

# FAQs for Rural Broadband Experiments

## I. General Questions

### A. How do the rural broadband experiments relate to Connect America Phase II?

For Connect America Phase II, support calculated using our forward-looking cost model will first be offered to incumbent price cap carriers for each state they serve in exchange for their commitment to offer voice and broadband services throughout their service territories in the state. For the areas where the incumbent price cap carriers decline model-based support, support will be disbursed using a competitive bidding mechanism. The Federal Communications Commission (FCC or Commission) expects that what it learns from conducting the rural broadband experiments will inform its decisions in the coming months as to how to implement a Phase II competitive bidding process.

### B. If an entity wins support for the rural broadband experiments, is that entity then unable to bid in the Phase II competitive bidding process?

Census blocks that receive rural broadband experiment support will be removed from the Phase II competitive bidding process. However, entities that receive rural broadband experiment support are not precluded from bidding in the Phase II competitive bidding process on other census blocks that did not receive rural broadband experiment support.

## II. Budget

### A. Is the \$100 million dollar budget a one-time amount or will the Commission be making \$100 million dollars available for each year of the support term?

The \$100 million is the total amount available over ten years. The Commission will select projects within this \$100 million budget and then distribute each project's share of the budget in equal monthly installments for a ten year support term. The Commission will not be making \$100 million available each year.

## III. Post-Selection Process

### A. How long will it take for provisionally selected bidders to receive support after they have been announced as provisionally selected bidders?

After an entity is announced in a public notice as a provisionally selected bidder, the Wireline Competition Bureau will conduct a financial and technical review of that provisionally selected bidder. That provisionally selected bidder must also obtain an eligible telecommunications carrier designation and an irrevocable standby letter of credit (LOC) by certain defined deadlines. Once the Wireline Competition Bureau determines that the provisionally selected bidder is qualified and the provisionally selected bidder has obtained ETC status and a LOC, it will be authorized to begin receiving support. Realistically, this will be a number of months after the provisionally selected bidders are announced.

**B. What is an eligible telecommunications carrier?**

In order to receive universal service support, an entity must be designated by the state(s) where it is seeking to offer service or the Commission (if the relevant state lacks jurisdiction over that entity) as an eligible telecommunications carrier (ETC). Recipients of support must offer voice telephony service on a common carrier basis throughout its service territory, among other requirements.

**C. What is the process for obtaining ETC designation?**

If a state has jurisdiction over the entity, the entity must file an application with the relevant state commission. If the state does not have jurisdiction over the entity (for example, some states do not have jurisdiction over wireless providers), the entity may file for ETC designation directly with the Commission. For the rural broadband experiments, if an entity files an ETC application with a state, and the state fails to act within 90 days of that application being filed, there is a presumption that the state lacks jurisdiction, and the entity may seek ETC designation from the Commission.

**D. When do I need to file an ETC application?**

The Commission expects provisionally selected bidders to submit their ETC applications to the relevant jurisdiction as soon as possible after the public notice announcing provisionally selected bidders, and will presume an entity is acting in good faith to complete the requirements necessary for it to be authorized for funding if the entity files its ETC application within 15 days of release of the provisionally selected bidders public notice.

**E. What should I do if the state commission is not prepared to rule on my application by the 90 day deadline?**

The Commission has indicated that a waiver of the 90-day deadline for obtaining an ETC designation may be appropriate if the provisionally selected bidder is able to demonstrate that it has engaged in good faith to obtain ETC designation, but has not received approval within the 90-day timeline. To the extent any provisionally winning bidder believes it will be unable to obtain an ETC designation within this 90-day period due to circumstances outside of its control, i.e. the March 5<sup>th</sup> deadline, it may file a request for waiver with the FCC, and should describe in its waiver request when it filed for ETC designation at the state and any relevant facts regarding the progress of the state ETC proceeding.

**F. Do I need to become a carrier of last resort in the areas where I am awarded rural broadband experiment support?**

No, you only need to obtain ETC designation from the relevant states or the FCC if applicable and comply with any relevant state requirements.

**G. If an entity submits a letter from a bank committing to issue that entity a letter of credit by the required deadline, does the entity ultimately have to obtain a letter of credit from that same bank in order to be authorized to receive funding?**

No, after obtaining a commitment letter from a qualifying bank on or before the deadline for commitment letters, that entity is free to submit a LOC from a different issuing bank that meets the Commission's requirements. Bidders are cautioned, however, that they must be prepared to submit the LOC within ten (10) business days of when the Wireline Competition Bureau issues a public notice authorizing a provisionally selected bidder to receive support.

**H. Does the Commission maintain a set list of banks that are eligible to issue LOCs?**

No, the Commission does not maintain a list of eligible issuing banks.

