas
	Short-form application window
October 2020	Commencement of auction bidding
Post-Auction	Release of Auction 904 Closing PN
	Long-form application window
	Funding authorized for winning bidders

Auction 904 Bidding

- Descending clock auction
- Each bid is a commitment to provide service to an area at a percentage of the reserve price
 - Clock denominated in terms of a percentage
- Percentage decreases in each round
 - To determine implied support amounts, bid percentage is adjusted for performance tier and latency, and multiplied by the area's reserve price
 - Each performance tier and latency combination (T+L) has an associated adjustment weight:
 - Service must meet minimum performance and latency requirements

Auction 904 Service Tiers

Performance Tiers			
	<u>Speed</u>	<u>Usage Allowance</u>	<u>Weight</u>
Minimum	≥ 25/3 Mbps	≥ 250 GB or U.S. median, whichever is higher	50
Baseline	≥ 50/5 Mbps	≥ 250 GB or U.S. median, whichever is higher	35
Above Baseline	≥ 100/20 Mbps	≥ 2 TB	20
Gigabit	≥ 1 Gbps/500 Mbps	≥ 2 TB	0

Latency Tiers		
	<u>Latency</u>	<u>Weight</u>
Low Latency	≤ 100 ms	0
High Latency	≤ 750 ms & MOS ≥ 4	40

Auction 904 Clearing & Closing

- Auction will “clear” once the aggregate bids for support decrease to within the budget (\$16B)
- Support awarded in an area to bidder with lowest Tier + Latency weight at the “clearing round”
 - If there are multiple bids for an area with the same lowest Tier + Latency weight at the clock percentage, bidding continues in additional rounds until there is no competition
- Auction will close after:
 - the budget clears *and*
 - there are no areas with competing bids

Auction 904 Service Obligations

- Winners must deploy service to the number of locations won, on a statewide basis:
 - 20% of CAM locations by year two (optional)
 - 40% of CAM locations by year three
 - Additional 20% in each subsequent year
 - 100% of CAM locations by year six
 - 100% of actual locations by year eight
 - Newly built locations upon reasonable request after actual locations determined and before year eight
- Mandatory reporting on progress
- Rates charged must be reasonably comparable to rates for similar services in urban areas

Auction 904 / CAF Phase II Comparison

- Two-step auction application process largely the same
- Per-location funding threshold is lower than CAF Phase II: \$40 vs. \$52.50
 - Tribal areas and areas lacking 10/1 Mbps service subject to lower funding threshold of \$30
- Per-location support cap is higher than CAF Phase II: \$212.50 vs. \$146.10
 - Tribal areas and areas lacking 10/1 Mbps service subject to higher support cap of \$222.50
- In the clearing round, for bids at the same percentage, support will be awarded to the bidder with lowest Tier + Latency weight
 - However, bidding will continue (like in CAF Phase II) if 2+ bidders have the same lowest weight

Participating in Auction 904

- Interested parties should prepare now to complete their short-form applications
 - Application window will open in summer 2020
- Process for participating in Auction 904 is similar to process for Auction 903 (CAF-II)
- Parties that are interested in participating in the auction should familiarize themselves with FCC resources from Auction 903 to prepare to apply for Auction 904
- Auction 903 resources are available here:
 - <https://www.fcc.gov/auction/903>

Auction 903 Resources

- Additional information about completing the short-form application can be found at the following Auction 903 links:
 - [Instructions for filing the short-form application](#)
 - [Auction 903 application tutorial](#) (video)
 - [Checklist of information needed to complete the short-form application](#)
 - [Auction 903 application process workshop](#)

Applying for Auction 904

- All parties that wish to participate in Auction 904 **must** submit the short-form application by the deadline
 - ***Late applications will not be accepted***
- Submitting the short-form application does not obligate an entity to bid in the auction
- To complete the short-form application, parties must submit:
 - Financial information
 - Ownership information
 - Technical information
 - Information detailing previous provision of telecommunications services, if applicable

Auction 904 - Financial Information

- Required financial information includes:
 - **Financial statements**
 - If operated for at least two years: one year of audited financial statements (if not audited in the ordinary course of business, may submit unaudited, but must submit audited in long-form application if announced as a winning bidder)
 - All other applicants: three years of audited financial statements
 - Must indicate if audited financial statements have a clean audit opinion letter
 - If the applicant or its parent company has provided only an electric transmission or distribution service for at least two years, it must submit **Qualified operating or financial reports for the past 2 years**
 - If the applicant has not been operating for at least two years, it must submit a **Letter of interest from a qualified bank**

Auction 904 - Technical Information

- Required technical information includes:
 - Each **state, performance tier (speed and usage), and latency** for which the applicant wants to bid, and the **technology** that would be used to provide service at that tier and latency
 - If the applicant plans to use wireless technology, it must submit information on **spectrum bands and bandwidth** to which the applicant has access
 - Answers to questions listed in Appendix A of the Auction 904 Procedures Public Notice (to be adopted)

Auction 904 - Ownership Information

- Required ownership information includes:
 - Applicant's **name** and **legal classification**
 - **Individuals** who can communicate with Commission staff and place bids on behalf of the applicant
 - All parties, including non-applicants, with whom the applicant has entered into any agreements regarding the applicant's participation in the auction
 - The individuals and entities with an ownership interest, whether direct or indirect, in the applicant and FCC-regulated businesses in which the applicant has a direct interest

Auction 904 – Add'l Required Information

- Additional required information includes:
 - **List of study area codes**, if the applicant is already an eligible telecommunications carrier (ETC) (proposed)
 - **List of FRNs** used to file FCC Form 477 data during the past two years, as applicable (proposed)
 - **Filer ID** used to file FCC Form 499-A in the past year, if the applicant files Form 499-A (proposed)
 - Required **certifications**
- Further requirements and specifications as adopted in the Auction 904 Procedures PN

Forming a Consortium

- Interested parties may form a consortium, which is an entity made up of multiple parties that participates in the auction as one bidder
- Short-form application
 - Consortium must choose one lead entity to certify how long it has been operating and submit its financial statements
 - All other information (e.g., ownership, responses to Appendix A questions, spectrum) must be submitted for each member of the consortium; provide roadmap to explain
- A consortium bids as its own, single entity, and then may divide winning bids among its members after the auction concludes
- If you have specific questions about forming a consortium, please email your questions to auction904@fcc.gov

Prohibited Communications

- All auction applicants must follow the Commission's prohibited communications rule (section 1.21002)
- An auction applicant is prohibited from communicating with any other applicant in any manner the substance of its own, or one another's, or any competing applicant's bids or bidding strategies
 - Applies to applicants starting at application deadline whether they qualify or bid
 - “Applicant” includes entity submitting an application, any party with control of the entity, any party controlled by the applicant entity or controlled by a party controlling the applicant entity
 - Take care with communications to third parties that may be conduits
- If you have any questions about the prohibited communications rules, please send questions to auction904@fcc.gov

Additional Resources

- Auction 904
 - Website: <https://www.fcc.gov/auction/904>
 - Email: auction904@fcc.gov
- Rural Broadband Auctions Task Force
 - Website: <https://www.fcc.gov/auctions/ruralbroadbandauctions>
 - Email: ruralbroadband@fcc.gov
- FCC Office of Intergovernmental Affairs
 - Greg Cooke, Chief: gregory.cooke@fcc.gov
- FCC Office of Communications Business Opportunities (small business concerns)
 - Sanford S. Williams, Director: sanford.williams@fcc.gov

Questions and Contact

Questions?

Auction 904 questions should be sent to
auction904@fcc.gov

Please email any additional questions
to ruralbroadband@fcc.gov