September 16, 2019

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C., 20554

Re: Promoting Investment in the 3550-3700 MHz Band, GN Docket No. 17-258;
       Auction of Priority Access Licenses for the 3550-3650 MHz Band, AU Docket No. 19-244, FCC-CIRC1909-03

Dear Ms. Dortch:

AT&T Services, Inc. ("AT&T") is filing this letter in response to the recent pre-adoption circulation draft of the *Public Notice* seeking comment on auction procedures for the Priority Access Licenses ("PALs") in the 3.5 GHz Citizen's Broadband Radio Service ("CBRS") ("*Draft Notice*").[1] The *Draft Notice* appropriately draws heavily on the procedures adopted for the Commission's prior successful spectrum auctions, with some tailoring to accommodate the unique characteristics of PALs. AT&T is reviewing the *Draft Notice*, and will review the adopted notice, in greater detail and offer comments at the appropriate time. However, AT&T is filing this letter to suggest framing certain proposals in the *Draft Notice* in a manner that would limit strategic auction behavior.

In particular, the *Draft Notice* proposes to permit bidders to elect to bid on a CMA basis, rather than a county-by-county basis, in the top 172 CMAs.[2] For counties that are subject to CMA-level bidding, the *Draft Notice* "propose[s] to set the clock price for counties that are subject to CMA-level bidding using a formula that attempts to equalize aggregate demand across the counties in the CMA, thereby discouraging excess supply that can occur with CMA-level bids."[3] The *Draft Notice* suggests that pricing in the counties would be based on the extent of variation of demand in the various counties comprising the CMA, where if only limited variation existed, the basic increment for all counties in the CMA would be the same. In AT&T's view, the pricing algorithm might be more equitable and less prone to potential arbitrage if: (i) each block of CMA demand were treated as one block of county demand for each county in the CMA;

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[1] "Auction Of Priority Access Licenses For The 3550-3650 MHz Band, Comment Sought On Competitive Bidding Procedures For Auction 105," *Public Notice*, AU Docket No. 19-244, FCC_CIRC1909-03; *available at:* https://docs.fcc.gov/public/attachments/DOC-359494A1.pdf (last visited Sept. 12, 2019).

[2] *Draft Notice* at ¶¶29-32.

[3] *Id*. at ¶58.

(ii) county price increments were set based on the standard algorithm used for non-CMA counties; and, (iii) the CMA price increment was merely the sum of the individual price increments in the counties comprising the CMA. Because prices would rise faster in counties where there is greater county-specific demand, the overall incentives would be such that "demand across the counties in the CMA [would] tend[] to equalize, [and] it becomes less likely that there will be excess demand in one county but not in others."[4] The *Draft Notice* should seek comment on whether this more direct solution achieves the Commission's policy goals.

AT&T is continuing to study the proposal in the *Draft Notice* regarding the creation of a greater-than-100% "activity limit percentage."[5] AT&T agrees that some inequity may arise because bid activity in a round is assessed based upon bids that are actually processed, in particular in situations where a planned demand reduction cannot be satisfied by the bidding system. However, the magnitude of the potential activity limit percentage increase—possibly up to 140%—seems broad enough to potentially enable bidders to use the relief for purposes other than as the Commission intends. AT&T suggests the *Draft Notice* should be broad enough to consider other solutions, perhaps tied to the bidder's contingent eligibility based on proposed withdrawals in a round, and should start at a percentage much closer to the actual eligibility of the bidder.

Should any questions arise concerning this *ex parte*, please do not hesitate to contact me at (202) 457-2055.

Sincerely,

/s/ Michael P. Goggin
Michael P. Goggin

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[4] *Id*. at ¶58.

[5] *Id*. at ¶44.