Federal Communications Commission 45 L Street NE Washington, DC 20554

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DA 22-96

Released: January 28, 2022

RURAL DIGITAL OPPORTUNITY FUND SUPPORT FOR 5,254 WINNING BIDS READY TO BE AUTHORIZED; BID DEFAULTS ANNOUNCED

Listed Auction 904 Long-Form Applicants Must Submit Letters of Credit and Bankruptcy Code Opinion Letters by Friday, February 11, 2022

> AU Docket No. 20-34 WC Docket No. 19-126 WC Docket No. 10-90

By this Public Notice, the Rural Broadband Auctions Task Force (RBATF), Wireline Competition Bureau (WCB or Bureau), and the Office of Economics and Analytics (OEA) announce they are ready to authorize Rural Digital Opportunity Fund (Auction 904) support for the Auction 904 winning bids identified in Attachment A of this Public Notice.

To be authorized to receive the total 10-year support amounts listed in Attachment A, the long-form applicants identified in that attachment are required to submit acceptable irrevocable stand-by letter(s) of credit and Bankruptcy Code opinion letter(s) from their legal counsel for each state where they have winning bids that are ready to be authorized in accordance with the instructions provided below by the applicable deadline – **prior to 6:00 p.m. ET on February 11, 2022.**¹

On December 7, 2020, we announced that there were 180 winning bidders in the auction and established the deadlines for winning bidders to submit their long-form applications for Rural Digital Opportunity Fund support.² Winning bidders had the opportunity to assign some or all of their winning bids to related entities by December 22, 2020.³ All winning bidders that retained their winning bids and all related entities that were assigned winning bids were required to submit long-form applications by January 29, 2021.⁴ On February 18, 2021, we announced that there were 417 long-form applicants.⁵

We have reviewed the long-form applications associated with each of the winning bids identified in Attachment A. These applications were reviewed to determine whether they met all legal, financial,

¹ See 47 CFR § 54.804(b)(6)(v); Rural Digital Opportunity Fund Phase I Auction Scheduled for October 29, 2020; Notice and Filing Requirements and Other Procedures for Auction 904, AU Docket No. 20-34 et al., Public Notice, 35 FCC Rcd 6077, 6177, para. 319 (2020) (Auction 904 Procedures Public Notice) ("No later than 10 business days after the release of the public notice, a long-form applicant must obtain one irrevocable standby letter of credit at the value specified in section 54.804(c)(1) from a bank acceptable to the Commission as set forth in section 54.804(c)(2) for each state where the long-form applicant is seeking to be authorized.").

² Rural Digital Opportunity Fund Phase I Auction (Auction 904) Closes; Winning Bidders Announced; FCC Form 683 Due January 29, 2021, AU Docket No. 20-34 et al., Public Notice, 35 FCC Rcd 13888 (WCB and OEA 2020) (Auction 904 Closing Public Notice).

³ *Id.* at 13890-91, paras. 9-14.

⁴ Id. at 13892-93, para. 16.

⁵ 417 Long-Form Applicants in the Rural Digital Opportunity Fund Phase I Auction (Auction 904), Public Notice, DA 21-170 (WCB and OEA Feb. 18, 2021) (Auction 904 Long-Form Applicants Public Notice).

and technical requirements. Based on the representations and certifications in each relevant long-form application, we are prepared to authorize support, subject to submission of the required letter(s) of credit and Bankruptcy Code opinion letter(s), for each of the winning bids identified in Attachment A.⁶

The support amounts listed in Attachment A are subject to change. On July 26, 2021, the RBATF, WCB, and OEA sent a letter to certain long-form applicants that identified census blocks where concerns of existing service or questions of potential waste had been raised, and informed applicants that if they no longer wished to pursue support for a winning bid they should identify those census block groups with a brief explanation of their decision to default on their bid(s). Support amounts will be adjusted for applicants that defaulted on the identified census blocks. Until these adjusted support amounts are provided, we encourage long-form applicants to obtain letters of credit that cover the full amount of support indicated in Attachment A.

