FY 2016 APPLICATION WINDOW IS OPEN:

The Form 471 application window for FY 2016 opened on February 3rd. The window is scheduled to close at 11:59 p.m. EDT on Friday, April 29, 2016. The entire application process for FY 2016 is being handled through USAC's new EPC portal with its own learning curve. Please do not wait until later in the window to file Form 470s, update pre-471 EPC applicant profile information (entity, student, connectivity, and contract data), and begin the Form 471.

UPDATES ON USAC'S E-RATE PRODUCTIVITY CENTER

Improvements and Enhancements to the Online Form 471:

When the application window opened on February 3rd, USAC acknowledged that the online Form 471 was still under development, and that additional features would be added throughout the window period. Last Thursday, USAC issued a Special Edition News Brief addressing recent improvements and enhancements to the Form 471 it had made, including:

- A new navigation system for entering funding requests ("FRNs") and FRN line items.

- Help screens at the bottom of each page (click the plus sign "+").

- An added "Save & Share" button (similar to that option in the online Form 470).

- A notice that the Client Service Bureau ("CSB") now has the ability to change entity types (a particular advantage for any consortium previously mischaracterized as a "school district" or "library system").

- A notice that FRN pricing information will be available only to applicant EPC users in the infrequent instances when such information can be deemed confidential.

- More recent update: Additions to the pull-down description of fiber systems to include Ethernet and other options.

Still under development is a "managed entity" template to permit applicants to upload FRN line items, and to specify and allocate costs for the entities associated with each line item. Individual templates, if used, will be on a FRN-by-FRN basis. This template is expected to be released later in March.

Other changes or fixes expected include:

- Revisions to the entity upload template. Currently, some applicants are reporting that this template is not working.

- Changes to the part-time student fields in the EPC entity profile to correct discount rate calculations (see our newsletter of February 15th). Corresponding changes will be required in the entity upload template.

FRN Cost Allocation: Equal or Not?

As was the case with the Form 471 for FY 2015, EPC's FY 2016 version requires an applicant to allocate the costs of every entity associated with each line item in a Category 2 FRN. Last year, an applicant had three ways to allocate entity costs — (1) equally, (2) proportionally (i.e., by student count for schools or by square footage for libraries), or (3) by specific costs. Options (1) and (2), if selected, were calculated automatically.

For FY 2016, option (2) is no longer available. An applicant can still allocate costs proportionally, but must calculate those proportions separately. The managed entity template (noted above) is expected to work similarly. If appropriate, it is possible to select equal entity cost allocations, but any other specific allocations must be calculated and entered separately.

Warning: Selecting the "equal" option will be the seductively easy way to handle cost allocations. But seductions can be troublesome. An entity's cost allocation directly affects that entity's 5-year budget limit. If the same costs are assigned to each entity, the smallest entity's budget will be depleted first.

In the case of a large district-wide Wi-Fi system upgrade, for example, equal cost allocations may mean that the budget caps for the smaller district schools will be maxed out while portions of the budgets for the larger schools go unused. It is not clear how such a non-proportional budget overrun will be detected, much less corrected. In particular:

1. The EPC Form 471 will keep a running total of cumulative Category 2 entity budget requests, but only for FY 2016. An applicant must track and account for any commitments from FY 2015 (see USAC's Category 2 Budget Lookup Tool for FY 2015).

2. If the application and review process for FY 2016 works the same as last year, a Form 471 may be submitted even if individual entity budgets are exceeded. Over-budget conditions will have to be corrected during PIA review. Improper use of equal entity allocations may then require a complete rebalancing of the allocations for all entities.

Whenever possible, entity cost allocations should be made upfront during the Form 471 creation stage. Easy, in the case of the "equal" option, is not always the best.

USAC EPC WEBINARS:

USAC has scheduled the following series of webinars on the EPC Form 471 filing process. Note that there are two choices of dates for each webinar. Registration is available now on the Trainings & Outreach page of the USAC website.

