

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Broadband Policy and Analysis Branch**

**RESOLUTION T- 17423
October 31, 2013**

R E S O L U T I O N

Resolution T-17423 Approval of Funding for the Grant Application of The Ponderosa Telephone Company (U-1014-C), from the California Advanced Services Fund in the Amount of \$898,574 for the Big Creek Unserved and Underserved Broadband Project

I. SUMMARY

This Resolution approves funding in the amount of \$898,574 from the California Advanced Service Fund (CASF) for the CASF grant application of The Ponderosa Telephone Company (Ponderosa) for its Big Creek Unserved and Underserved Broadband Project (Big Creek Project). The Big Creek Project will extend high-speed Internet service to 39.04 square miles covering the Big Creek, Huntington Lake and Lakeshore communities of Fresno County.

II. BACKGROUND

On December 20, 2007, the California Public Utilities Commission (Commission) in Decision (D.) 07-12-054 established the CASF program as a two-year program to provide funds for the deployment of broadband infrastructure in unserved and underserved areas in California.

On September 25, 2010, Governor Schwarzenegger signed Senate Bill (SB) 1040¹ which codified the CASF program and expanded it to include three accounts: (1) the Infrastructure Grant Account, (2) the Consortia Grant Account, and (3) the Revolving Loan Account. The latter two accounts are intended to address the needs that were unmet under the original CASF program. Specifically, the purpose of the Revolving Loan Account is "to finance capital costs of broadband facilities not funded by a grant from the

¹ Stats. 2010, c. 317, codified at Public Utilities (P.U.) Code § 281.

Broadband Infrastructure Grant Account.”² SB 1040 also expanded the CASF fund from \$100 million to \$225 million adding \$100 million to the Infrastructure Grant Account and allocating \$10 million and \$15 million to the Consortia Grant Account and the Revolving Loan Account, respectively.³

On February 1, 2012, the Commission approved D.12-02-015 to implement new guidelines for the Infrastructure Grant and Revolving Loan Accounts. Key provisions of the Decision include:

- A maximum CASF grant award of 70 percent of project costs for unserved areas and 60 percent for underserved areas;
- A definition of an underserved area, “where broadband is available, but no wireline or wireless facilities-based provider offers service at advertised speeds of at least 6 megabits per second (Mbps) downstream and 1.5 Mbps upstream (6 Mbps /1.5 Mbps);” and
- A Revolving Loan Program to provide supplemental financing for projects also applying for CASF grant funding (up to 20% of projects costs, with a maximum of \$500,000), utilizing the same project and applicant eligibility requirements as the Infrastructure Grant Program.

Consequently, on May 10, 2012, the Commission approved Resolution T-17362 which established the application deadlines for the CASF Broadband Infrastructure Grant Account and the Revolving Loan Account as follows:

- October 1, 2012, for unserved areas;
- February 1, 2013, for underserved areas not previously funded by the CASF and hybrid projects that cover both unserved and underserved areas; and,
- A date to be determined for projects in underserved areas where the existing broadband infrastructure was partially funded by a CASF grant.

On February 1, 2013, Ponderosa, an incumbent local exchange carrier, submitted an application for CASF funding in the unserved and underserved area of Big Creek, Huntington Lake and Lakeshore areas of Fresno County.

III. NOTICE/PROTESTS

Communications Division (CD) posted the proposed project area map, census block groups (CBG), and zip codes by county for the Big Creek Project on the Commission’s CASF webpage under “Pending New CASF Applications to Offer Broadband as of

² P.U. Code § 281(e).

³ P.U. Code § 281(b)(1).

February 11, 2013.” CD did not receive any challenges from any broadband provider purporting to provide service at served speeds in the proposed project areas.

IV. DISCUSSION

This Resolution adopts CD’s recommended CASF fund award of \$898,574 for the Big Creek Project. This award represents 60% of the total project cost of \$1,497,624. Key project information and maps are shown on pages A-1 through A-3 of Appendix A.

A. Project Overview

Ponderosa has been a provider of local exchange service for more than 100 years. Aside from local exchange service, it also provides communities with broadband services. With the Big Creek Project, Ponderosa proposes to bring broadband services to the Big Creek, Huntington Lake and Lakeshore areas of Fresno County. Currently, there are portions of the project area that do not receive any broadband service. A segment of the project area currently receives broadband service via Asymmetric xDSL technology provided by Ponderosa. The Big Creek Project proposes a combination of upgrading existing systems and installing new systems and infrastructure in order to provide high speed Internet service over a 39.04 square mile area. The CBGs impacted by the project area are: 060190064021 and 060190064022.