FiberLight LLC and FiberLight of Virginia, LLC. These two applicants sought waivers to be permitted to add or update information in their applications in the event that the FCC found the information supplied by the filing deadlines was insufficient.⁸ Application review is an iterative process, and applicants are able to update their applications during review, assuming that the applicant has met the initial established filing deadlines and continues to meet program requirements. Both FiberLight and FiberLight of Virginia met the relevant filing deadlines for long-form applications and were able to supplement their applications to be ready to authorize. Thus, we dismiss as moot FiberLight LLC's and FiberLight of Virginia's requests for waiver to be allowed to update their long-form applications.

Skylark Broadband LLC. Skylark filed two waiver requests. The first waiver request sought waiver of the deadline for filing its letter of credit commitment letter from an acceptable bank, 9 a filing that was due February 15, 2021. 10 Skylark states that due to unusually severe winter storms in Texas and related outages in February 2021, it was unable to complete the process of working with its primary bank and negotiating a commitment from the bank to supply the necessary letters of credit because the bank was closed. 11 Skylark filed a draft commitment letter on March 3, 2021, and filed a final commitment letter on March 11, 2021 from an acceptable bank. We find that the unprecedented storm-related outages in Skylark's area constitute special circumstances warranting a deviation from the general rule, and that, considering the totality of the circumstances, waiver of the deadline here would serve the public interest. 12 Skylark has shown consistent efforts to abide by the Auction 904 deadlines and to obtain its letter of credit commitment letter. Furthermore, Skylark filed its draft letter of credit commitment letter only two

⁶ See 47 CFR § 54.804(b)(6)(v). We remind all applicants that an eligible telecommunications carrier (ETC) satisfies its obligation to "offer" qualifying services by being legally responsible for dealing with customer problems, providing quality of service guarantees, and meeting universal service fund-related requirements. Accordingly, a broadband provider may satisfy its voice obligations by offering voice service through an affiliate or by offering a managed voice solution (including VoIP) through a third-party vendor, but a provider cannot simply rely on the availability of over-the-top voice options to satisfy this obligation. *Auction 904 Procedures Public Notice*, 35 FCC Rcd at 6129, para. 139.

⁷ See "Letters to Long-Form Applicants about Identified Census Blocks," https://www.fcc.gov/auction/904/releases.

⁸ FiberLight LLC Petition for Waiver, AU Docket No. 20-34 (filed Feb. 16, 2021), and FiberLight of Virginia, LLC Petition for Waiver, AU Docket No. 20-34 (filed Feb. 16, 2021).

⁹ Skylark Broadband LLC Petition for Waiver, AU Docket No. 20-34 (filed Feb. 16, 2021).

¹⁰ Auction 904 Closing Public Notice, 35 FCC Rcd at 13893, para. 17.

¹¹ Skylark's Petition included an email from Skylark's bank account manager stating that the bank was not able to complete the LOC commitment letter by the deadline due to the outages and bank closure. Skylark Petition at 2.

¹² The Commission's rules may be waived for good cause shown. 47 CFR § 1.3. Waiver of the Commission's rules is appropriate only if both: (1) special circumstances warrant a deviation from the general rule, and (2) such deviation will serve the public interest. *See Northeast Cellular Tel. Co. v. FCC*, 897 F.2d 1164, 1166 (D.C. Cir. 1990) (citing *WAIT Radio v. FCC*, 418 F.2d 1153, 1157-59 (D.C. Cir. 1969), *cert. denied*, 93 S.Ct. 461 (1972)).

weeks after the deadline (and completed the process of filing a final commitment letter just eight days later). The circumstances surrounding the late filing of the letter of credit commitment letter are not similar to those instances where the Bureau has previously found a lack of good faith.¹³ We find the public interest is served by moving forward with authorizing support for Skylark rather than delaying the provision of voice and broadband service to its service area. We therefore find good cause to grant Skylark's request for a waiver of the filing deadline for letter of credit commitment letters.

We dismiss as moot Skylark's second waiver request. It filed a request for a waiver of the June 7, 2021 deadline for filing audited financial statements for those long-form applicants that did not file audited financial statements at the short-form application stage, though Skylark filed both its 2019 audited financial statements and unaudited 2020 financial statements by the deadline. Skylark participated in Auction 904 as part of the FiberLight consortium, for which the lead consortium applicant, FiberLight LLC, filed audited financial statements at the short-form stage. Therefore, none of the FiberLight consortium members were required to file audited financial statements at the long-form application stage. Accordingly, Skylark's waiver request regarding the long-form application deadline for filing audited financial statements is moot.