- **How to Complete Category 1 Funding Requests on FCC Form 471:** March 1st and March 3rd at 1:00 p.m. EST

- **How to Complete Category 2 Funding Requests on FCC Form 471:** March 1st and March 3rd at 2:30 p.m. EST

- **How to Understand and Complete the Certifications Section, and Complete FCC Form 471:** March 8th and March 10th at 1:00 p.m. EST

FILE ALONG WITH ME

A USAC blog, "File Along with Me," initiated in early February, provides additional information on the application process. Links to last week's postings are provided below. You can subscribe to the blog by entering your e-mail address on the blog's home page (under the USAC logo), and confirming the resulting email.

Post No.   Title

11.   Intro to Competitive Bidding: 28-Day Process to Get the Best Price
12.   How Competitive Bidding Works: Wait for Offers from Vendors
13.   Keep the Bidding Process Open & Fair: No Special Treatment

Form 486 Deadlines for March:

The Form 486 deadline for certifying the start of service (and CIPA compliance, if applicable) is 120 days from the later of the FCDL approval date or the start of service date. The March deadlines (adjusted for weekends and holidays) for approved FY 2015 applications are:

Wave 24	03/04/2016
Wave 25	03/15/2016
Wave 26	03/21/2016
Wave 27	03/29/2016

SCHOOLS AND LIBRARIES NEWS BRIEF DATED FEBRUARY 26 – COMMON EPC QUESTIONS

The S&L News Brief of February 26, 2016, continues as series of EPC Q&As. The new questions are:

1. How do I start an FCC Form 470? Short answer: There are 3 alternative links that can be used to create a new Form 470.

2. How do I start an FCC Form 471? Short answer: Three similar links work for a new Form 471.

3. I started a form in EPC but I made too many mistakes and I want to start over. What do I do? Short answer: Click "Discard."

4. My Internet access was interrupted while I was working on my form. What do I do? Short answer: Full rights users should check their "Tasks."

5. I get kicked out of my form whenever I follow a link. What can I do? Short answer: Right click to open a new window or tab.

6. I set up my password in EPC, but I am not showing up in the list of users for my organization's account. What should I do? Short answer: Accept your Terms and Conditions.

7. I am the account administrator for my organization. How do I set up a new user? Short answer: From "Related Actions," choose "Create a New User."

8. When I try to create a new user, I get a message that an account with the email address I entered already exists. What do I do? Short answer: That email address is being used in another EPC account; choose a new email address.

9. I have a consultant. Can I create my consultant as a new user on my account? Short answer: First add the consulting firm via "Manage Organization Relationships," click "Add a Consulting Firm," find your consulting firm, and then add the specific consultant by name.

10. I no longer want to be the account administrator for my organization. What do I do? Short answer: Transfer that responsibility to another staff user (not consultant) using "Related Actions," and choosing "Modify Account Administrator

BID EVALUATIONS FOR LIT VS. DARK FIBER

Post # 12 in USAC's "File Along with Me" blog (referenced below) includes a brief description of the basic evaluation process for comparing vendor bids for a particular service. Experienced E-rate applicants have been doing this for years using a simple bid evaluation matrix.

The underlying assumption in the traditional bid evaluation process is that the costs being compared are for comparable services. But suppose an applicant is faced with an "apples or oranges" comparison, or worse, several bids for both. The most rational approach to the latter situation is to conduct three bid evaluations to (1) select the best apple bid, (2) select the best orange bid, and finally (3) compare the best apple bid to the best orange bid. The third comparison is likely to involve a host of different factors.

E-rate applicants exploring new fiber options in FY 2016 will be faced with a similar problem. Applicants seeking bids for any type of dark fiber (including long-term IRU leases or self-provisioned systems) must also seek — and therefore compare — bids for traditional lit fiber. There are inherent differences between lit and dark fiber systems that make direct lit vs. dark fiber bid comparisons difficult. As with "apples or oranges," we believe that a fair comparison may require three (or more) steps in the evaluation process.

