

CAF Phase II

- \$25 Million Opportunity for Colorado

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FCC Pre-Auction Process Vote, August 3

A vote to release a Public Notice of proposed procedures for the CAF II auction

Procedures under consideration

1. Minimum geographic area for bidding
 2. Short-form application
 3. Long-form application
 4. Reserve price
 5. Bidding procedures
- 30 day comment period after release
 - 45 day reply period after release



CAF II Auction Census Blocks List

Preliminary list includes CB's located in PC territories not served with voice and BB at speeds of 10/1 Mbps or higher and fall into one following groups:

1. High-cost CBs located in areas where PCs declined ROFR offer of Phase II support.
2. Accepted ROFR areas (up to 5%) that PCs later indicated they would not serve.



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3. Certain CBs that were not included in the ROFR offer to price caps:
- Extremely high-cost (above \$198.60 per location);
 - High-cost, served by subsidized competitors at speeds greater than 4/1 Mbps;
 - High-cost, served by unsubsidized competitors at speeds of greater than 4/1 Mbps, but less than 10/1 Mbps;
 - High-cost, included in non-winning rural broadband experiment (RBE)
 - Census blocks now classified as high-cost;
 - High-cost, originally identified as served by RoR carriers, but later determined to be located in PC service territories;



Updated CAF II Auction Census Blocks List

1. Updated FCC Form 477 Information

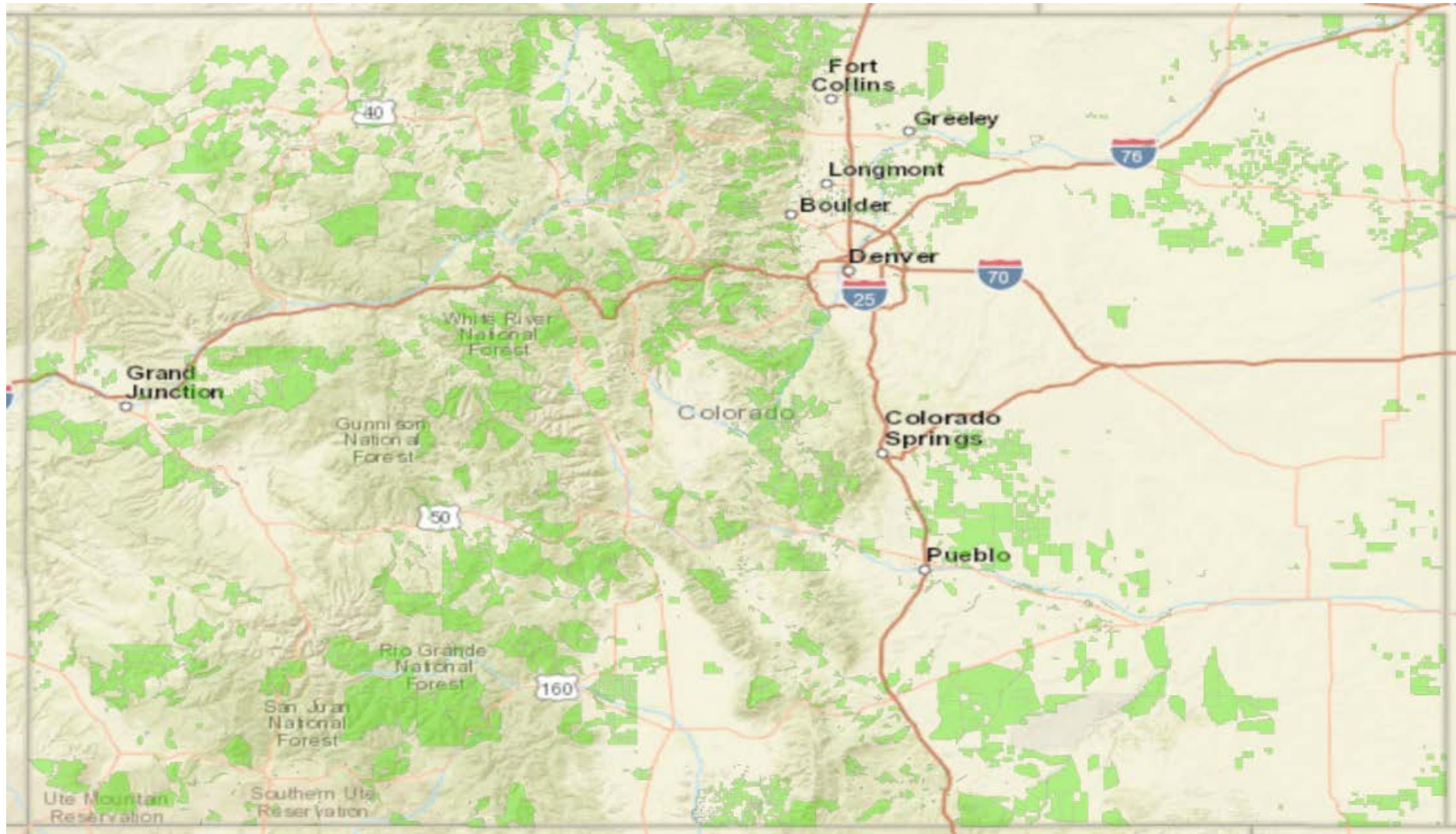
(Additional unsubsidized competitors in price cap areas)

