Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of:	)	
	)	
Rural Digital Opportunity Fund	)	**WC Docket No. 19-126**
	)	
Connect America Fund	)	**WC Docket No. 10-90**

COMMENTS OF THE NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

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EXECUTIVE SUMMARY

The Commission's proposal to distribute at least $20.4 billion over ten-years to bridge the digital divide through a proposed Phase 1 $16.0 billion reverse auction and a Phase II reverse auction having a budget of at least $4.4 billion is in the public interest. As the Commission observes in the NPRM, the best course of action is to conduct the Phase 1 auction to distribute support to provide at least 25/3 Mbps broadband and voice services to known unserved locations and conduct the Phase II auction after the Commission obtains more granular data on served and unserved locations that it is looking to acquire through improved broadband reporting and mapping processes.

NRECA supports the varied areas the Commission proposes be eligible for the Phase I auction and the inclusion of *unserved locations* in areas in which the price cap ILEC is the only entity in a census block offering 25/3 broadband and voice services to some locations. Based on the frustrating experiences of member cooperatives, the Commission should adopt a limited challenge process in these price cap areas when a competitive service provider's FCC Form 477 indicates that it offers service at or above 25/3 Mbps.

The proposed performance tiers and latency (T&L) combinations in the NPRM should be expanded slightly, adding a symmetrical 100/100 Mbps tier between the Gigabit tier and the Above Baseline tier. The latency weights should be expanded, establishing a new an ultra-low latency measure (≤ 50 ms) that would be assigned a "0" weight, assigning a "25" weight for the proposed low latency measure (≤ 100 ms), and lowering the high latency value to ≤ 600 ms. These changes are more reflective of trends in broadband services and technologies.

Consistent with the Commission's objective of encouraging companies to "make the necessary long-term investments to build robust, future-proof networks" in rural areas, NRECA

proposes that support be assigned in the Phase I auction to the bidder having the lowest weight T&L combination in a bidding round so long as it is below the clearing price point in the clearing round and below the previous round's base clock percentage in subsequent rounds. The lowest T&L combination bid would be awarded support even if a bid for a higher weight T&L combination is made in the round at the same or at a lower bid percentage.

This approach will maximize the assignment of support to the most future-proof broadband systems. It will also minimize the likelihood of a recurrence of the significant downside of the CAF II auction: approximately 25% of the available funding was not distributed.

A more detailed financial and technical plan should be included in the short-form application so that there is a greater likelihood that only bidders with well-conceived technical and financial plans be allowed to bid in the Phase I auction.

Almost all of the post-auction obligations, certifications, and service requirements of the CAF II should be carried forward to the Phase I auction. Conversely, a 70% subscription obligation should not be adopted; all services providers are more than incented to maximize sales. For competitively bid funding, network operators cannot rely solely on USF-support to remain viable businesses.

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The National Rural Electric Cooperative Association ("NRECA") hereby submits its Comments in response to the Notice of Proposed Rulemaking ("NPRM") adopted by the Commission in the above referenced proceeding,[1] looking to establish a Rural Development Opportunity Fund ("RDOF") of $20.4 billion over ten years to be distributed through the Phase I descending clock reverse auction in the amount of $16.0 billion over ten years and a Phase II auction in the amount of $4.4 billion, plus remaining funds from the Phase I auction, over ten years. The NPRM focuses principally on the rules and procedures for the Phase I auction. NRECA is pleased to submit these Comments in support of establishing the RDOF and setting the policies and procedures for the Phase I auction as these are critical steps in bridging the digital divide for many unserved communities in rural America.

INTRODUCTION

NRECA is the national service organization for more than 900 not-for-profit rural electric cooperatives that provide electric energy to approximately 42 million people in 48 states or

[1] *In the Matter of Rural Digital Opportunity Fund,* Notice of Proposed Rulemaking, WC Docket Nos. 19-126, 10-90, released August 2, 2019 ("*NPRM*"). 84 Fed. Reg. 43543, August 21, 2019.

approximately 12 percent of electric customers, including 327 of the nation's 353 "persistent poverty counties" (93%). Of the 42 million Americans served by cooperatives, an estimated 4 million live in persistent poverty counties. Rural electric cooperatives serve 88% of the counties of the United States. Rural electric cooperatives were formed to provide safe, reliable electric service to their member-owners at the lowest reasonable cost. Rural electric cooperatives are dedicated to improving the communities in which they serve; management and staff of rural electric cooperatives are active in rural economic development efforts. Electric cooperatives are private, not-for-profit entities that are owned and governed by the members to whom they deliver electricity. Electric cooperatives are democratically governed and operate according to the seven Cooperative Principles.[2]