For E-rate discount purposes, both lit and dark fiber must actually be in use. The difference between dark and lit fiber depends upon whether the equipment needed to actually light the fiber is owned and operated by the carrier ("lit" fiber) or by the applicant ("dark" fiber). Costs for fiber strands held in reserve (i.e., really dark) must be allocated out of any E-rate discount requests.

From a practical standpoint, lit fiber is a complete service. It typically provides a specified bandwidth at an all-in cost (installation plus monthly recurring costs), monitored and maintained by a carrier for a 3-5 year term. Bid requests for lit fiber are generally straight-forward. Though many applicants issue formal RFPs for lit service, they are not required for E-rate.

With dark fiber (broadly defined to include fiber that is owned or leased by the applicant), there are many more variables. One vendor may provide the basic fiber and installation, often with contracts extending well beyond 5 years. Another supplier may sell the modulating equipment. A third firm may provide ongoing fiber maintenance. Other charges such as pole attachment fees may also apply. For Form 470 purposes, requests for dark fiber services require one or more RFPs.

The end result of requesting bids for both lit and dark fiber is that an applicant may receive multiple sets of bids for lit fiber and dark fiber, and potentially, in the case of dark fiber, separate sets of bids for equipment and maintenance. Each set of bids requires a separate bid analysis using the standard E-rate bid evaluation matrix (see Post #12). At a minimum, this is a two-step process evaluating both sets of lit and dark fiber bids.

A third step — one that has not traditionally been part of the E-rate process — is to compare the winning lit fiber bid to the winning dark fiber bid (or a combination of bids if the dark fiber solution involves separate components). This analysis may not lend itself to a simple evaluation matrix. Two points are particularly important.

1. The time line of the two approaches must be the same. The cost of a 3-5 year lit fiber contract cannot be compared directly, for example, to a 15-year dark fiber lease. To make the two time frames compatible, under this example, it would be necessary to estimate the cost of extending the lit fiber contract over an additional 10 years, or dividing the total cost of the dark fiber lease by 3-5 to calculate the equivalent cost for the same time period.

2. Total cost of the dark fiber option must be all-inclusive. In addition to equipment costs and ongoing maintenance, other factors to consider may include permits, taxes, pole-attachment fees, etc. — not all necessarily E-rate eligible. Self-provisioned or longer-term dark fiber contracts may also require equipment upgrades or "refreshes" in later years.

USAC has provided little guidance on this third step in the lit vs. dark analysis. (This may make PIA review interesting.) Two other factors regarding the dark fiber option are also up in the air, namely:

1. What types of terminating equipment are considered eligible as a Category 1 expense? This is particularly important because the cost of Category 1 equipment does not count against an applicant's Category 2 entity budget(s). The Eligible Services List for FY 2016 (DA 15-1012) defines eligible Category 1 equipment as "modulating electronics and other equipment necessary to make a Category One broadband service functional." This is a definition which USAC is likely to define narrowly. The FCC, suggesting a broader view, declined to identify specific equipment eligibility indicating that such a list "could be unnecessarily limiting."

2. What types and costs for fiber maintenance will be deemed eligible? If Category 1 fiber maintenance follows the Category 2 models, fiber maintenance might be limited to time-and-materials type

contracts or, more broadly, might permit ongoing managed service contracts. In neither case is there any precedent for what would be considered cost-effective pricing for fiber maintenance.

The best advice on these dark fiber issues is to allow as much time as possible — if possible, well beyond the 28-day minimum — for the bidding and evaluation process. Joe Freddoso, the USAC consultant on fiber systems, is reviewing Form 470s as posted, and will often offer recommendations for bid improvements and/or ultimate contract structures. We recommend that applicants take these suggestions seriously.