



PUBLIC NOTICE

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WIRELINE COMPETITION BUREAU RELEASES PRELIMINARY LIST AND MAP OF ELIGIBLE CENSUS BLOCKS FOR THE CONNECT AMERICA PHASE II AUCTION

Notifications of additional coverage data are due by August 31, 2016

WC Docket No. 10-90

The Wireline Competition Bureau (Bureau) announces the release of a preliminary list and map of census blocks that have been deemed initially eligible for the Connect America Phase II auction. The list can be found at: https://transition.fcc.gov/wcb/Prelim_Phase_II_Auction_Eligible_CBs_081016.zip. The map can be found shortly at <https://www.fcc.gov/reports-research/maps/caf-2-auction-preliminary-areas>. This is not the final list of areas that will be in the auction. As directed by the Commission, the Bureau will publish the final list of eligible census blocks based on more recent publicly available Form 477 data no later than three months prior to the deadline for submission of short-form applications for the Phase II auction.¹

In the *Phase II Auction Order*, the Commission finalized decisions regarding the areas that will be subject to bidding in the Phase II auction and directed the Bureau to release a preliminary list of eligible census blocks based on June 30, 2015 FCC Form 477 data, which currently is the most recent publicly available Form 477 data.² The Commission invited parties to notify the Bureau within 21 days of publication of this list if any of the census blocks had become served after June 30, 2015.³ The Commission also noted that it expected that the minimum geographic area for bidding in the Phase II auction will be a census block group containing one or more eligible census blocks, but reserved the right to select census tracts when it finalized the auction design if necessary to limit the number of discrete biddable units.⁴

As directed by the Commission, we have updated the coverage for unsubsidized competitors and, using CAM v4.3,⁵ we have averaged costs at the census block level.⁶ Therefore, the preliminary list of

¹ *Connect America et al.*, Report and Order and Further Notice of Proposed Rulemaking, 31 FCC Rcd 5949, 5974, para. 72 (2016) (*Phase II Auction Order*).

² *Id.* at 5968-74, paras. 51-73.

³ *Id.* at 5969-70, 5973-74, paras. 57, 72. For a census block to be treated as served and excluded from the Phase II auction, it must be served with both voice and broadband meeting the Commission's service requirements at reasonable comparable rates.

⁴ *Id.* at 5979, para. 89.

⁵ *Wireline Competition Bureau Announces Connect America Phase II Support Amounts Offered to Price Cap Carriers to Expand Rural Broadband*, Public Notice, 30 FCC Rcd 3905, 3905-06 (WCB 2015) (*Phase II Offer Public Notice*) (adopting CAM v4.3).

⁶ *Phase II Auction Order*, 31 FCC Rcd at 5971-73, paras. 64-65, 72 & n.144.

census blocks eligible for support in the Phase II auction does not precisely track the census blocks where price cap carriers declined model-based support or the census blocks that were removed from the offer of model-based support.

The preliminary list of census blocks consists of certain census blocks located in price cap carrier territories that, based on June 30, 2015 Form 477 data, are not served by the incumbent price cap carrier or an unsubsidized competitor with voice and broadband at speeds of 10/1 Mbps or higher and that fall into one of the following groups:

- High-cost census blocks located in areas where price cap carriers declined the offer of Phase II model-based support;⁷
- Certain census blocks nationwide that were not included in the offer of Phase II model-based support:
 - Extremely high-cost census blocks;⁸
 - High-cost census blocks that are served by subsidized competitors (wireline competitive eligible telecommunications carriers) at speeds of greater than 4/1 Mbps;⁹
 - High-cost census blocks that are served by unsubsidized competitors at speeds of greater than 4/1 Mbps but less than 10/1 Mbps;¹⁰
 - High-cost census blocks that were included in non-winning rural broadband experiment applications submitted in category one and where the bidders timely filed the required financial and technical information;¹¹
 - High-cost census blocks that were included in winning rural broadband experiment provisionally selected bids that subsequently defaulted and that were not included in the offer of model-based support;¹²

⁷ Each price cap carrier was offered a support amount derived from the Connect America Cost Model (CAM) in exchange for a commitment to offer voice and broadband service meeting the Commission's requirements within census blocks in its service territory that, based on v4.3 of the CAM, fell within a high-cost range and that were unserved by an unsubsidized competitor offering service at speeds of less than 4/1 Mbps. The high-cost range included locations with costs above a specified funding benchmark (\$52.50 per location) but below the extremely high-cost benchmark (\$198.60 per location). *Phase II Offer Public Notice*, 30 FCC Rcd 3905.