Charter Communications. Charter Communications sought waiver of the June 7, 2021 ETC documentation deadline for its long-form applications in Florida, Louisiana, Pennsylvania, Virginia, Wisconsin.¹⁷ In Florida, Charter's ETC application was considered at the Florida Public Service Commission (PSC) on June 17, 2021.¹⁸ In Louisiana, Charter's application to be designated as an ETC was considered at the Louisiana PSC's June 16, 2021 Business and Executive Session and was granted on June 30, 2021.¹⁹ In Pennsylvania, the Public Utility Commission (PUC) granted Charter's petition for

¹³ See, e.g., Rural Digital Opportunity Fund Auction (Auction 904), Rural Digital Opportunity Fund, AU Docket No. 20-34, WC Docket No. 19-126, Order, DA 21-908, at 3-4, paras. 8-16 (WCB/OEA July 26, 2021) (RDOF ETC Deadline Waiver Order).

¹⁴ Skylark Broadband LLC Financials Waiver Request, (filed Dec. 28, 2021).

¹⁵ FiberLight LLC submitted audited financial statements following the eligibility pathway for those lead consortium members that had provided service for at least two years before the Auction 904 short-form application deadline and that are audited in the normal course of business. 47 CFR § 54.804(a)(7)(i); *Rural Digital Opportunity Fund Order*, 35 FCC Rcd at 719, para. 73; see also *Auction 904 Procedures Public Notice*, 35 FCC Rcd at 694-95, paras. 50-54.

¹⁶ 47 CFR § 54.804(b)(4) states that "if a long-form applicant or a related entity did not submit audited financial statements in the relevant short-form application as required, the long-form applicant must submit the financial statements from the prior fiscal year that are audited by an independent certified public accountant." See also *Auction 904 Closing Public Notice*, 36 FCC Red 13888 at 13894, n.31: "In this context, a related entity means the long-form applicant's parent/holding company or, if the long-form applicant is a member of a consortium or joint venture, the member of the consortium or joint venture that submitted financial statements with the short-form application." As the lead consortium applicant, FiberLight LLC, (a related entity) submitted audited financial statements at the short-form application stage, Skylark, a consortium member, was not required to submit audited financial statements as a long-form applicant.

¹⁷ Charter Communications, Bright House Networks Information Services (Florida), LLC; Charter Fiberlink LA-CCO, LLC (Louisiana); Time Warner Cable Information Services LLC (Pennsylvania); Charter Fiberlink VA-CCO, LLC, Time Warner Cable Information Services (Virginia), LLC; Charter Fiberlink CCO, LLC; and Time Warner Cable Information Services (Wisconsin), LLC (collectively, Charter). Charter Petition for Waiver, WC Docket Nos. 10-90, 19-126 (filed June 1, 2021).

¹⁸ Florida Public Service Commission, *Order Granting Florida Eligible Telecommunications Status to Bright House Networks Information Services (Florida)*, *LLC* (June 17, 2021).

¹⁹ Charter Petition for Waiver at 4.

designation as an ETC on July 15, 2021.²⁰ In Virginia, the State Corporation Commission (SCC) granted Charter's Application for Designation as Eligible Telecommunications Carriers on June 14, 2021.²¹ In Wisconsin, Charter's original petition was granted by the PSC of Wisconsin before the June 7, 2021 deadline on June 3, 2021.²² On June 23, 2021, however, Charter filed a Petition for reconsideration of part of the PSC's June 3, 2021 decision. That Petition was resolved on July 30, 2021, granting Charter ETC designations in portions of 395 census blocks in which it had only been awarded RDOF support for portions of the blocks.²³

In all the jurisdictions for which Charter petitions for a waiver of the deadline, it filed its ETC designation petition with the state by January 6, 2021.²⁴ As set out in the *Rural Digital Opportunity Fund Order*, we therefore presume good faith on Charter's part in pursuing its ETC designations²⁵ and find good cause to grant its petition for waiver regarding the ETC documentation deadline for these states. Moreover, based on the totality of the circumstances, we find that waiver of the deadline here would serve the public interest. Charter has shown that it made a good-faith effort to obtain its ETC designations, and the circumstances surrounding its petition are not similar to those where the Bureau has previously found a lack of good faith.²⁶ We find the public interest is served by moving forward with authorizing support for applicants that acted in good faith through the application process and obtained their ETC designations soon after the deadline, rather than delaying the provision of voice and broadband service to these areas by defaulting long-form applicants that are otherwise ready to authorize.

