January 16, 2020

Via ECFS

The Honorable Ajit Pai
The Honorable Michael O’Rielly
The Honorable Brendan Carr
The Honorable Jessica Rosenworcel
The Honorable Geoffrey Starks
Federal Communications Commission
445 12th Street S.W.
Washington, DC 20554

Re: Rural Digital Opportunity Fund, WC Docket No. 19-126; Connect America Fund, WC Docket No. 10-90

Dear Chairman Pai and Commissioners O’Rielly, Carr, Rosenworcel and Starks:

Through the Rural Digital Opportunity Fund (RDOF), the Commission has the opportunity to bring the power and promise of a broadband future to every corner of the country. The undersigned organizations, representing broadband innovators of all shapes and sizes, deploying a range of different technologies, and collectively serving millions of Americans, support the goal of connecting every American to broadband. Many of our members are motivated about the prospects of participating in the RDOF auction this year.

The draft Order that has been circulated does an admirable job of balancing many competing issues, on which some of our organizations have differences of opinion. However, one issue that unites us all, and many other commenters in the record, is the need to significantly reduce the burdens of the letter of credit (LOC) requirements so that these obligations correspond more appropriately to the risks presented. As drafted, given the magnitude of the RDOF even as compared to prior auctions, the LOC requirements will be a gating factor to participation for many companies, large and small. If modifications to the LOC requirements are not made, many companies could be effectively barred from participation in the auction and those that do will not be able to bid on the full amount of locations they might otherwise be able to serve because of the difficulties in obtaining and the cost of the required credit. Additionally, the LOC requirements conservatively will result in over $1 billion in RDOF support (6-7 percent of the total Phase I funding) going to banks and other financial intermediaries rather than to building broadband in rural communities.\(^1\) Also, in some cases banks are requiring cash collateral for the LOC and the carrying costs are treated as debt, both of which impair the borrowing power of support recipients.

Encouraging robust participation and prudentially managing risks to the Fund are both important goals, but should not, and need not, be mutually exclusive. We understand that the Commission has a responsibility to safeguard the funds it administers while protecting against potential defaults. We support such fiscal responsibility. Unfortunately, the compounding nature of the requirement as drafted to maintain letters of credit for multiple years of service is unsustainable

\(^1\) See e.g. Reply Comments of WISPA, WC Docket Nos. 19-126, 10-90 at 29-32 (filed Oct. 21, 2019); Comments of USTelecom, WC Docket Nos. 19-126, 10-90, 19-195, at 44 (filed Sept. 20, 2019); Comments of Geolinks, WC Docket Nos. 19-126, 10-90, at 9-11 (filed Sept. 20, 2019).
and unprecedented at this scale. Nor is it necessary to fully and adequately address the underlying risk management goals for the Fund.

Each of our organizations filed comments in the record explaining our concerns on this issue, along with a number of other commenters. In order to enable the widest possible participation by our own members and other companies in the RDOF, we urge you to take seriously the concerns that have been raised and to consider modifying the LOC requirement to minimize the direct and indirect costs associated with obtaining and maintaining LOCs. In light of the existing authority that the Commission has to withhold funds from those who fail to meet their deployment commitments along with a range of other enforcement tools at its disposal, the Commission can achieve our shared goal of preserving and protecting the Fund without imposing the unreasonable, unsustainable, and ultimately unworkable multi-year LOC requirements currently in the draft order. Thus, we urge the Commission to implement more targeted mechanisms for effective risk management that will not deter or prevent their participation.

The Commission is on the cusp of a major step forward for rural Americans, bringing broadband connectivity and the opportunities that come with those connections to communities whose future depends on it. Our members are eager to serve these communities and to meet and exceed RDOF deployment milestones, starting in year one, if they have the chance to do so. A program adjustment to the LOC requirements will help to make this a reality.

Sincerely,

/s/ Angie Kronenberg  
Angie Kronenberg  
Chief Advocate and General Counsel  
INCOMPAS

/s/ Jennifer McKee  
Jennifer McKee  
Vice President and Associate General Counsel  
NCTA – The Internet & Television Association

/s/ Brian O’Hara  
Brian O’Hara  
Senior Director Regulatory Issues – Telecom & Broadband  
National Rural Electric Cooperative Association (NRECA)

/s/ Michael R. Romano  
Michael R. Romano  
Senior Vice President, Industry Affairs & Business Development  
NTCA – The Rural Broadband Association

/s/ Patrick R. Halley  
Patrick R. Halley  
Senior Vice President, Policy & Advocacy  
USTelecom – The Broadband Association

/s/ Louis Peraertz  
Louis Peraertz  
Vice President of Policy  
Wireless Internet Service Providers Association

/s/ Derrick B. Owens  
Derrick B. Owens  
Senior Vice President of Government & Industry Affairs  
WTA – Advocates for Rural Broadband