

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. Applicant Eligibility

A. 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. An eligible telecommunications carrier must offer voice telephony service on a common carrier basis throughout its service territory, among other requirements.

B. 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. The Commission encourages entities to do their due diligence to determine what is required to become an ETC before submitting applications for rural broadband experiment support. 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.

C. 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.

D. Can a community group participate in the rural broadband experiments?

In order to participate in the rural broadband experiments, at least one entity in a consortium must be able to obtain a designation as an eligible telecommunications carrier before it can begin to receive funds. The winning bidder must also be capable of providing voice and broadband services meeting certain requirements throughout its project area.

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. If a single census block has both extremely high-cost and high-cost locations, in which category are they eligible?

Entities wishing to bid on category 3 (extremely high-cost projects) must propose to serve census blocks where all price cap locations are extremely high-cost (Column J "PC Locations Over Extremely High Cost Threshold" and where Column K "Total Annual Support" equals \$0). In some cases, there are split blocks (blocks that include high-cost, extremely high-cost, and/or low-cost price cap locations). Entities may choose to bid on these split blocks for categories 1 and 2 and must serve all price cap locations (whether low-cost, high-cost, or extremely high-cost) within that split block. While entities serving split blocks will only receive support for high-cost locations (Column I "Eligible Locations") in the eligible census blocks, their cost-effectiveness score will be determined by dividing total requested support by the number of high-cost and extremely high-cost locations within that split census block (Column H "Total PC Experimental Locations in Block"). See the Eligible Census Block List at <http://www.fcc.gov/encyclopedia/rural-broadband-experiments>.

D. Do the support amounts in the eligible census block list represent annual support amounts?

Yes, to determine the total maximum support an entity can request, that entity should multiply the annual support amount (Column K “Total Annual Support”) by 10. See the Eligible Census Block List at <http://www.fcc.gov/encyclopedia/rural-broadband-experiments>.

E. How do I compare the annual support amounts listed in the eligible census blocks list to the support thresholds used by the cost model to identify eligible areas?

The support amounts listed in the eligible census blocks list are annual support amounts. The support thresholds are based on monthly costs. To compare the support amounts to the support thresholds, divide the annual support amounts by 12. See the Eligible Census Block List at <http://www.fcc.gov/encyclopedia/rural-broadband-experiments>.

F. 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 winning bidder includes 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.

G. Can I submit a bid for a project that requests more than the total model-based support amount?

No, the online application system will not accept a bid that exceeds the total model-based support for the census blocks that you propose to serve.

H. How do you dispute an area that is classified as served when it is actually an underserved area?

For purposes of the rural broadband experiments, you may not dispute an area that is shown as served; we are limiting applications to areas classified as unserved. The Wireline Competition Bureau will review the challenges and responses received in the Phase II challenge process to determine whether a census block or blocks that a winning bidder proposed to serve should be deemed ineligible for rural broadband experiment funding. We encourage potential applicants to review the Phase II challenge process website to determine which, if any, census blocks they are interested in serving are subject to challenges.

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 winning 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 winning 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>.

I. Why are areas identified as unserved if they are served by a fixed wireless provider providing broadband services meeting the Commission's standards but not providing voice services?

The Connect America Fund supports the deployment of both voice and broadband capable networks to high-cost areas. Because these areas are lacking voice service from a competitor, they are eligible for support.

J. Will the Commission release a map of eligible census blocks for the rural broadband experiments?

The Commission is not currently planning to release a separate map that would show the census blocks that are eligible for the rural broadband experiments. Please consult the list of eligible census blocks that the Wireline Competition Bureau has posted on the Commission's website. See the Eligible Census Block List at <http://www.fcc.gov/encyclopedia/rural-broadband-experiments>. The Commission has released a map illustrating areas initially identified as eligible for Connect America Phase II support, which are largely the same: <http://www.fcc.gov/maps/fcc-connect-america-fund-phase-ii-initial-eligible-areas-map>.

K. 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 winning bidder 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>.

L. Will the Connect America Phase II challenge process alter any of the census blocks that the Commission has deemed unserved?