NRECA and its members are intensely interested in the deployment of advanced telecommunications capabilities within the communities and areas in which electric cooperatives provide electric service because in many instances local service providers are not meeting the broadband service needs of their communities. This interest is shared by almost every generation and transmission ("G&T") and distribution cooperative in the country. Many cooperatives are considering, planning or have already made investments and committed the resources to deploy fixed broadband networks and to provide broadband service within their existing territories.[3] The RDOF provides an important opportunity for many cooperatives to provide or expand their delivery of broadband services to residential and small business customers in and adjacent to their electric service territories.

[2] The seven Cooperative Principles are: Voluntary and Open Membership, Democratic Member Control, Members' Economic Participation, Autonomy and Independence, Education, Training and Information, Cooperation Among Cooperatives, and Concern for Community.

[3] "FCC Approves $225 million for 35 Electric Cooperatives to Provide Rural Broadband," August 28, 2018, https://www.electric.coop/fcc-approves-220-million-33-electric-cooperatives-provide-rural-broadband/ (thirty-five electric cooperatives submitted winning bids in the FCC's CAF II reverse auction).

DISCUSSION

1. NRECA Supports Implementing the RDOF Through Two Phases

NRECA supports implementing the proposed $20.4 billion RDOF, through two auctions, finalizing the rules and procedures for the Phase I auction, conducting the auction and awarding support, and initiating the Phase II auction after the Commission implements more granular and accurate broadband reporting and mapping processes being developed in a related proceeding.[4] The NPRM furthers the public interest in accomplishing the Commission's top priority of "[c]losing the digital divide and bringing robust affordable high-speed broadband to all Americans . . . [and] provide individuals living in rural America with the same opportunities as their urban counterparts."[5] The Commission is pursuing a thoughtful multi-step approach in (i) targeting areas that are unserved with broadband speeds at 25/3 Mbps in the Phase I auction,[6] (ii) taking into account the fast approaching expiration of the six-year model based support for the price cap ILECs,[7] and (iii) implementing the Phase II auction after adopting the new broadband reporting and mapping processes. As the Commission notes, "[waiting] for the availability of more granular data before moving forward would only punish those millions of Americans that we know do not have access to digital opportunity."[8]

The proposed budget for the Phase II auction is $4.4 billion, plus unawarded funds from the Phase I auction, over ten years.[9] This is a reasonable initial projection, but it should not be considered irrevocably fixed. The results of the improved broadband reporting and mapping

[4] *Establishing the Digital Opportunity Data Collection; Modernizing the Form 477 Data Program*, WC Docket Nos. 19-195, 11-10, Report and Order and Second Further Notice of Proposed Rulemaking (adopted Aug. 1, 2019) (*Data Collection Order and Second FNPRM*).
[5] *Id*., at para. 12.
[6] *Id*., at para. 45.
[7] *Id*., at para 6.
[8] *Id*., at para. 45, n. 83.
[9] *Id*., at para. 17.

processes stemming from the *Data Collection Order and Second FNPRM* remain to be determined. When a baseline level of unserved locations is determined, the Commission should reassess the adequacy of this initial Phase II budget after the Phase I auction.

2. The Proposed Eligible Areas for the Phase I Auction Should Be Adopted With a Minor Modification to the Challenge Process

The NPRM proposes seven primary eligible areas for the Phase I auction,[10] but excludes those census blocks "where a terrestrial provider offers voice and 25/3 Mbps broadband service." The principal set of eligible census blocks are those for which the price cap ILECs obtains model-based support but do not offer service at 25/3 Mbps and no other entity is offering 25/3 Mbps broadband and voice services,[11] subject to one major caveat. The NPRM proposes that *unserved locations* in census blocks in which the price cap ILEC is the only terrestrial service provider providing service at the 25/3 Mbps fixed broadband benchmark be included in the Phase I auction.[12] This is an important step in the right direction. For many unserved locations, it mitigates the shortcoming in the Form 477 Report instructions that direct broadband providers to report a census block as "served" even if the service provider is delivering broadband at 25/3 Mbps to only one location in the census block. This "one-served, all-served" outcome leads to overstatements or misstatements of broadband availability in many rural areas.