U.S. banks must be among the 100 largest banks in the U.S. (determined on the basis of total assets as of the end of the calendar year immediately preceding the issuance of the LOC); be insured by the Federal Deposit Insurance Corporation or the Farm Credit System Insurance Corporation; and have a credit rating issued by Standard & Poor's of BBB- or better (or the equivalent from a nationally recognized credit agency).

Non-U.S. banks must be among the 100 largest non-U.S. banks in the world (determined on the basis of total assets as of the end of the calendar year immediately preceding the issuance of the LOC, determined on a U.S. dollar basis); have a branch in the District of Columbia or other agreed-upon U.S. location; have a long-term unsecured credit rating issued by a widely-recognized credit rating agency that is equivalent to a BBB- or better rating by Standard & Poor's; and issue LOCs payable in U.S. dollars.

Entities can demonstrate that the bank they have selected to issue a LOC is in the top 100 banks by producing a recent credible list of top 100 banks (e.g., a list maintained by the Federal Reserve).

**I. Does the value of the LOC increase each year for the full ten years, or does it stop after the census block is fully built?**

Recipients of rural broadband experiment support must maintain a LOC that is equal to the amount of support that it has been disbursed and soon will be disbursed until 120 days after the ten year term of support. Entities may negotiate all the terms of their LOC with the issuing bank, including the length of the LOC, so long as they hold a LOC in each of the 10 years they receive support plus 120 days after the support term has ended. For example, a recipient of funding could obtain a LOC that remains open until it completes the build-out of its network and covers the first five years of the support it receives. Once the build-out is complete, the recipient of funding could close its original LOC and obtain another LOC from the same or different issuing bank that covers the amount of support that has been disbursed during the past five years and the amount of support that soon will be disbursed.

**J. Why does an entity need to obtain a LOC if it has the capital available to build a network?**

The Commission requires all provisionally selected bidders to obtain a LOC so that it can recover rural broadband experiment support if a recipient fails to comply with the experiments' terms and conditions.

**K. What should I do if I am a provisionally selected bidder and a Tribally-owned or –controlled entity that cannot obtain a LOC?**

Provisionally selected bidders may file a petition seeking waiver of the LOC requirement. The petition must demonstrate that the provisionally selected bidder is a Tribally-owned or –controlled entity that is unable to obtain a LOC because of limitations on its ability to collateralize its real estate, that rural broadband support will be used for its intended purposes, and that the funding will be used in the best interests of the Tribal Nation and will not be wasted. Provisionally selected bidders should provide evidence to assure the Commission that the experiment is a viable project. The Commission has defined tribally-owned or –controlled entities to include: (1) Tribes which are federally recognized American

Indian Tribes and Alaska Native Villages; (2) consortia of Tribes; and (3) entities that are more than 50 percent owned and controlled by a Tribe or Tribes.

#### **IV. Eligible Areas**

##### **A. What source did the Commission use to identify locations within a Census block?**

The Commission's Connect America Cost Model uses GeoResults 3Q 2012 to identify business locations, and GeoResults 3Q 2012 and US 2010 Census Data (trued up to 2011 county data) to identify the locations of housing units.

##### **B. If a large census block shows that there are only a few locations within that block, does that mean that only those locations are fundable?**

Yes, the price cap locations identified in the eligible census block list in Column I "Eligible Locations" are the only locations that are eligible for rural broadband experiment support. See the Eligible Census Block List at <http://www.fcc.gov/encyclopedia/rural-broadband-experiments>.

##### **C. Is the annual support amount listed on the eligible census block list allocated to all locations in the block or only associated with the eligible locations in that block?**

The annual support amount is only associated with the total eligible (i.e., high-cost) price cap locations within that census block (Column I "Eligible Locations"). See the Eligible Census Block List at <http://www.fcc.gov/encyclopedia/rural-broadband-experiments>. To the extent a recipient of rural broadband experiment support included extremely high cost locations in its bid, however, it is free to use some of that support to build out those extremely high cost locations.

##### **D. Why do some census blocks that are eligible for the rural broadband experiments have locations that are ineligible for support?**

In the case of split blocks, there may be more than one node serving the block. One of those nodes may be high-cost, and one of those nodes may be low cost or extremely high-cost. Funding is calculated based on the locations served by the high-cost node, and you are free to use that funding to serve all price cap locations in the block. In the case of a block served by a rate-of-return carrier and a price cap carrier, support is only available for locations in price cap territories. You can consult the study area boundary map on the Commission's website to determine a rate-of-return carrier's service area at: <http://apps.fcc.gov/wcb/sabdata/>.

