

# 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 June 2nd 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 announcing it is ready to authorize 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 rating agency). For more information on credit rating agencies, see <http://www.standardandpoors.com/ratings/definitions-and-faqs/en/us> and <http://www.sec.gov/answers/nrsro.htm>. A list of credit rating agencies registered with the Securities and Exchange Commission is available at: <http://www.sec.gov/ocr/ratingagency.html> (see "Commission Orders Granting NRSRO Registration").

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. Should I obtain a LOC for each provisionally selected bid or obtain a LOC that covers all of my provisionally selected bids?**

Provisionally selected bidders have the option of obtaining a LOC for each provisionally selected bid or obtaining a LOC that covers all of their provisionally selected bids. However, the Bureau will not be able to partially draw on the LOC. Thus, if a provisionally selected bidder submits one LOC that covers all of its bids, those bids will be considered one project for determining whether the provisionally selected bidder has defaulted. If the provisionally selected bidder defaults on one of the projects and does not cure within the allotted timeframe, the Bureau will draw on the LOC for all of the support that has been disbursed for all of the bids covered by the LOC.

**K. 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.

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

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.

The Commission has indicated that provisionally selected bidders that are Tribally-owned or –controlled entities may file a petition seeking waiver of the LOC requirement. 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. Such petitions will be evaluated on a case-by-case basis, taking into account the circumstances outlined in the petition.

Parties seeking a waiver should demonstrate that the provisionally selected bidder is a Tribally-owned or –controlled entity as defined in the Commission's rules, that the entity 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.

**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 number of 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 number of 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. Although you will receive support associated with only the high-cost locations in split census blocks, you must serve all price cap locations located in split census blocks and may use rural broadband experiment support to serve all of those locations.. 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 2015 reasonable comparability benchmarks for voice service is \$47.48. The following table provides the benchmarks for the required minimum broadband offering for the rural broadband experiments, as well as other commonly-provided service offerings:

Download Speed (Mbps)	Upload Speed (Mbps)	Usage Allowance (GB)	Benchmark
10 <sup>1</sup>	1	100	\$71.40
10	1	250	\$75.99
10	1	Unlimited	\$77.80
25 <sup>2</sup>	5	250	\$95.08
25 <sup>3</sup>	5	Unlimited	\$96.89

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. What happens if my waiver petition of a build-out milestone is not granted before the relevant deadline passes?

We encourage entities that submit petitions for waiver to continue to work diligently towards meeting the terms and conditions of their experiments while their waiver petitions are pending. The filing of a waiver petition does not toll the deadline. In the event that the petition is not granted before the relevant deadline and the petitioner has not met the build-out milestone, it will be found in default and the Bureau, the Universal Service Administrative Company (USAC), and the Enforcement Bureau will move forward with non-compliance procedures (i.e., withholding a percentage support for the first year and then

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<sup>1</sup> These are the minimum speed and usage allowance requirements for categories two and three.

<sup>2</sup> The 25/5 Mbps benchmarks are applicable to category one. Category one projects must offer a usage allowance that is reasonably comparable to usage available for comparable wireline offerings (i.e., those with similar speeds) in urban areas.

<sup>3</sup> *Id.*

ultimately drawing on the LOC and possibly initiating forfeiture proceedings if the entity does not cure within the specified time period). If the waiver is subsequently granted, the petitioner will have all of the funds that have been recovered or withheld restored and will be entitled to receive its subsequent disbursements.

**C. 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.

**D. 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.

**E. Am I required to offer Lifeline service as an ETC?**

Yes. All ETCs are required to offer Lifeline services to qualifying low income consumers throughout their designated service areas.

**F. Am I required to offer Lifeline 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 Lifeline obligations through any affiliate within the holding company.

**G. Can I offer service through a combination of my own facilities and the resale of another carrier's services?**

Yes. Like all ETCs, a recipient of the rural broadband experiments can offer service using its own facilities, or through a combination of its own facilities and resale of another carrier's services.