This caveat is fully warranted as the Commission will be leveraging the more granular data submitted through USAC's High Cost Universal Broadband (HUBB) portal by the price cap ILECs. These reports require the price cap ILECs receiving model-based support to provide geolocated data of locations for which a "carrier could turn up service meeting at least the minimum speed, latency, and usage requirements within 10 business days of receiving an end

[10] *Id.*, at para. 46.
[11] *Id.*, at para. 46.
[12] *Id.*, at para. 49.

user request,"[13] and direct the reporting carriers to update information on locations previously identified as being served at 10/1 Mbps or less, when the locations are served with 25/3 Mbps or higher speeds.[14]

The challenge process for rural areas excluded from the Phase I auction is not as robust as that which may be adopted for the Phase II auction. The Phase I challenge process is limited to allowing terrestrial service providers to supplement the most recent Form 477 data released prior to the auction and report those locations as being "served" if 25/3 Mbps is subsequently provided to these locations.[15] There is no opportunity to challenge, through crowdsourcing or otherwise, census blocks reported as "served" by a competitive terrestrial services provider that are located in areas receiving price cap ILEC model-based support. In connection with the CAF II auction, many cooperatives were bewildered to learn that areas in their communities were reported as served, when, in fact, the census blocks are not served.[16] A limited crowdsourcing challenge should be authorized to contest availability of fixed broadband service at 25/3 Mbps or greater reported by competitive service providers in these areas. Reports from the local community having "boots on the ground"—crowdsourcing—may establish that 25/3 Mbps service is not currently available or only nominally available in these census blocks notwithstanding the data derived from Form 477 reports.

NRECA recommends the Commission not provide the price cap ILECs the opportunity to certify they will upgrade unserved locations to 25/3 Mbps by the end of 2020.[17] This approach

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[13] Universal Service Administrative Company, "HUBB Frequently Asked Questions," available at: https://www.usac.org/_res/documents/hc/pdf/tools/HC-HUBB-FAQ.pdf (last visited Sep. 20, 2019).
[14] *Id*.
[15] *NPRM*, at para 48.
[16] *See e.g.,* Sam Bloch, *The FCC says all of Iowa has access to broadband internet. Speed tests tell a different story*, New Food Economy, June 20, 2018, available at: https://newfoodeconomy.org/rural-iowa-broadband-data-fcc/ (last visited Sep. 20, 2019).
[17] *Id*., at para. 49, n. 96.

will require scarce staff resources to verify. On the other hand, NRECA supports the inclusion of unserved rural census blocks whose average costs are below the $52.50 high cost threshold,[18] as 6.3 million Americans in rural America lacking broadband service should not be ignored. A substantially reduced reserve price is one option as it would fit within the reverse auction bidding framework. Another option is to include these areas in the Phase II auction. As for Tribal areas, NRECA supports the proposed reduction in the high cost threshold to $39.38.[19] These adjustments may provide incentives for prospective bidders to extend service to these areas that otherwise might not be financially viable to serve.

3. Several Changes to the Proposed Performance Tiers and Latency Levels Should be Adopted

The NPRM proposes to carry forward to the Phase I auction the performance tiers and latency combinations as well as the required usage allowances developed for the CAF II auction, except the outdated 10/1 Mbps performance tier is deleted.[20] NRECA proposes that an additional 100/100 Mbps symmetrical tier be inserted between the Gigabit tier and Above Baseline 100/20 Mbps tier. Symmetrical broadband enables a wider range of online activities that USF-supported Broadband Internet Access Service is intended to promote—distance learning, bandwidth intensive applications that can be performed remotely (advanced data applications such as CADCAM and online data analytics), gaming, and advanced communications for anchor institutions. Symmetrical service is well-received in urban areas in which it is offered and reasonably slots-in between the Gigabit tier and asymmetrical 100/20 Mbps tier.

[18] *Id.*, at paras. 51 and 53.
[19] *Id.*, at para. 52.
[20] *Id.*, at paras. 25-27.