Commission staff is reviewing information that is submitted with long-form applications on a rolling basis. Accordingly, a long-form applicant that is not included in this Public Notice may be included in a future public notice once Commission staff finalizes review of the long-form application.

Defaults. Several winning bidders have notified us that they do not intend to pursue some or all of their winning bids. In Attachment B, we list the relevant winning bids associated with winning bidders or their assignees that have notified us that they do not intend to pursue all or some of their winning bids in a state.²⁷ A list of the eligible census blocks covered by these winning bids will be made available on the Auction 904 website under the "Results" tab, https://www.fcc.gov/auction/904/round-results.

²⁰ *Id*. at 5.

²¹ *Id*. at 5.

²² Id. at 5-6.

²³ *Id.* at 5-6.

²⁴ *Id*. at 3.

²⁵ Rural Digital Opportunity Fund et al., WC Docket No. 19-126 et al., Report and Order, 35 FCC Rcd 686, 723, para. 81 (2020) (Rural Digital Opportunity Fund Order).

²⁶ See, e.g., RDOF ETC Deadline Waiver Denial Order, at 3-4, paras. 8-16.

²⁷ Attachment B includes bid defaults by Cox and CityNet West Virginia that were inadvertently included on a prior authorization public notice. These defaults were for entire bids that included census blocks identified in our July 26, 2021 Letters. *See supra* n.7. Additionally, Attachment B contains bid defaults for The Seimitsu Corporation, which is defaulting on all winning bids, including blocks that were identified in the July 26, 2021 letter to the company. Attachment B also includes bid level defaults for companies that defaulted on blocks identified in the July 26, 2021 letters. These bid-level defaults were already posted on the Auction 904 website, along with the partial bid defaults in response to the letters. For the reasons articulated in the *Fourth RDOF Authorization Public Notice* regarding defaults on letter-identified census blocks, we find good cause to waive the forfeiture penalties that would be otherwise associated with the default on the specific census blocks that we identified in our letter. *Rural Digital Opportunity Fund Support Authorized for 2,008 Winning Bids*, AU Docket No. 20-34, WC Docket Nos. 19-126 and 10-90, Public Notice, DA 21-1560, at 9 (WCB Dec. 14, 2021) (*Fourth RDOF Authorization Public Notice*).

Auction 904 support will not be authorized for the winning bids listed in Attachment B. We consider these winning bidders and assignees to be in default for these bids and subject to forfeiture.²⁸ We will refer these defaulters to the Enforcement Bureau for further consideration. Because Commission staff are reviewing information that is submitted with long-form applications on a rolling basis, we expect to announce additional defaults in future public notices.

A defaulter will be subject to a base forfeiture per violation of \$3,000.²⁹ A violation is defined as any form of default with respect to the census block group. In other words, there shall be separate violations for each census block group assigned in a bid.³⁰ So that this base forfeiture amount is not disproportionate to the amount of a winning bidder's bid, the Commission has limited the total base forfeiture to 15% of the bidder's total assigned support for the bid for the support term.³¹ Notwithstanding this limitation, the total base forfeiture will also be subject to adjustment upward or downward based on the criteria set forth in the Commission's forfeiture guidelines.³² In addition, any applicant that failed to submit the audited financial statements as required by the June 7, 2021 deadline will be subject to a base forfeiture of \$50,000, which will be subject to adjustment upward or downward as appropriate based on criteria set forth in the Commission's forfeiture guidelines.³³

Pursuant to section 54.804(b)(6)(v) of the Commission's rules, the long-form applicants identified in Attachment A that may be authorized to receive Rural Digital Opportunity Fund auction support must submit irrevocable stand-by letters of credit, issued in substantially the same form as set forth in the model letter of credit provided in Appendix C of the *Rural Digital Opportunity Fund Order*,³⁴ by a bank that is acceptable to the Commission by 6:00 p.m. ET on February 11, 2022.³⁵ Prior to submitting their letters of credit, we encourage long-form applicants to view and share with their issuing banks the letter of credit resources available on USAC's website: https://www.usac.org/high-cost/funds/rural-digital-opportunity-fund/.

