

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)
)
Auction of Priority Access Licenses for) AU Docket No. 19-244
the 3550-3650 MHz Band)

To: The Commission

**COMMENTS OF
THE NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION**

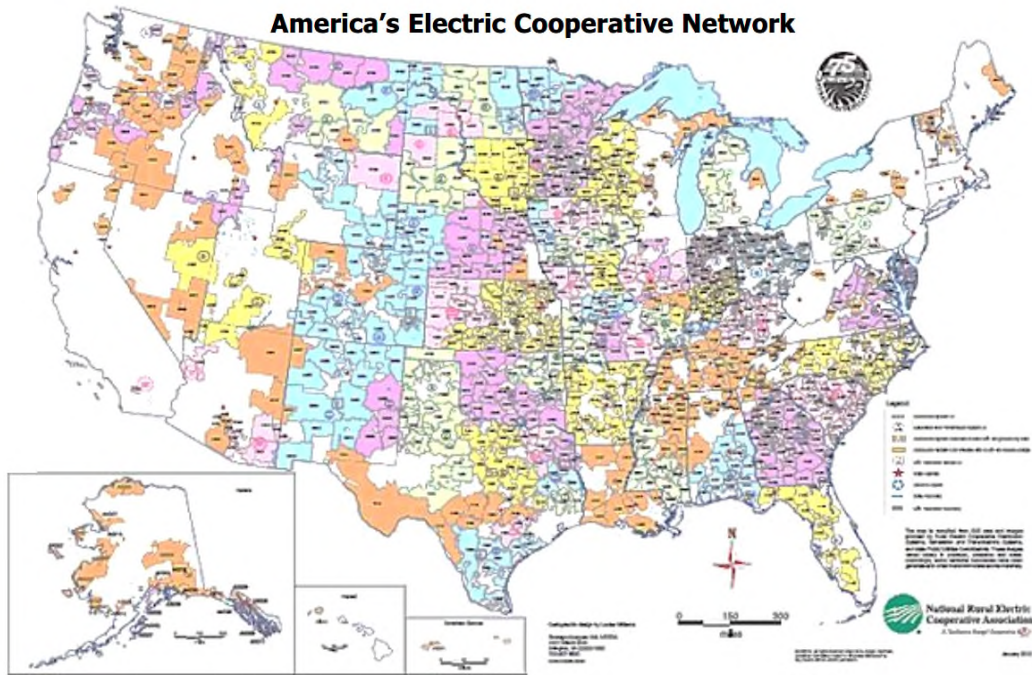
The National Rural Electric Cooperative Association (“NRECA”) hereby submits these Comments in response to the Commission’s Public Notice proposing competitive bidding procedures for the upcoming auction of Citizens Broadband Radio Service (“CBRS”) Priority Access Licenses (“PALs”).¹ NRECA participated in the Commission’s CBRS rulemaking proceeding and is eagerly awaiting the availability of CBRS spectrum to support high-speed wireless services in rural America. NRECA disagrees, however, with the Commission’s proposal to allow bidders to use CMA-level, as opposed to county-level, bidding in certain areas. As explained herein, NRECA believes such bidding will result in reduced opportunities for entities seeking to serve counties in exurban areas at the edge of many CMAs and may prejudice the participation of certain parties in the PAL auction.

I. BACKGROUND

NRECA is the national service organization for more than 900 not-for-profit rural electric cooperatives. Rural electric cooperatives were formed to provide safe, reliable electric service to

¹ Auction of Priority Access Licenses for the 3550-3650 MHz Band, *Public Notice*, AU Docket No. 19-244, FCC 19-96 (Rel. Sept. 27, 2019)(“Public Notice”).

their member-owners at the lowest reasonable cost. Today, rural electric cooperatives provide electric energy to approximately 42 million people in 48 states -- approximately 12 percent of all U.S. electric customers. Rural electric cooperatives serve 88 percent of U.S. counties. The following map depicts the geographic breadth of NRECA's cooperative members:



II. COMMENTS

NRECA was a regular participant in the Commission's CBRS rulemaking proceeding advocating for the use of smaller geographic sizes for PAL licenses in order to ensure auction participation by the widest number of potential licensees, including electric utilities and telecommunications providers serving rural America. As NRECA pointed out, large geographic license sizes favor the major commercial carriers that can be expected to use the CBRS band primarily to enhance capacity in more densely populated areas. Larger license sizes limit the pool of auction participants by increasing costs for smaller rural providers, which may seek to

cover only certain, less populated, counties. Smaller providers will be discouraged from participating in the auction or will find the deck stacked against them when it comes time to bid.