2. Updated information from the July 7 filing

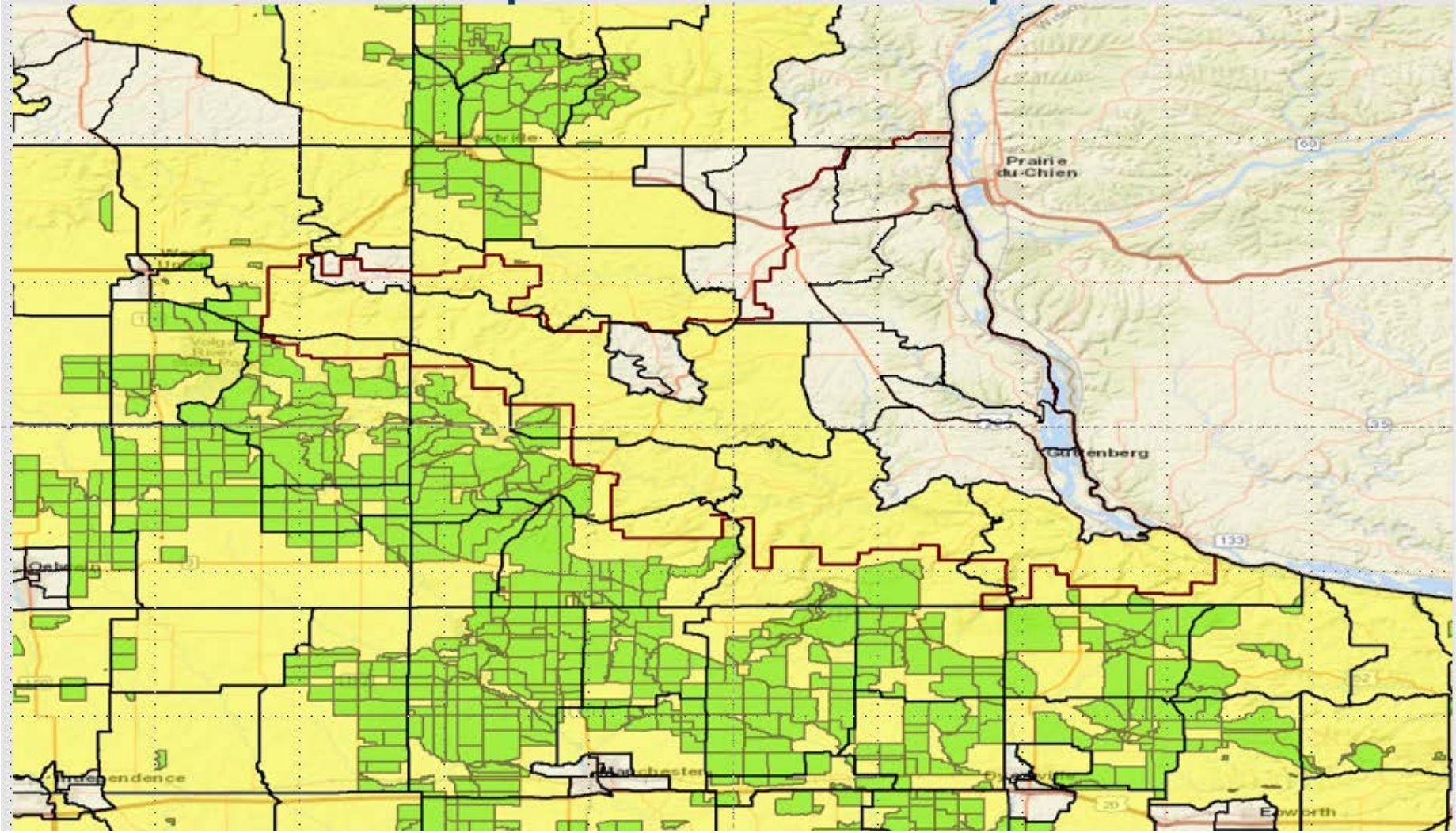
(Price Caps were able to substitute EHC census blocks to meet out their build out requirements)