A separate letter of credit must be submitted for each state where the long-form applicant has winning bids that are ready to be authorized, in an amount equal to at least the first year of support in the state.³⁶ The value of the letter of credit must increase each year until it has been verified that the support recipient has met certain milestones, as described in more detail in section 54.804(c)(1) of the Commission's rules.³⁷

²⁸ Rural Digital Opportunity Fund Order, 35 FCC Rcd at 735-36, paras. 114-17 (2020).

²⁹ Rural Digital Opportunity Fund Order, 35 FCC Rcd at 735-36, para. 115; Auction 904 Procedures Public Notice, 35 FCC Rcd at 6178, para. 322.

³⁰ Rural Digital Opportunity Fund Order, 35 FCC Rcd at 735, para. 115; Auction 904 Procedures Public Notice, 35 FCC Rcd at 6178, para. 322.

³¹ Rural Digital Opportunity Fund Order, 35 FCC Rcd at 736, para. 117; Auction 904 Procedures Public Notice, 35 FCC Rcd at 6178, para. 322.

³² See 47 U.S.C. § 503(b)(2)(B); 47 CFR § 1.80(b)(10), note to paragraph (b)(10); Rural Digital Opportunity Fund Order, 35 FCC Rcd at 736, para. 115; Auction 904 Procedures Public Notice, 35 FCC Rcd at 6178, para. 322.

³³ Auction 904 Procedures Public Notice, 35 FCC Rcd at 6177, para. 318; Rural Digital Opportunity Fund Order, 35 FCC Rcd at 722, para. 80; 47 U.S.C. § 503(b)(2)(B); 47 CFR § 1.80(b)(10), note to paragraph (b)(10).

³⁴ Rural Digital Opportunity Fund Order, 35 FCC Rcd at 773-77, Appx. C.

³⁵ The Commission's rules list specific requirements for a bank to be acceptable to the Commission to issue the letter of credit. Those requirements vary for United States banks and non-U.S. banks. *See* 47 CFR § 54.804(c)(2); *Rural Digital Opportunity Fund Order*, 35 FCC Rcd at 732, para. 107.

³⁶ Rural Digital Opportunity Fund Order, 35 FCC Rcd at 732-33, paras. 107-08.

³⁷ 47 CFR § 54.804(c)(1)(i)-(vii); Rural Digital Opportunity Fund Order, 35 FCC Red at 729-31, paras. 98-104.

In addition, a long-form applicant is required to provide with the letter of credit an opinion letter from outside legal counsel clearly stating, subject only to customary assumptions, limitations, and qualifications, that, in a proceeding under the Bankruptcy Code, the bankruptcy court would not treat the letter of credit or proceeds of the letter of credit as property of the long-form applicant's bankruptcy estate, or the bankruptcy estate of any other bidder-related entity requesting issuance of the letter of credit, under section 541 of the Bankruptcy Code.³⁸

By future public notice, we will authorize support for specific winning bids for which all requirements, including submission of the letter of credit and opinion letter, have been met.

Details concerning the next steps are set forth below.

Instructions for Submission of Letter of Credit and Opinion Letter

Long-form applicants identified in Attachment A of this Public Notice must submit letters of credit and Bankruptcy Code opinion letters for each state where they have winning bids identified in Attachment A. The minimum amount of the first letter of credit for each state is determined by adding up the first year of support listed in Attachment A for each winning bid in the state. Each letter of credit and opinion letter submitted to the Universal Service Administrative Company (USAC) must reference the relevant study area code as listed in Attachment A.