Proposed Performance Tiers, Monthly Usage Allowances, and Latency Measures

Performance Tier	Speed	Monthly Usage Allowance	Weight
Baseline	≥ 25/3 Mbps	≥ 150 GB or U.S. median, which ever is higher	50
Above Baseline	≥ 100/20 Mbps	≥ 2 TB or U.S. median, whichever is higher	35
Symmetrical	≥ 100/100 Mbps	≥ 2 TB or U.S. median, whichever is higher	25
Gigabit	≥ 1 Gbps/500 Mbps	≥ 2 TB or U.S. median, whichever is higher	0

Regarding latency, NRECA recommends adding a third latency tier and decreasing the high latency threshold from 750 ms. to 600 ms. To accommodate the addition of a third latency tier we propose increasing the latency weighting to 50 points in total. This would bring the combined T&L weights for high latency and baseline service to 100. NRECA's proposed dual low latency approach is consistent with the concept that bidding weights should be technology neutral, but not technology blind. Technology companies will respond continuously to improve the servers and other endpoint devices to meet higher data rates and lower latencies for all broadband services. Based on informal testing conducted by NRECA members, using the provider's on-net speed test server and using off-network speed test servers (from a customer endpoint on one network to a device on another network), all-fiber networks achieve latencies well below NRECA's proposed very low 50 millisecond (ms) latency threshold. This technology advantage of fiber networks is reflected in NRECA's proposed very low latency weight.

Setting the latency metric in line with recognized technology trends also applies to the conservative ≤ 750 ms. high latency metric. NRECA understands that the high latency metric may have been adopted to enable fixed geostationary orbit satellite providers to participate in the CAF II auction. However, current literature provides that the round-trip delay for fixed geostationary orbital satellites may be much closer to ≤ 600 ms.[21] This value is more appropriate as the highest weight latency metric.

Latency	Requirement	Weight
Ultra-Low Latency	≤ 50 ms	0
Low Latency	≤ 100 ms	25
High Latency	≤ 600 ms & MOS ≥ 4	50

NRECA maintains one further reservation to these proposed T&L weights. The FCC should not grant applications in which the applicant is proposing to utilize new, unproven technologies or proposing data rates beyond generally accepted standards for the technology. Winning bids should only go to proven technologies that have been extensively deployed and field-proven to deliver quality services meeting all the RDOF requirements. The timing and funding level in the RDOF present a unique opportunity to bridge the digital divide in rural America. This auction is too important for these vital funds to be gambled on unproven technologies. More extensive reviews of technology plans in the short-form application would further this interest, as discussed below.

[21] Skycasters, LLC "Satellite Internet Latency—It's a Physics Thing," available at: https://www.skycasters.com/satellite-internet-service-specs/system-%20latency/#targetText=Satellite%20Internet%20Latency%20is%20an,23%2C000%20miles%20away%20in%20space – (last visited: Sep. 20, 2019) (emphasizing that latency for geostationary orbital satellites have latency of 500 ms, but when routers and servers are introduced to support Internet access to latency approaches 600 ms but noting applications that are particularly sensitive to network latency may not work with a satellite connection).

4. An Adjustment Should Be Made in Awarding Support Beginning in the Clearing Round

NRECA proposes that the basis for determining the winning bids be modified in one important respect. In the clearing round, the bidder with the lowest T&L combination below the clearing price point would be the winner, even if another bidder with a more heavily weighted T&L combination placed a lower percentage bid. For example, if a symmetrical 100/100 Mbps low latency T&L combination is bid and a 25/3 Mbps low latency combination is bid for an area, and both bids are below the clearing price point, the 100/100 low latency bid would be the winner and awarded support per the second price rule, even if the 25/3 Mbps low latency bid is placed at a lower percentage. This principle would apply in all subsequent rounds.

This adjustment would apply to all other bidding scenarios. For example, if two bidders having the 100/20 Mbps T&L combination placed a bid for the area, and this T&L combination is the lowest weight low latency T&L combination bid for the area, the bidder with the lowest percentage bid would be the winner. If two bidders having the same symmetrical T&L combination bid the same percentage, and this was the lowest T&L combination bid in the area, these contested bids would be carried forward to the next round and bidding would continue for these two bidders. This would be the case even if a lower percentage bid is placed for the same area by a bidder having a more heavily weighted T&L combination, such as 25/3 Mbps and low latency. Per the current practice, any uncontested bid at any T&L combination below the clearing price point in the clearing round or the previous base clock percentage in subsequent rounds would be the winner.

In other words, the bidding between performance tiers would abate during the Clearing Round and in subject rounds. This proposed adjustment does not affect the inter-area

competition that drives the bidding until the budget clears. As noted above and as in the CAF II auction, bidding in many areas will continue past the clearing round.