Initial CAF II Auction Census Blocks



Census Block Groups

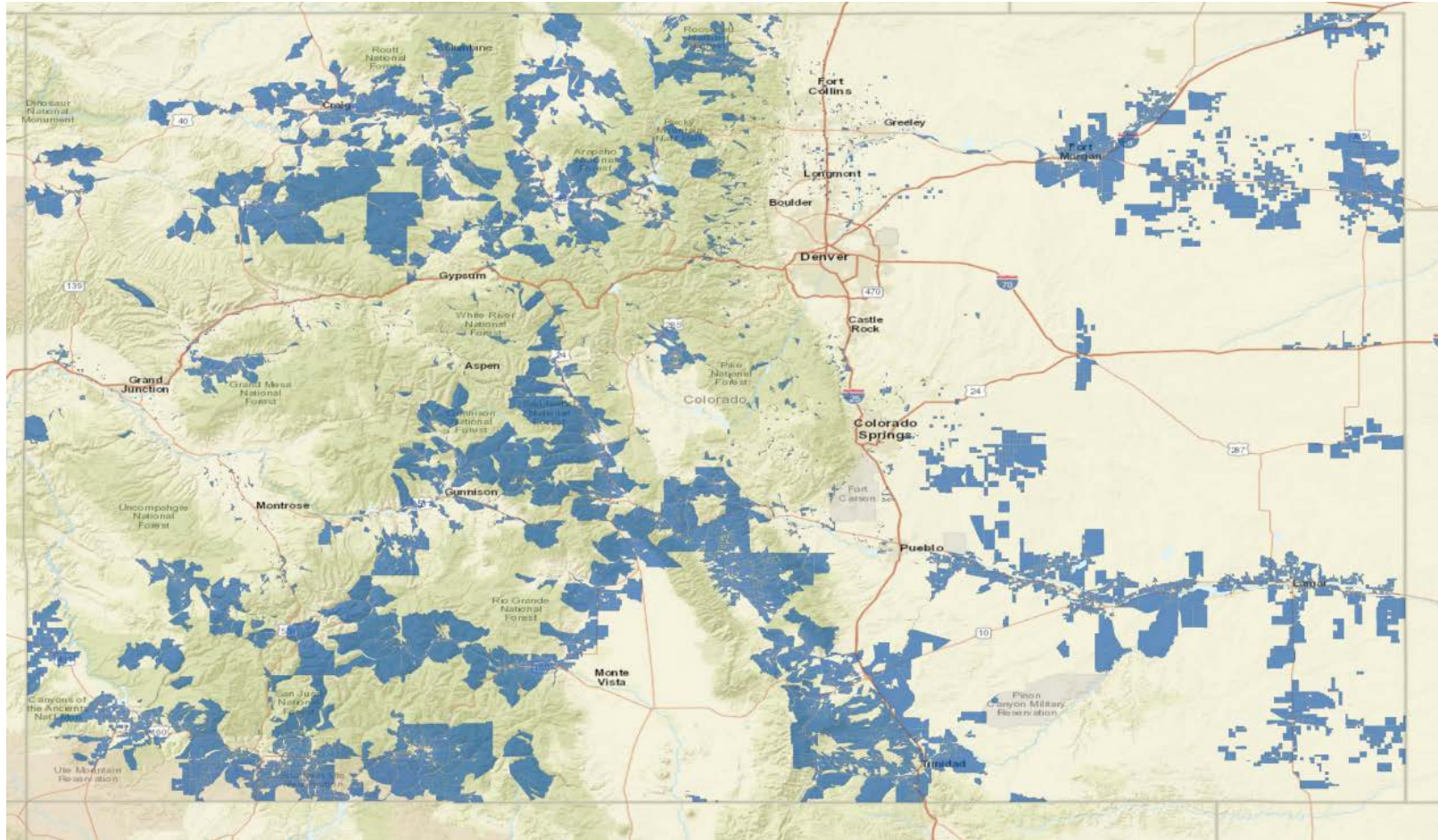


CenturyLink CAF II Accepted Overview

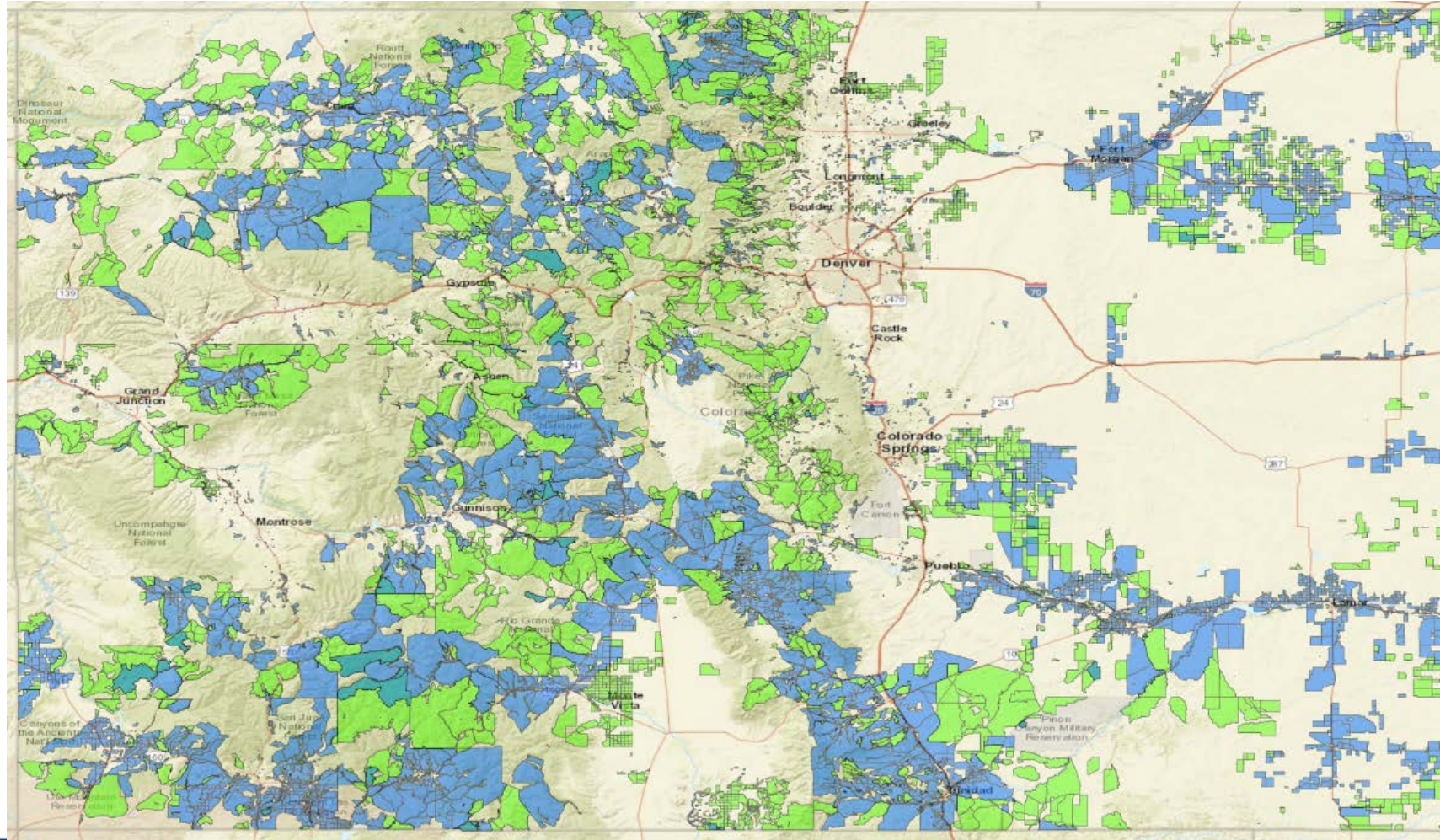
- CenturyLink has accepted CAF II funding in Colorado
- CenturyLink receives \$26,509,143 of CAF II funding from the FCC in the state of Colorado
- CenturyLink serves 53,139 locations subject to CAF II Funding in Colorado



