

VPS Consulting Memo

FCC Adds Rural Digital Opportunity Fund (RDOF) to January Agenda

FCC TO VOTE ON \$20.4 BILLION PROGRAM

Summary

Overview

On January 8th, 2020, the Federal Communications Commission (FCC) issued a News Release announcing the Rural Digital Opportunity Fund (RDOF), which would provide \$20.4 billion in high-cost universal service support over 10 years, has been added to the January 30th Open Commission meeting. The Report and Order circulated thereof, and overviewed here, includes the tentative details and frameworks that will guide auction procedures.

The RDOF will be implemented in a two-phase approach, utilizing a multi-round, reverse, descending clock auction and will commence in 2020.

Phase 1: Wholly unserved census blocks

Phase 2: Wholly or partially unserved census blocks

Background

The FCC's intent of this competitive auction is to build off the success of the CAF Phase II Auction, which was held in 2018, and to continue to bridge the digital divide in rural America. The screening of bids will favor those that offer faster services with lower latency – encouraging intermodal competition in wholly or partially served areas.

The RDOF final rules offer a very similar two-step application process utilized in the CAF Phase II auction. This process will require each RDOF applicant to submit a short-form and long-form application to be considered to receive support.

Key Findings

Eligible Areas & Challenge Process

The Report and Order establishes the following categories to be eligible for RDOF funding:¹

1. Census blocks for which price cap carriers currently receive CAF Phase II model-based support
2. Any census blocks that were eligible for, but did not receive, winning bids in the CAF Phase II auction
3. Any census blocks where a CAF Phase II auction winning bidder has defaulted
4. The census blocks excluded from the offers of model-based support and the CAF Phase II auction because they were served with voice and broadband of at least 10/1 Mbps
5. Census blocks served by both price cap carriers and rate-of-return carriers to the extent that the census block is in the price cap carrier's territory
6. Any unserved census blocks that are outside of price cap carriers' service areas where there is no certified high-cost ETC providing service
7. Any census blocks identified by rate-of-return carriers in their service areas as ones where they do not expect to extend broadband

The Order also states the following areas will be excluded from eligibility:²

1. Census blocks where a terrestrial provider offers voice and 25/3 Mbps broadband service
2. Areas awarded funding through the U.S. Department of Agriculture's ReConnect Program.

Additionally, a limited challenge process will be available to bidders to allow identification of areas that are initially deemed eligible but are, in fact, served.³

Auction Mechanics

Prioritizing Lower Weighted Bids

Once the Phase I budget has cleared, bids with lower tier and latency weights will be automatically prioritized.⁴ This means that bidders offering the highest speeds, most usage, and lowest latency for an area will be more successful. **Given the proposed weighting structure, this prioritization will specifically benefit fiber-based networks.**

Reserve Prices

Reserve prices will be determined using the Connect America Model, with several adjustments to accommodate extremely high-cost areas.⁵ These adjustments include prioritizing areas entirely lacking 10/1 Mbps service over those that have 10/1 Mbps service but lack 25/3 Mbps service.⁶

¹ Paragraph 12

² Paragraph 13

³ Paragraph 14

⁴ Paragraph 21

⁵ Paragraph 23

⁶ Paragraph 27

Bidding Areas

The minimum geographic area for bidding is proposed to be, at minimum a census block group. However the Order does note that if necessary, census block tracts or other area groupings may be used as bidding units instead.⁷

Additional specific procedures, including timing and dates, will be determined in the pre-auction process.⁸

Speed Tiers and Latency Weighting

The Order proposes four speed tiers and two latency tiers, weighted as follows:⁹

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

Latency	Requirement	Weight
Low Latency	≤ 100 ms	0
High Latency	≤ 750 ms & MOS ≥ 4	40

Service Milestones

Winning bidders will be required to offer service to 40% of CAM-calculated locations by the end of the third year following authorization, and 20% of locations additionally each year following. The Order does accommodate the development of more acute location verification methods, stating that:

“Although initial milestones will be based on the number of locations identified by the CAM... the Commission will have access to more accurate location data in the next few years... winning bidders will be required to serve the number of locations subsequently identified in each respective area.”¹⁰

The Order further offers guidelines for accommodations for scenarios in which there are more locations, fewer locations, newly built locations in a winning geographic area.¹¹

⁷ Paragraph 30

⁸ Paragraph 17

⁹ Paragraph 39

¹⁰ Paragraph 45

¹¹ Paragraphs 49-52

Auction Process

Similar to the CAF Phase II reverse auction, the RDOF auction application will consist of two parts: The Short-Form application and Long-Form application. The components of each include:

Short-Form Application

- Ownership
- Types of Technologies
- Technical and Financial Qualifications Certifications
- Operational History
- Audited Financials
- Eligible Telecommunications Carrier (ETC) Designation
- Spectrum Access
- Due Diligence Certification

Long-Form Application

- Ownership Disclosure
- Financial and Technical Capability Certification
- Public Interest Obligations Certifications
- Description of Technology and System Design – **including certification by a Professional Engineer¹²**
- Available Funds Certification
- ETC Eligibility and Documentation
- Forbearance from Service Area Redefinition Process
- Letters of Credit

Additional Information

The RDOF Auction will be larger in terms of funding than the CAF II auction and will be one of the best opportunities for VPS clients in the next two years to continue to edge out their services areas, diversify their operations and use CAF funding to make such expansions feasible. **Your company will want to seriously consider any opportunities in this Auction.**

In addition to the RDOF Concierge Prep Service, VPS is prepared to answer any questions you may have as well as:

- Get ready by planning for the RDOF Auction
- Short-form application processing and submittal
- Long-form application processing and submittal
- Auction bidding and assistance
- Transitional Guidance – Legacy Support & CAF Phase II Model-Based Support

¹² Paragraph 90

Are you ready for RDOF?

Vantage Point's Concierge Prep Service can help.

RDOF will be the most complicated auction in human history. Strategic preparation is critical; and to help, Vantage Point is offering a preparation package for companies interested in participating in the RDOF Auction.

For a one-time flat fee, Concierge clients receive:

- Initial Strategic Discussion
- Credit for a number of hours to access Engineering and Consulting expertise
- Benchmarks
- RDOF Webinars (otherwise subject to registration fee)
- RDOF Memos with additional detail and analysis exclusive to Concierge clients.

This package is designed to customized RDOF preparation to your unique needs.

To sign up, contact any Vantage Point team member listed below or learn more at www.vantagepnt.com/RDOF.

The link to the full public notice is here: <https://docs.fcc.gov/public/attachments/DOC-361785A1.pdf>

For information or if you would like VPS guidance, please contact these members of the Vantage Point Solutions team:

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