The policy bases for this adjustment are substantial. Technologies that incorporate fiber deeper into their networks should be preferred, as those networks will provide a more sustainable, long-term investment for the local community, far better able to serve the interests of residents, small businesses, and anchor institutions. This adjustment will encourage companies to "make the necessary long-term investments to build robust, future-proof networks" in rural areas.[22] Advances in the fiber optic electronics will evolve over time, capable of being installed at modest cost and delivering more capacity as the bandwidth requirements of the rural communities expand over time, as in urban areas. From the consumer perspective, the proposed adjustment in selecting winning bids will consistently deliver a more valuable service.

This approach lessens the likelihood of a recurrence of the significant downside of the CAF II auction. Approximately $500 million or approximately 25% of the available funding over ten years was not awarded. A replay of that outcome is not in the public interest. The bidding rules for the Phase I auction (and the Phase II auction) should be structured to advance the intended outcome of distributing the available funding for critical infrastructure investments in rural communities.

[22] *NPRM*, at para.15.

5. NRECA Supports the Proposed Change to the Extremely High Cost Threshold, Retaining the Ten-Year Support Term and the Connect America Fund Cost Model, and Maintaining the Census Block Group as the Minimum Bidding Area

The NPRM proposes to maintain the high cost threshold at $52.50 ($39.98 for Tribal Areas) and to increase in the extremely high cost threshold to $200.00 ($212.52 for Tribal areas).[23] The increase in the extremely high cost threshold is important for census blocks and bidding areas having a blend of high cost and extremely high cost locations. By including the extremely high cost locations, the Commission likely will capture many locations in which service might only be available a 4/1 Mbps; one reason for low speed service or no service is the high cost of providing service.

The NRPM notes the proposed change to the extremely high cost threshold was recently adopted for rate-of-return carriers.[24] The change is particularly appropriate for setting reserve prices for a descending clock auction in which the clearing price point and all winning bids will be noticeably below the reserve prices. The starting point for competitively bid funding should at least be the same as the funding distributed to rate of return-of-carriers, particularly as RDOF winning bidders will have the same public interest obligations as the rate of return carriers.

NRECA believes many aspects of the CAF II auction contributed to the high level of participation in that auction, including the ten-year support term. This ten-year support term should be carried forward to the Phase I auction.

[23] *Id*., at para. 56
[24] *Id.*

In the interest of conducting the Phase I auction in a timely manner, the Commission should retain the Connect America Fund Cost Model for calculating the reserve prices. The NPRM's proposal to continue to rely on the Connect America Fund Cost Model (CAM)[25] dovetails with the Commission's objective of initiating the Phase I auction in a timely manner to facilitate a reasonable transition from model-based support. The CAM has not been seriously questioned and appears well-suited for projecting costs for deploying advanced broadband technologies in rural areas.

Retaining census block groups as the minimum bidding areas best serves the public interest. Smaller units might be valued by entities looking only to "edge out" from their current service territories, but this interest is contrary to the intent of the auction to extend coverage to unserved areas. For persons preferring larger bidding areas, package bidding provides the desired flexibility to meet their wide-area objectives and may offer more flexibility as the auction progresses. Bidding areas larger than census block groups would disadvantage small, rural providers who won significant funding in the CAF II.

6. Modifications to the Showing in the Short-Application Should be Considered for the Phase I Auction

NRECA believes many elements and content of the short-form and long-form applications developed for the CAF II auction format should be retained for the Phase I auction. Electric cooperatives should continue to be allowed to demonstrate operational expertise based on the operation and management of their electric distribution and transmission networks. Conversely, that an applicant has submitted Form 477 reports does not necessarily demonstrate that it possesses the requisite operational experience for the Phase I auction.[26] Principally, the

[25] *Id*, para. 54.
[26] *Id*., at para. 74.

filing of a Form 477 report or submitting reports through the HUBB portal do not demonstrate that the applicant has the operational expertise to deploy and manage a network that, depending on the outcome of the auction, could be substantially larger or more complex than its current broadband network in terms of area, technology, and number of customers.

An important aspect of NRECA's interest in the RDOF is that only competent, qualified entities utilizing proven technologies participate in both the Phase I and the Phase II auctions. One approach to achieve this objective is to shift more of the detailed technical and financial showings from the long-form application to the short-form application. The threshold financial showings would be retained.

The proposal is grounded in sound business planning. In selecting T&L combinations for its areas of interest, which must be designated on the short-form application, prospective bidders must make technology choices and buildout plans. The costs for implementing these plans are, of necessity, included. This analysis informs the bidder on both the areas in which to place bids and the funds that it needs to secure from the auction in developing its bidding strategy. The Commission staff has gained experience from the CAF II auction in evaluating the showings in both the long-form and the short-form applications. While the time involved in evaluating the short-form applications may be lengthened, there will be a higher level of assurance that the entities allowed to bid have a real plan. This approach should maximize the likelihood of winning bidders achieving the buildout milestones and minimize the likelihood of defaults.