Yes, if a census block is determined to be served via the Phase II challenge process, that census block will no longer be eligible for rural broadband experiment support. The deadline for filing challenges in this process was August 14th. The deadline for replies will be 45 days from when the Wireline Competition Bureau releases a public notice listing the challenges that made a prima facie case.

M. Where can I find a list of the blocks that were challenged in the Phase II challenge process?

The Commission will release a public notice of all of the challenges that made a prima facie case. In the meantime, you can see the challenges that were filed on our electronic filing system in docket 14-93: <http://apps.fcc.gov/ecfs/proceeding/view?z=1mtvf&name=14-93>.

N. How can I try to stop a Phase II challenge of a particular block?

You can file a reply in the Phase II challenge process. Replies will be due 45 days after the Commission releases a list of census blocks where a challenger made a prima facie challenge. Keep checking the “What’s New” box on the Connect America homepage to see when that public notice is released: <http://www.fcc.gov/encyclopedia/connecting-america>.

O. If an entity has broadband customers within a currently eligible block, but does not serve all the locations within that block, can it bid on that block?

Yes, an entity may bid on this block as long as it commits to offer voice and broadband service meeting the relevant service requirements to all of the price cap locations within that block pursuant to the required build-out milestones.

P. My company is an unsubsidized competitor providing service above 3 Mbps/768 kbps. Can I apply for funding to upgrade our services to achieve the target speeds?

No, rural broadband experiment support is only available in census blocks that are unserved by an unsubsidized competitor offering at least 3 Mbps/768 kbps.

Q. Can a competitive ETC bid on its own service territory?

Yes, a competitive ETC may bid on its own service territory. If awarded support, that entity will lose its current phased down competitive ETC support the month after it begins receiving rural broadband experiment support.

R. Can an entity bid to serve non-contiguous census blocks?

Yes, an entity may bid on non-contiguous blocks.

V. Application Process

A. Where can I find more detailed information about the application process?

The Wireline Competition Bureau released a public notice that provides more details about the application process: <http://www.fcc.gov/document/rural-broadband-experiments-application-process-public-notice>.

B. When will the Wireline Competition Bureau release screen shots of the application form?

We are working to obtain Paperwork Reduction Act approval from the Office of Management and Budget of the application form. Once we obtain that approval, we will release screen shots of the application form.

C. Will the bids be publicly disclosed?

Initially, only the bids for the winning bidders will be publicly disclosed after winning bidders are announced. The Commission will maintain the confidentiality of the bids that do not win at least until after the Phase II competitive bidding process has ended.

D. Can an entity submit a bid for tribal areas and then another separate bid for non-tribal areas?

Yes, an entity can submit more than one bid in each category, and one or more bids can propose to serve only Tribal census blocks and one or more bids can propose to serve Tribal and non-Tribal census blocks or only non-Tribal census blocks. However, to receive the Tribal bidding credit, a bid must propose to serve only Tribal census blocks.

E. If an entity is named a winning bidder, but then determines that it cannot proceed with its project, is there any penalty for withdrawing from the project?

There is no defined penalty for withdrawing from the rural broadband experiments. However, the Commission has noted that it will enforce the rural broadband experiments' terms and conditions vigorously and may impose forfeitures if entities do not comply with the terms and conditions.

F. What should an entity do if it is newly-formed and does not have three years of audited financial statements available?

If a winning bidder is unable to produce three consecutive years of financial statements, it should file for a waiver of this requirement after it has been named as a winning bidder. An entity should submit with its waiver petition evidence that demonstrates it is financially qualified. We then determine on a case-by-case basis whether it can assess the entity's financial qualifications using the alternative evidence provided.

G. How long will it take for winning bidders to receive support after they have been announced as winning bidders?

After a winning bidder is announced in a public notice, the Wireline Competition Bureau will conduct a financial and technical review of that winning bidder. That winning bidder must also obtain an eligible telecommunications carrier (ETC) designation and an irrevocable standby letter of credit (LOC) by certain defined deadlines. Once the Wireline Competition Bureau determines that the winning bidder is qualified and the winning 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 winning bidders are announced.