A long-form applicant should:

- Submit the hard copy of the letter of credit and opinion letter to USAC by 6:00 p.m. ET on February 11, 2022, at the following address: Universal Service Administrative Company (USAC), High Cost Program, Rural Digital Opportunity Fund LOC, Attn: Stephen Snowman, 700 12th Street, NW, Suite 900, Washington, DC 20005;
- Expect to receive feedback from USAC on letters of credit within approximately 10 days of USAC's receipt of the hard copies;
- Avoid sending additional documents until the applicant has received feedback from USAC. If an applicant notices an error in its letter of credit or bankruptcy opinion letter prior to receiving feedback from USAC, do <u>not</u> send USAC a revised copy of the relevant document. Instead, applicants should wait to receive feedback from USAC and then make their corrections to the version of the document they send back to USAC that also incorporates any USAC feedback.

A copy of the letter of credit and opinion letter must also be submitted in the FCC Auction System by the applicable deadline—prior to 6:00 p.m. ET on February 11, 2022. An applicant must provide this required information in two attachments. The letter of credit attachment should be uploaded using the "Letter of Credit" attachment type, and the opinion letter attachment should be uploaded using the "Letter of Credit Opinion Letter" attachment type. Each attachment must be uploaded within the applicant's long-form application to each relevant winning bid identified in Attachment A of this Public Notice. Such attachments will be treated as confidential trade secrets and/or commercial information and withheld

³⁸ 11 U.S.C. § 541; 47 CFR § 54.804(c)(3); Rural Digital Opportunity Fund Order, 35 FCC Rcd at 735, para. 113.

³⁹ Rural Digital Opportunity Fund Order, 35 FCC Rcd at 773-77, Appx. C.

from routine public inspection.⁴⁰ As such, a long-form applicant need not submit a separate section 0.459 confidentiality request for this information with its FCC Form 683.⁴¹

Any long-form applicant identified in Attachment A that fails to file the required documents⁴² for any of the identified winning bids by the applicable deadline – **prior to 6:00 p.m. ET on February 11, 2022** – will be in default on such bid(s) and subject to forfeiture.⁴³

Further Information Contact:

Technical Support

Electronic Filing Auction Application System **FCC Auctions Technical Support Hotline**

(877) 480-3201, option nine; or (202) 414-1250

(202) 414-1255 (TTY)

Hours of service: 8:00 a.m. - 6:00 p.m. ET,

Monday through Friday

Press Information

Office of Media Relations

Anne Veigle, (202) 418-0506

General Universal Service Information

Wireline Competition Bureau, Telecommunications Access Policy Division

Lauren Garry Heidi Lankau Stephen Wang (202) 418-7400 Auction904@fcc.gov

Universal Service Administrative Company

Stephen Snowman (202) 414-2725

⁴⁰ Auction 904 Closing Public Notice, 35 FCC Rcd at 13899, para. 28. If a request for public inspection under section 0.461 is made for the long-form applicant's letter of credit or opinion letter, the long-form applicant will have an opportunity to object to disclosure and justify the continued confidential treatment of the information. 47 CFR §§ 0.459, 0.461.

⁴¹ 47 CFR § 0.459.

⁴² 47 CFR § 54.804(b)(6)(v).

⁴³ Rural Digital Opportunity Fund Order, 35 FCC Rcd at 735-36, paras. 114-17; Auction 904 Procedures Public Notice, 35 FCC Rcd at 6178, paras. 321-22 (2020).

Auction 904 Information

General Auction Information, Process, and

Procedures

Office of Economics and Analytics,

Auctions Division

(717) 338-2868

Post-Auction Rules, Policies, and Regulations

Rural Broadband Auctions Task Force

Michael Janson, (202) 418-0627 Kirk Burgee, (202) 418-1599

Audra Hale-Maddox, (202) 418-0794 Jonathan McCormack, (202) 418-1065

Office of Economics and Analytics,

Auctions Division (202) 418-0660

Small Businesses

Additional information for small and

disadvantaged businesses

Office of Communications Business

Opportunities (202) 418-0990

http://www.fcc.gov/ocbo/

Accessible Formats

Braille, large print, electronic files, or

audio format for people with disabilities

Consumer and Governmental Affairs Bureau

(202) 418-0530 fcc504@fcc.gov

FCC Internet Sites http://www.fcc.gov

https://www.fcc.gov/auction/904

This Public Notice contains the following Attachment:

Attachment A: Ready to Authorize Long-Form Applicants and Winning Bids

Attachment B: Bids in Default

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