For the auction winners, the financial and technical showings in their long-form applications would consist principally of an explanation that its proposed technology plan scales to the extent of the areas in its winning bids and the amount it secured from the auction, plus other available funds, will support the buildout of the network.

In addition to the financial showings for the short-form and long-form applications, the Commission should weigh carefully the risks of accepting applications from entities or successors to entities that have filed for protection under the bankruptcy laws or have emerged from bankruptcy within five years of the Phase I auction. USF support should not be a financial prop for these entities or their successors even if their current financial records might otherwise satisfy three of the five basic financial metrics in the short-form application. It is counterintuitive to allow these entities to participate in an auction in light of financial risks for which the letter of credit (or its replacement) and counsel's opinion letter are intended to prevent.

7. Post-Auction Reporting and Service Milestones Should Track the CAF II Auction

By and large, the NPRM proposes that support recipients meet the same service milestones, certifications, and reporting requirements and be subject to the non-compliance measures as established in the CAF II auction.[27] One suggestion is to allow the Commission to make more detailed inquiries of a support recipient to the extent it substantially misses the 40% service obligation that occurs at the three-year benchmark and possibly terminating support payments. Withholding funds and requiring additional reporting for entity in the 4th non-compliance tier at the end of year three may only make a bad situation worse or prove to be too little, too late.

NRECA recommends the Commission adopt its proposal to carry forward the buildout milestones and reporting obligations adopted in the CAF II auction. And, the Commission should preserve the ability of applicants to obtain an eligible telecommunications carrier (ETC) certification from the Commission if a state commission declines jurisdiction to consider an ETC application.

[27] *NPRM*, at paras. 32-37.

The NPRM inquires whether to add a 70% subscription requirement on the theory that it will incentivize service delivery to end users.[28] This proposal should not be adopted. Service providers cannot predict the behavior of prospective customers; subscription rates may vary from area to area and may accelerate over time as residents and small businesses see firsthand the advantages of highspeed Internet access service. Further, a subscription obligation is not warranted. All service providers are incented to attract and retain as many customers as they can support. There is no incentive to bid aggressively in the auction to obtain the funding and then not aggressively market broadband and voice services. In a competitively bid auction, support payments will not be large enough so that network operators may simply rely on USF support payments to meet their revenue projections and business objectives.

8. Alternatives to the Letter of Credit Should be Considered

The need for financial assurance from award recipients is no less compelling for the Phase I auction as it remains for the CAF II award recipients.[29] NRECA is pleased that the NPRM indicates a willingness by the Commission to consider alternatives to the letter of credit (LOC). The LOC is expensive to obtain and maintain, which has the effect of diverting needed FCC funding from its intended target – actually providing service to unserved consumers. Winning bidders face challenges in securing the LOC, as the Commission has recognized. If a less burdensome option is available, it should be accepted. NRECA looks forward to proposals that may be offered by qualified financial institutions that provide the desired level of financial assurance but having a lesser impact on the support available for network buildout and service delivery.

[28] *Id*., at paras. 41-43.
[29] *Id*., at paras. 84-86.

Apart from the basic financial challenge in securing and maintaining the LOC, the Universal Service Administrative Company (USAC) apparently was unwilling to accept the LOC template provided in the Commission's rules, requiring multiple changes and refinements for many LOCs. Form was elevated over substance. More clarity on the form of the financial assurance ultimately adopted is also encouraged so as not to reprise the back and forth between winning bidders and USAC on the nuances of the form of the financial assurance.

CONCLUSIONS

NRECA recommends the Commission move forward with the adoption of rules to implement the Phase I auction in a timely fashion consistent with the views expressed herein. The proposed adjustment in selecting winning bids based on the lowest T&L combination bid in a round will better serve the public interest in supporting more sustainable and future-proof networks. Including partially served census blocks in the Phase I Auction as proposed in the NPRM and as expanded modestly as proposed herein will go a long way in bridging the digital divide in many rural communities in a reasonable and timely manner.

NRECA commits to continue to work with the Commission and other parties to finalize the rules so that the Phase 1 auction may be conducted in a timely manner.

Respectfully submitted,

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/s/

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