##### **E. What happens if I am a provisionally selected bidder and some of the census blocks I propose to serve are determined to be ineligible through the Phase II challenge process?**

In the event that census blocks are deemed ineligible for rural broadband experiment funding, support for any project selected for funding that includes such census blocks will be adjusted proportionally by subtracting from the provisionally selected bidder's requested support the same percentage that the ineligible block constitutes of the total model-determined support for the area. For example, a project consists of 5 census blocks, and the total model-determined support for those 5 census blocks is \$100.

Assume further that the provisionally selected bidder bid \$90 for the five blocks. If one census block of the 5 is deemed served, and the model-determined support for that census block is \$10, or 10% of the overall model-determined support, then we would subtract 10% of from the entity's requested support, \$9.

Additional information about the Phase II challenge process is available at:  
<http://www.fcc.gov/encyclopedia/connect-america-phase-ii-challenge-process>.

**F. Will the Commission release a list of specific addresses for each census block?**

No, the Commission will not be releasing a list of specific addresses. The list of eligible census blocks specifies the total number of price cap locations that a recipient of rural broadband experiment support will be required to serve in each census block (Column G "Total PC Locations"). See the Eligible Census Block List at <http://www.fcc.gov/encyclopedia/rural-broadband-experiments>.

**V. Public Service Obligations**

**A. What are the reasonable comparability benchmarks for pricing?**

The 2014 reasonable comparability benchmark for standalone fixed voice service was \$46.96. The Wireline Competition Bureau adopted a methodology for calculating reasonable comparability benchmarks for broadband and released illustrative benchmarks for 2014. The illustrative benchmarks are available at [https://apps.fcc.gov/edocs\\_public/attachmatch/DA-14-1569A1.pdf](https://apps.fcc.gov/edocs_public/attachmatch/DA-14-1569A1.pdf). The Wireline Competition Bureau expects to release 2015 voice and broadband reasonable comparability benchmarks before funding is authorized for rural broadband experiments. The benchmarks are updated every year.

**VI. Conditions for Funding**

**A. What should I do if I can't meet the Commission's rules for experiments?**

Generally, the Commission's rules may be waived for good cause shown. 47 C.F.R. § 1.3. The Commission may exercise its discretion to waive a rule where the particular facts make strict compliance inconsistent with the public interest. In addition, the Commission may take into account considerations of hardship, equity, or more effective implementation of overall policy on an individual basis. Waiver of the Commission's rules is appropriate only if both (i) special circumstances warrant a deviation from the general rule, and (ii) such deviation will serve the public interest. Deadlines can only be waived under unusual or compelling circumstances.

**B. Am I required to offer voice service to all the required number of locations within the census blocks where I am awarded support?**

Yes, you must offer voice service to these locations. This requirement is satisfied when service is provided by any affiliate within the holding company structure of the entity that is authorized to receive support. An affiliate is defined in section 3(2) of the Communications Act of 1934, as amended.

**C. Am I required to offer broadband service through the entity that is designated as an ETC?**

No. Recipients of support in the rural broadband experiments, like all recipients of Connect America support, are free to meet their broadband public interest obligations through any affiliate within the holding company.

**D. Must a recipient of rural broadband experiment support serve the exact number of locations listed for the census block for ten years, or serve the entire population of the census block for ten years?**

The commitment is to offer service to the number of locations at the time of the bid, i.e., the total number of price cap locations in a given census block (in Column G “Total PC Locations” of the eligible census block list), and any locations in adjacent extremely high-cost census blocks that are included in the bid. See the Eligible Census Block List at <http://www.fcc.gov/encyclopedia/rural-broadband-experiments>.

**E. Do the build-out requirements require that a customer from each of the required locations subscribe to the rural broadband experiment support recipient’s services?**

No, facilities must be built out to all of the required number of locations; however, that does not require that a physical drop be installed for every location. Instead, if a potential customer requests service, the entity should be able to provide the service within a matter of days without having to construct the network.

**F. Do the locations for each census block include community anchor institutions?**

No, the locations include residences and small businesses. However, if entities build out to these residential and small business locations, the FCC assumes it will be in their economic interest and the community’s interest also to provide service to community anchor institutions.

**G. Does rural broadband experiment funding support equipment or just the outside plant distribution?**

Recipients of rural broadband experiment support may use that support for any costs associated with the deployment of networks that can provide service meeting the relevant public interest obligations to the relevant project area. Recipients that have been designated as ETCs by the Commission are required to file an annual certification with the Commission that all federal high-cost support provided to the recipient was used in the preceding calendar year and will be used in the coming year only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. If a recipient is designated an ETC by a state, that state must file this certification with the Commission on the recipient’s behalf. *See* 47 C.F.R. § 54.314.