The Commission agreed with NRECA’s assessment, stating that licensing PALs by county strikes an “appropriate balance” and “will more effectively support next generation mobile network deployments, while still retaining the ability to support small, targeted uses, included fixed uses.”² The Commission noted that the use of county-based licensing avoided “improperly tipping the scales towards one use case over others rather than allowing a neutral market mechanism—an auction—to ensure that this valuable spectrum is put to its highest and best use.”³ NRECA is thus concerned that the Commission’s proposal to allow bidders to elect CMA-level bidding in the PAL auction undercuts the principles behind its decision to use county-based licensing.⁴ NRECA believes CMA-level bidding tips the scales in favor of commercial carriers seeking to cover urban markets.

Many of NRECA’s member cooperatives serve exurban counties that once were rural areas. Many of these counties are included in the 172 CMAs for which the Commission proposes to allow CMA-level bidding.⁵ For example, cooperatives serve Kaufman County in CMA 9 (Dallas-Fort Worth, TX); Westmoreland County in CMA 13 (Pittsburgh, PA); Loudoun County in CMA 8 (Washington, D.C.); Franklin, Jefferson, and St. Charles Counties in CMA 11

² See Promoting Investment in the 3550-3700 MHz Band, GN Docket No. 17-258, FCC 18-149, *Report and Order*, Para. 20. (Rel. Oct. 24, 2018)(“CBRS Report and Order”).

³ See CBRS Report and Order at para. 24.

⁴ NRECA notes that although the CBRS Report and Order anticipated that the Commission would seek comment on allowing package bidding “consistent with proposals for other bidding procedures” the Public Notice notes that the CMA-level bidding proposal differs so “significantly from most package bidding implementations” that the Commission will not refer to the proposal as “package bidding”. Public Notice at n. 63.

⁵ The Commission proposes to limit CMA-level bidding to the 172 CMAs that are classified as Metropolitan Statistical Areas (MSAs) and that incorporate multiple counties. See Public Notice at para. 30.

(St. Louis, MO); and Newton, Fayette, Rockdale, Henry, DeKalb, Butts, and Walton Counties in CMA 17 (Atlanta, GA), among others.

Under CMA-level bidding, each round's clock price would be set based not on demand in any specific county, but on the aggregate level of demand across all CMA and county bids. More densely populated counties located in the urban core will tend to represent a larger share of the valuation of the CMA as a whole, as compared to less populated counties at the edge of the CMA. Thus, demand by CMA-level bidders is likely to be disproportionately based on acquiring those urban core counties. Because each licensee may aggregate up to four of the seven available PAL licenses, the bids from even two large CMA-level bidders alone can exceed supply in any CMA. This demand will result in increment percentage increases across all counties within the CMA. As a result, demand is likely to be satisfied for exurban counties in later rounds, and at higher prices, than would be the case if bidding for such counties only occurred at the county level.⁶ This will tend to reduce opportunities for entities only seeking to acquire single, less densely populated counties.

NRECA believes, consistent with its comments in the underlying CBRS proceeding, that granular geographic bidding units produce a more equitable auction format and encourage participation from a wider group of interested entities. Efforts to modify auction design to more closely match the bidding strategies of one group skews the primary market for spectrum and prejudices certain licensees. As the Commission is aware, there is a shortage of licensed

⁶ The Commission has proposed to account for this somewhat by adopting a separate percentage increment for counties subject to CMA-level bidding, whereby the clock price for counties with less demand may increase at a lower rate than for counties with higher demand. But because CMA-level bidders do not bid at the county level, demand for exurban counties could actually be higher than demand for higher density areas if entities seeking to serve the urban core elect CMA-level bidding and niche providers seeking to serve exurban markets elect county-level bidding.

broadband spectrum available for use by electric cooperatives, particularly for higher speed point-to-multipoint data applications. Wireless communications are critical to the safe, reliable, and effective electric services NRECA's members provide to rural America and CBRS may be an important part of those services in the future. NRECA wants to ensure a level playing field for all auction participants, including critical infrastructure, as this new radio service launches.

III. CONCLUSION

NRECA is pleased the Commission is expeditiously moving forward with the auction of CBRS PAL licenses. However, NRECA believes the Commission should adopt a uniform bidding format and not adopt its proposal for CMA-level bidding. NRECA believes this will produce a more equitable market and encourage participation from a wider group of interested parties.

Respectfully submitted,
National Rural Electric Cooperative Association

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