In the *First Report and Order* (FCC 97-157, CC Docket No. 96-45), the Commission interpreted the term "facilities," for purposes of section 214(e) of the 1996 Act, to mean "any physical components of the telecommunications network that are used in the transmission or routing of the services designated for support under section 254(c)(1)." (See para. 128.) The Commission determined that "a carrier need not offer universal service *wholly* over its own facilities in order to be designated an eligible carrier because the statute allows an eligible carrier to offer the supported services through a combination of its own facilities and resale." (See para. 169, emphasis in original.) The Commission further determined that "the term 'own facilities' reasonably could refer to property that a carrier considers its own, such as unbundled network elements, but to which the carrier does not hold absolute title." (See para. 159.)

**H. 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>.

**I. 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.

**J. 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.

**K. 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. Universal service support may not be used for expenditures that are not directly related to the construction and maintenance of supported network facilities. Examples of expenditures that may not be recovered through universal service support include, but are not limited to, the following: entertainment, alcohol, personal travel and meals, childcare, personal and recreational uses of vehicles, office space, equipment, services and/or employee time used for non-incident personal purposes, expenditures relating to residential real estate, membership fees or dues in social, political, service, recreational or athletic clubs or organizations, scholarships, charitable donations, sponsorships of conferences or community events, and non-token gifts to employees. 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.

## **VII. Reporting and Certification Requirements<sup>4</sup>**

### **A. Is there a required format or form for the November interim build-out report?**

All recipients of rural broadband experiment support must file an interim build-out report on the November 1st after they receive their first disbursement of support. This is a one-time report. There is no specific format for the report, but it must describe the status of the project (i.e., whether vendors have been hired, permits have been obtained, and construction has begun) and also include evidence demonstrating which locations (if any) that the recipients have built out to in their project areas where the recipient is offering at least one voice service and one broadband service that meets the public service obligations adopted for the relevant experiment category (e.g., longitude and latitude data). To the extent that locations are newly served by the time the report is filed, recipients must also submit evidence with the report that demonstrates they are meeting the relevant public service obligations (e.g., marketing materials that detail the pricing, offered broadband speed, and data usage allowances available in the relevant geographic area), including a certification that demonstrates the service they offer complies with the Commission's latency requirements. The information filed with the report must be current as of the September 30th immediately preceding the November 1st deadline.

### **B. How do I file my November interim build-out report?**

Recipients of rural broadband experiment support must submit the November interim build-out report to USAC and the Commission. Recipients must submit the report to USAC by emailing the report to [hcinfo@usac.org](mailto:hcinfo@usac.org). Recipients must submit the report to the Commission by filing it in WC Docket No. 14-259, and may use the Commission's electronic filing system available at <http://apps.fcc.gov/ecfs>.

### **C. When do I need to file my first annual report?**

Recipients of rural broadband experiment support that are authorized to receive support any time during 2015 must file their first annual report by July 1, 2016. Recipients will then be required to file the report each year by July 1st and will file their last report by July 1st following their tenth year of support.

### **D. How do I file my annual report?**

The annual report must be filed with the Commission, USAC, and the relevant state commissions and relevant authorities in U.S. Territories, or Tribal governments, as appropriate. The annual report is filed using the FCC Form 481. FCC Form 481 must be completed and submitted to USAC online at USAC's website (<http://usac.org/about/tools/e-file.aspx>). Completed forms may be printed to be submitted to the Commission and others. The form submitted to the Commission must clearly reference WC Docket No. 14-58 and may be submitted through the FCC's Electronic Comment Filing System (<http://apps.fcc.gov/ecfs/>). In their other filings, recipients should follow relevant local rules.

### **E. Is there a required form or format for build-out milestone certifications?**

At this time, there is no required form or format for the build-out milestone certifications.

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<sup>4</sup> All the reporting requirements are pending subject approval by the Office of Management and Budget under the Paperwork Reduction Act of 1995, Public Law 104-13; *see* 44 U.S.C. § 3507(a).

