



California Public Utilities Commission 505 Van Ness Ave., San Francisco

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PRESS RELEASE

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CPUC SETS CRITERIA FOR BROADBAND FUNDING TO BRIDGE THE DIGITAL DIVIDE

SAN FRANCISCO, June 12, 2008 - The California Public Utilities Commission (CPUC), in its ongoing efforts to help bridge the digital divide by promoting broadband in areas of the state without fast Internet service, today adopted final criteria to judge applications for funding under the California Advanced Services Fund (CASF).

The CPUC and State Senator Alex Padilla are working together to implement the CASF. With Senator Padilla's Senate Bill (SB) 1193 moving through the Legislature, the CPUC today adopted application requirements, timelines, and scoring criteria for parties to qualify for broadband project funding under the CASF. In doing so, the CPUC completed the criteria for the CASF and moved the application date to apply for funding to July 24, 2008. Should Senator Padilla's bill be signed into law this summer, the CPUC wants no lag time between the passage of Senator Padilla's bill and full implementation of the program.

The program is directed towards areas of California that have no broadband services at all, or have dial-up speed Internet service only. The CPUC estimates that there are almost 2,000 communities and 1.4 million people without access to broadband services, based on the California Broadband Task Force Report issued in February 2008.

"This CASF program dovetails nicely with the efforts of the CPUC-created California Emerging Technology Fund, which is leveraging \$60 million of donated funds from AT&T and Verizon into approximately \$240 million to help bridge the digital divide in



our state,” commented CPUC President and California Emerging Technology Fund Chairman of the Board Michael R. Peevey. “It is our job to provide the right incentives so that broadband providers bring these desired broadband services out to these mostly rural areas.”

“I strongly encourage broadband providers to take advantage of this innovative state program to fund 40 percent of a broadband infrastructure project,” said CPUC Commissioner and California Emerging Technology Fund member Rachelle Chong. “This program demonstrates California’s determination to dramatically improve our communications infrastructure so that every person can reap the economic and social benefits of being connected to the World Wide Web. Further, we expect to see improvements in statewide broadband service when the California Telehealth Network is built out in the next three years, linking over 300 health care sites, including a large number of rural health care facilities.”

Commissioner Timothy Alan Simon observed that the CASF seeks, among other things, to provide high-speed broadband access to low income communities, “Providing such access is consistent with the Governor’s and the Legislature’s expressed desires that more Californians have access to fast broadband service. It is also an extension of the intent of the Moore Universal Telephone Service Act to ensure widespread availability of high-quality telecommunications services to all Californians.”

The CPUC set the criteria and weight allocation for CASF project consideration as identified in the following table:



Criterion	Weight (points)
Funds Requested per Potential Customer	40
Speed	20
Service Area	15
Timeliness	5
Pricing	10
Guaranteed Pricing Period	5
Low Income Areas	5
Total:	100

The CPUC set a benchmark of 3 Mega Bits per Second (MBPS) download and 1 MBPS upload (3/1 speed) to CASF subscribers in order to qualify for project funding. With this speed level, the CPUC sought to establish a reasonable benchmark so subscribers could effectively work from home given current uses of the Internet to download video and data, while providing a reasonable balance of technology, engineering, and costs. However, the 3/1 speed benchmark does not mean that projects that offer less than these benchmark speeds will be automatically denied funding. Projects that meet the benchmark speeds will score higher on the speed criterion than projects that do not meet the 3/1 MBPS speed. The CPUC made clear that if a sole applicant proposed speeds at less than the 3/1 speed benchmark, the application would be given serious consideration in order to bring broadband to those who live in an unserved area.

The CPUC also allowed for the consideration of funding for upgrades to the transit component (or “middle mile” facilities) as part of a CASF grant. This is to avoid deployment of broadband technologies in a community, only to have the traffic slow to “dial-up” level because the existing transit capacity can only provide that slow speed of service. The CPUC determined that these “middle mile” facilities should not throttle the delivery of information services to some communities.

The CASF is a two-year program established by the CPUC on December 20, 2007 (see Decision No. 07-12-054). It provides matching funds of up to 40 percent of the total



project cost for the deployment of broadband infrastructure in unserved and underserved areas in California. The CPUC has allocated \$100 million for qualifying projects. The CASF is funded by a 0.25 percent surcharge on end-users' intrastate bills, effective January 1, 2008. Priority in funding is for areas that are not served by any form of facilities-based broadband or where Internet connectivity is available only through dial-up service or satellite.

On May 22, 2008, Senator Padilla's SB 1193 was approved by the State Senate by a vote of 33-3 to implement the CASF program and establish State Treasury controls for the program, and now moves to the Assembly for consideration.

For more information on communication issues, please visit www.CalPhoneInfo.com.

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