⁸ *Connect America, et al.*, Report and Order et al., 29 FCC Rcd 7051, 7060-61, paras. 30-32 (2014) (making extremely high-cost census blocks eligible for the Phase II auction). Extremely high-cost census blocks are those census blocks that the CAM determined have an average cost-per-location that exceeds the extremely high-cost benchmark of \$198.60 per location.

⁹ *Phase II Offer Public Notice*, 30 FCC Rcd at 3905 n.3; *Connect America et al.*, Report and Order, 29 FCC Rcd 15644, 15672, paras. 74-75 (2014) (*December 2014 Connect America Order*) (excluding census blocks served by subsidized competitors providing speeds of 4/1 Mbps or greater from the offer of model-based support and including those areas in the Phase II auction).

¹⁰ *Phase II Offer Public Notice*, 30 FCC Rcd at 3905 n.1; *December 2014 Connect America Order*, 29 FCC Rcd at 15673-74, paras. 77-80 (excluding from the offer of model-based support areas that are served by 4/1 Mbps and determining that areas lacking 10/1 Mbps service from an unsubsidized competitor would be eligible for the auction).

¹¹ *Phase II Offer Public Notice*, 30 FCC Rcd at 3905 n.3; *December 2014 Connect America Order*, 29 FCC Rcd at 15674-77, paras. 83- 89 (excluding from the offer of model-based support certain census blocks that were included in non-winning rural broadband experiment applications that were submitted in category one and making those eligible for the Phase II auction).

- Census blocks that are now classified as high-cost as a result of the Commission’s decision to average costs at the census block level;¹³
- High-cost census blocks that were originally identified as served by rate-of-return carriers but were later determined to be located in price cap service territories;¹⁴ and
- Census blocks that were eligible for the Phase II offer of model-based support but the price cap carrier accepting that support identified by December 31, 2015 that they would not serve.¹⁵

In *Phase II Auction Order*, the Commission decided to exclude from eligibility certain census blocks, including those census blocks where at least one price cap carrier accepted Phase II support, those census blocks that are split between a price cap carrier and a rate-of-return carrier, and those census blocks that are served by price cap carriers at speeds of at least 10/1 Mbps.¹⁶

For each census block, the preliminary list identifies the relevant state, the census block identification number, and the number of locations that are eligible for Phase II support. For high-cost census blocks, the list identifies the total amount of support that the CAM calculates for the census block (i.e., the cost-per-location for all locations in the census block minus the funding threshold of \$52.50 per location). For extremely high-cost census blocks, the list identifies the amount of support the model would calculate for the census block if the support-per-location was capped at the extremely high-cost threshold of \$198.60 minus the funding threshold of \$52.50 (i.e. \$146.10). These model-calculated amounts are provided for illustrative purposes. The Commission has decided that it will use the CAM to set reserve prices for the Phase II auction, the reserve price for each minimum biddable unit will be no greater than the CAM-calculated support amount for that area, and a cap will be imposed in the amount of support per location provided to extremely high-cost census blocks.¹⁷ We emphasize that the support amounts published are merely illustrative, and available support may be different based on changes in the final list. The specific reserve prices, including the support cap that will be imposed on locations in extremely high-cost census blocks, will be adopted in a future *Auction Procedures Public Notice*, after the opportunity for further comment.¹⁸

As noted above, the Commission has determined that census block groups or tracts will be the minimum geographic unit for bidding.¹⁹ If census block groups are the minimum geographic unit for bidding, parties will be required to bid on all of the locations within eligible census blocks of a census block group. Similarly, if census block tracts are the minimum geographic unit, parties will be required to bid on all of the locations within eligible census blocks of a census tract. Thus, when viewing the eligible

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¹² See, e.g., *Connect America Fund, Rural Broadband Experiments*, Order, 31 FCC Rcd 853 (WCB 2016) (removing a provisionally selected bidder from further consideration for the rural broadband experiments after the offer of model-based support had been made).

¹³ *Phase II Auction Order*, 31 FCC Rcd at 5971-72, paras. 64-65. For example, a census block that contains low-cost and extremely high-cost locations was not included in the offer of model-based support, but may—when those costs are averaged—become a high-cost census block.

¹⁴ See, e.g., *Wireline Competition Bureau Extends the Filing Deadline for Study Area Boundary Changes to March 23, 2015 and Sets Recertification Date of May 26, 2015*, Public Notice, 30 FCC Rcd 2239 (WCB 2015).

¹⁵ *December 2014 Connect America Order*, 29 FCC Rcd at 15659-60, para. 39.

¹⁶ *Phase II Auction Order*, 31 FCC Rcd at 5972-73, paras. 66 & n.133, 70-71.

¹⁷ *Id.* at 5979, para. 90.