CenturyLink CAF II Accepted Overview



Colorado CAF II Accepted/Available Overview



Possible Timeline of CAF II Auction

<u>Possible</u> Timeline	
September 2017	Companies Should Have Initial Engineering Info & Bid Strategies Developed
October-November 2017	FCC Releases Final CAF II Auction Rules
October-November 2017	Final CAF II CB Auction List Released
December 2017	Company Bid Strategies Finalized
February-March 2018	Auction Starts



The Auction

- FCC has not determined the format of the auction, has indicated an initial preference for a multi-round auction allowing bidders to adjust bidding strategy as rounds progress
- The FCC will simultaneously accept bids at four different speed levels with new weighting formula for each favoring higher speeds:
 - Minimum - 10/1 Mbps
 - Baseline – 25/3 Mbps
 - Above Baseline – 100/20 Mbps
 - Gigabit – 1Gbps/500 Mbps



Build-Out Requirements

- Build out requirements mean that you are capable of providing service to locations within 10 days of request

Build-Out Requirements	
Years	Build-Out Percentage
3 Years After Authorization	40%
4 Years	60%
5 Years	80%
6 Years	100%



The FCC CAF II Weighting

- The FCC established weights that credit bids by companies offering more robust services.
- These weights account for the value of higher speeds, higher usage allowances, and low latency

FCC CAF II Weighting	
Performance Tier	Weighting Factor
Minimum: 10/1 Mbps	65
Baseline: 25/3 Mbps	45
Above Baseline: 100/20 Mbps	15
Gigabit: 1 Gbps/500 Mbps	0
High-Latency (regardless of speed)	25
Low-Latency	0



The FCC CAF II Weighting

- The weights are positive values that will be added to a particular bid-price-to-reserve price ratio to arrive at a score
- The FCC wanted the weighting approach to value higher speeds and usage allowances and lower latency.

$$S = 100 \times B/R + T + L$$

*S=Bid's score

*B=current bid price

*R=reserve price

*T=weight assigned to bid's associated tier

*L=weight assigned to bid's associated latency



The FCC CAF II Weighting Example

$$*S=100 \times B/R + T + L$$

- Start with a reserve price of \$160
- First bidder bids \$120 ($100 \times \$120/\$160=75$)
 - Bid offers Baseline service (+45) with high latency (+25)
 - Bid's score would be **$75+45+25=145$**
- Second bidder bids \$140 ($100 \times \$140/\$160=87.5$)
 - Bid offers Baseline service (+45) with low latency (+0)
 - Bid's score would be **$87.5+45+0=132.5$** .
- That round of auction, second bidder would be winning bid



Auction Application

- According to FCC Auction Rule 47 CFR 54.315 all participants bidding for CAF Phase II support must fill out an application and:
 - Certify you are financially and technically qualified to meet public interest obligations
 - If an existing ETC, must disclose the area where it currently receives USF support
 - If not an ETC, must apply to become an ETC after winning at the Auction and prior to being authorized to receive the support or to expand ETC coverage area



CAF II Funding

- Once all requirements have been met, funding will be disbursed to winning bidders
- Submit long form application to FCC
 - ETC Status
 - Letter of Credit to USAC
- Monthly payments from USAC
- Funding will be for 10 years



Additional Strategic Thoughts

- Hard to determine what bidding will look like in Colorado:
 - PC can bid and may to mesh with their CAF II ROFR areas
 - Capital availability will be a problem for them
 - They likely won't be able to bid aggressively in more than a dozen states where they have an existing footprint – will CO be a priority?
 - Satellite providers will attempt to be significant players, but their bids will be discounted because of high latency
 - We expect RLECs and RECs to be active
 - Others in CO (CLECs, Fixed Wireless)?
- May consider using numerous deployment approaches.
 - Consider all options – FTTP, wireless solution, and bid consistent with the opportunity the business plan would show at speed tiers that are the most aggressive.



Next Steps

1. Look at CAF II initial available areas in your area
2. Generate a business plan with anticipated CAF II funding. The plan will determine viable bid strategy and the lowest funding acceptable
3. Strategize best way to bid in the upcoming CAF Phase II auction
 - a. Considering any partnerships to pursue the CAF II Auction?
4. Determine if bidding is feasible
5. If a successful bid,
 - a. Submit winning application to accept funding
 - b. Apply for ETC status
 - c. Implement previously developed engineering plan including fiber, wireless or both





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