- By the end of the third year of receiving support, recipients must certify that they offer service meeting the relevant public interest obligations to at least 85 percent of the number of required locations.
- By the end of the fifth year of receiving support, recipients must certify that they offer service meeting the relevant public interest obligations to 100 percent of the number of required locations.
- If recipients chose to request 30 percent of their support upfront in their applications, they are also required to certify within the first 15 months of receiving support that they offer service meeting the relevant public interest obligations to 25 percent of the number of required locations.

The certification must be accompanied by evidence demonstrating that the relevant build-out milestone has been met. The submission must include evidence regarding the precise geographic locations that recipients have built out to in their project areas (e.g., latitude and longitude data) where the recipient is offering at least one voice service and one broadband service that meets the public service obligations for the relevant category. The evidence must also demonstrate that recipients are meeting the public service obligations for the relevant experiment category (e.g., marketing materials that show the voice and broadband packages available to each location, detailing the pricing, offered broadband speed, and data usage allowances available in the relevant geographic area), including a certification that demonstrates the service they offer complies with the Commission's latency requirements.

#### **F. How do I file my build-out milestone certifications?**

Recipients of rural broadband experiment support must submit the build-out milestone certifications to USAC and the Commission. Recipients must submit the certifications to USAC by emailing the certifications to [hcinfo@usac.org](mailto:hcinfo@usac.org). Recipients must submit the certifications to the Commission by filing it in WC Docket No. 14-259, and may use the Commission's Electronic Comment Filing System (<http://apps.fcc.gov/ecfs>).

#### **G. Who files the annual use certification, as required by section 54.314 of the Commission's rules?**

If a recipient of rural broadband experiment support is designated as an ETC by a state regulatory authority, that state regulatory authority must file the section 54.314 certification on behalf of the recipient. If the recipient is designated as an ETC by the FCC, the recipient must file the section 54.314 certification.

#### **H. When is the first section 54.314 certification due?**

For recipients of rural broadband experiment support that are authorized to receive support any time during 2015, the first section 54.314 annual use certification is due by October 1, 2016. Recipients or the applicable state regulatory authority will then be required to file the certification each year by October 1st and will file the last certification by October 1st following the recipient's tenth year of support.

#### **I. How do I file my annual use certifications, as required by section 54.314 of the Commission's rules?**

Recipients of rural broadband experiment support or the applicable state regulatory authority must file the annual use certification with USAC and the Commission. Recipients that were designated as ETCs by the Commission must self-certify that all federal high-cost support provided to the carrier was used in the

preceding calendar year and will be used in the coming calendar year only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. The certification must be a sworn affidavit executed by a corporate officer. Recipients that were designated as ETCs by a state must have the state regulatory authority submit the certification on the recipient's behalf, stating that all federal high-cost support provided to carriers within the state was used in the preceding calendar year and will be used in the coming calendar year only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.

State regulatory authorities and recipients may file the certification with USAC online at USAC's website (<http://usac.org/about/tools/e-file.aspx>), via email ([hccerts@usac.org](mailto:hccerts@usac.org)), or via U.S. mail. The certification submitted to the Commission must clearly reference WC Docket No. 14-58 and may be submitted through the Commission's Electronic Comment Filing System (<http://apps.fcc.gov/ecfs/>). Templates for the certification are available at <http://usac.org/about/tools/e-file.aspx>.

**J. What happens if I do not file my November report or build-out milestone certifications by the relevant deadline?**

If a recipient fails to file a timely November report or build-out milestone certifications, the Bureau will issue a letter finding that the recipient is in default and will follow the usual default procedures (i.e., withhold a percentage of support for the first year (5 percent the first six months and 25 percent the second six months)) and then draw on the letter of credit if the reports or certifications still have not been filed by the end of this cure period.

**K. What happens if I do not file my annual reports or annual use certifications by the relevant deadline?**

If a recipient (or relevant state authority) fails to file a timely annual report or annual use certification by the relevant deadline, USAC will follow the support reduction scheme outlined in section 47 C.F.R. § 54.313(j) (for annual reports) or 47 C.F.R. § 54.314(d) (for annual use certifications).