¹⁸ *Id.*

¹⁹ There are 36,725 census block groups and 20,923 census tracts eligible for the Phase II auction on the preliminary list.

census block list, parties may find it useful to add up the location counts and illustrative support amounts at the census block group level or at the tract level.²⁰

As directed by the Commission, we invite price cap carriers and unsubsidized competitors to notify us, by filing comments in WC Docket No. 10-90 by **August 31, 2016**, that since June 30, 2015 they have newly deployed broadband at 10/1 Mbps speeds or greater, with a minimum usage allowance of 150 GBs at a rate meeting the Commission's current reasonable comparability benchmark,²¹ with latency not exceeding 100 ms, in census blocks that are included in this preliminary list.²² Any updated or revised coverage data filed by a party as part of this notification process must be reflected in a revision to that party's Form 477 submissions to the extent applicable.²³ Parties do not need to notify the Bureau, however, if their December 31, 2015 Form 477 data already reflects this additional deployment.²⁴

The Bureau will not entertain challenges from parties seeking to establish that a census block is unserved if the census block is reported as served on a certified FCC Form 477 as of June 30, 2015 or later.²⁵ We encourage all interested parties, however, to make any appropriate corrections to their FCC Form 477 data to ensure that coverage is accurately reflected.²⁶

We emphasize the preliminary list that we publish today is not the final list of areas that will be in the Phase II auction, and parties should not assume that support ultimately will be made available in all of these areas. As noted above, the Bureau will release the final list of eligible census blocks roughly three months prior to the short-form application deadline for the Phase II auction. Between now and then, we expect to update the eligible census block list to reflect more recent Form 477 data that becomes publicly available and to incorporate any corrections that are made. We also expect that some census blocks may be removed from the list to reflect the Commission's decision to make certain census blocks ineligible,

²⁰ A party can determine in which tract and census block group a census block is located by looking at the 15-digit census block identification code. The first 11 digits identify the census tract and the first 12 digits identify the census block group.

²¹ The current reasonable comparability benchmark for broadband at speeds of 10/1 Mbps or greater and a minimum usage allowance of 150 GBs is \$71.17. *Wireline Competition Bureau Announces Results of 2016 Urban Rate Survey for Fixed Voice and Broadband Services, Posting of Survey Data and Explanatory Notes, and Required Minimum Usage Allowance for ETCs Subject to Broadband Public Interest Obligations*, Public Notice, 31 FCC Rcd 3393, 3394 (WCB 2016). Thus, to exclude a census block from eligibility from the Phase II auction, the price cap carrier or unsubsidized competitor must offer broadband service meeting the Commission's requirements at rates that are at or below \$71.17.

²² *Phase II Auction Order*, 31 FCC Rcd at 5969-71, 5973, paras. 56-60, 72-74 (delegating to the Bureau the task of conducting this streamlined challenge process).

²³ Filers should follow the established process for making corrections to their Form 477 data, <https://apps2.fcc.gov/form477/login.xhtml#block-menu-block-4>. To the extent parties are filing comments in WC Docket No. 10-90 regarding changes in their Form 477 data it would be helpful to provide the FCC Registration Number (FRN) used to make the corrected Form 477 filing, the "as of date" of the updated data, and the specific census blocks that have changed since the June 2015 filing.

²⁴ The June 30, 2015 Form 477 data used to prepare this preliminary list reflects all submissions and corrections as of March 30, 2016. Thus, to the extent a party has made corrections to its Form 477 data after March 30, 2016 and prior to the date of the release of this Public Notice, it does not need to notify the Commission that those corrections have been made. Those corrections will be incorporated into the final version of the eligible census block list.

²⁵ *Phase II Auction Order*, 31 FCC Rcd at 5970-71, paras. 58-60.

²⁶ During the challenge process for the offer of Alternative Connect America Cost Model support to rate-of-return carriers we observed that a number of parties had inadvertently filed incorrect Form 477 data. *Connect America Fund*, Order, DA 16-842 (WCB July 25, 2016). We note that Form 477 filers are under a continuing obligation to make corrections to their filings.

such as excluding those census blocks where price cap carriers have deployed service using Phase I incremental support.²⁷ To the extent rate-of-return carriers identify census blocks that they will be unable to serve before the list is finalized, those census blocks will also be added to the list.²⁸

For additional information on this proceeding, contact Heidi Lankau (Heidi.Lankau@fcc.gov) of the Wireline Competition Bureau, Telecommunications Access Policy Division, (202) 418-7400.

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²⁷ *Phase II Auction Order*, 31 FCC Rcd at 5968, para. 51, n.111.

²⁸ *Id.* at 5974, para. 73.