VI. Selection Methodology and Bidding Process

A. Can an entity win support for multiple projects as long as the total amount of support the entity is awarded is less than \$20 million?

Yes, an entity may win support for more than one project. However, to ensure that more than one entity wins support, the Commission has imposed a per-entity limit of \$20 million. That means that no entity (and its affiliates) may receive support exceeding \$20 million across all three experiment categories.

B. Is the total annual support number that is indicated on the eligible census blocks list the maximum amount of funding available for that block?

For categories one and two, the maximum support available is the model-estimated amount indicated in the eligible census block list (Column K "Total Annual Support"), times ten. Census blocks that are deemed "extremely high cost" and eligible for category three are not subject to a specific cap. While the Commission declined to adopt a hard cap for purposes of these experiments, it reserved the right not to

select any projects if the bid significantly exceed the extremely high-cost benchmark (\$2493.72 in annual support per location). See the Eligible Census Block List at <http://www.fcc.gov/encyclopedia/rural-broadband-experiments>.

C. What if no two bidders go after the same census blocks?

Bidders will be compared against all other bidders, not just bidders that propose to serve the same census blocks. Bidders will receive a cost-effectiveness score based on the census blocks that they propose to serve. This cost-effectiveness score will then be compared to other bidders' cost-effectiveness scores, regardless of which blocks they propose to serve.

D. Will participants be able to see competing bids and bid lower?

No, the rural broadband experiments will be run as a single round auction. Thus, entities may only bid once by submitting the formal application.

VII. Public Service Obligations

A. What are the reasonable comparability benchmarks for pricing?

The current reasonable comparability benchmark for standalone fixed voice service is \$46.96. The Wireline Competition Bureau expects to adopt the reasonable comparability benchmark for fixed broadband services in the coming months, but for purposes of the rural broadband experiments, the Commission established an interim presumption for 10 Mbps/1 Mbps upstream of \$85 for fixed broadband service, pending adoption of a final benchmark.

B. What happens if the Commission raises the speed requirements for all Connect America recipients and the minimum speed exceeds the speed required for the relevant project category?

We cannot predict if or when the Commission will raise the minimum speed requirements for all Connect America recipients. This is a business risk that applicants must weigh.

VIII. Conditions for Funding

A. 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.

B. Must a winning bidder 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>.

C. 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 nodes serving one block. One of those nodes may be high-cost, and one of those nodes may be low cost or extremely high-cost. You are only eligible to receive support for the locations served by the high-cost node, although you are required to serve all locations in the block. Your score will be determined by dividing your total requested support by the high-cost and extremely high-cost locations in the block, but not by the low-cost 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/>.

D. Do the build-out requirements require that a customer from each of the required locations subscribe to the winning bidder'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.

E. 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.

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

Winning bidders may use rural broadband experiment 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.

G. Does the amount of the letter of credit increase each year for the full ten years, or does it stop after the census block is fully built?

The winning bidder must maintain a letter of credit that is equal to the amount of money that it has been disbursed and soon will be disbursed until 120 days after the ten year term of support. The entity may choose to increase the amount of the LOC on a monthly basis or a yearly basis, as long as it is equal to the amount of money that has been and soon will be disbursed.

H. Does the Commission have a set list of the 100 top banks?

The Commission does not have a set list of the top 100 banks. Entities can demonstrate that the bank they have selected 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. Why does an entity need to obtain a letter of credit if it has the capital available to build a network?

The Commission requires all winning bidders to obtain a letter of credit so that it can recover rural broadband experiment support if a winning bidder fails to comply with the experiments' terms and conditions.

J. What should I do if I am a Tribal entity that cannot obtain a letter of credit?

You may file a petition seeking waiver of the letter of credit requirement. The petition must demonstrate that the Tribal entity is unable to obtain a letter of credit because of limitations on your ability to collateralize your 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. Applicants should provide evidence to assure the Commission that the experiment is a viable project.

K. Is there a requirement for matching funds?

No, entities participating in the rural broadband experiments are not required to obtain matching funds. To the extent you do so, however, that would lower the amount of funding you seek from the federal government, potentially increasing the likelihood of being a winning bidder.