Ponderosa proposes to extend their existing network via a Fiber Optic Cable System from Musick Mountain to Big Creek, install a new Broadband Loop Carrier system at the Grouse Creek subdivision, and upgrade several legacy Digital Loop Carrier systems. The upgrades will utilize Ponderosa’s existing copper distribution plants in a fiber-to-the-node configuration. Further, Ponderosa plans to install fiber distribution facilities in the Camp Sierra subdivision in a fiber-to-the-home (FTTH) configuration with the equipment located in the Big Creek central office.

Ponderosa targeted the area for broadband deployment because of the existence of customer demand and economic viability. Ponderosa determined that the project is economically feasible with the assistance of a CASF grant of \$898,574, or 60% of total project costs, to supplement Ponderosa’s funding of \$559,050.

The Commission considers the Census-defined number of households a project will serve when evaluating an application. When complete, the Big Creek Project will reach an estimated 79 households. Today, six of these households are unserved and 73 are underserved. The project will reach all 79 households at minimum advertised speeds of 6 Mbps/ 1.5 Mbps, which meets the served thresholds of 6 Mbps/ 1.5 Mbps. The maximum

speeds offered will be 50 Mbps/ 20 Mbps via the FTTH configurations within the Camp Sierra subdivision. Other homes will receive DSL technologies, such as ADSL2+ or VDSL2, and have maximum advertised speeds of 24 Mbps/ 2 Mbps.

Ponderosa estimates the project will initially yield at least 42 of the 79 potential subscriber households in the proposed area. However, Ponderosa maintains that there are actually more potential customers, because of the much larger number of housing *units* in the project area. The US Census Bureau defines a housing unit as, “a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied (or if vacant, is intended for occupancy) as separate living quarters.” Ponderosa believes that a more accurate estimate of total potential subscribers should take into account housing units. To support this claim, Ponderosa submitted data showing that, within the project area, the number of current customers purchasing dial-tone services is far closer to the number of housing units than households. There are 635 housing units within the project area, and Ponderosa estimates 322 of these housing units will subscribe. While CD acknowledges and considers Ponderosa’s higher number of potential customers, CD used the household count in its rating and ranking of the Big Creek Project.

Ponderosa has committed to a broadband pricing plan under the terms shown below for two years, starting from the beginning date of service. This commitment is for its affiliate, Ponderosa Cablevision, which will provide Internet access over Ponderosa’s network. Ponderosa will also provide wholesale access to its network to other Internet service providers. The recurring monthly rates assume a one year commitment by the customer.

	Broadband Speed (Up/Down)	Standalone Broadband Service	Broadband and Voice Service Bundle
Monthly Recurring Rates:			
Standard	6 Mbps/ 1.5 Mbps	\$112.95	\$54.95
Broadband Pro	12 Mbps/ 1.5 Mbps	\$117.95	\$59.95
Broadband Extreme	10 Mbps/ 3 Mbps	\$149.95	\$74.95
FTTH Pro	12 Mbps/ 3 Mbps	\$117.95	\$59.95
FTTH Extreme	24 Mbps/ 5 Mbps	\$149.95	\$74.95
FTTH Max	24 Mbps/ 5 Mbps	\$244.95	\$144.95
Modem Rental (optional)		\$3.95	\$3.95
Non-recurring Charges:			
Modem Purchase (optional)		\$89.00	\$89.00
Activation Charge		Fee Waived	Fee Waived

B. Project Qualification

To qualify for the CASF program, the applicant is required to submit proof that the area is unserved or underserved by submitting shapefiles of the proposed project. CD reviews the submitted shapefiles and compares them with United States 2010 Census data and the California Interactive Broadband Availability maps which contain broadband availability data as of June 30, 2012.⁴ Once CD determines that the area is eligible either as an unserved or underserved area, CD evaluates all other information submitted by the applicant to determine if the project meets the requirements outlined in D.12-02-015. Other information CD reviews includes: proof of a Certificate of Public Convenience and Necessity (CPCN) from the Commission; descriptions of current and proposed broadband infrastructure; number of potential subscriber households and average income; project construction schedule; project budget; proposed pricing and commitment period for new subscribers; and financial viability of the applicant.

As an initial step in the review of Ponderosa's application, CD checked the CBGs submitted in the project application and determined that the project was indeed underserved or unserved. In doing so, CD found broadband availability at served speeds by satellite providers such as Hughes.net and Skycast, LLC. However, as adopted in D.12-02-015, the Commission does not consider satellite broadband service in CASF project evaluation, unless the satellite project in an area was previously funded by the CASF.⁵

Additionally, CD requested greater detail concerning the current infrastructure, project budget, pro forma financials, project broadband speeds, and possible impacts to the environment and community. CD also obtained a revised pricing plan to include standalone broadband service rates.

Lastly, Ponderosa claims that the total number of potential customers far exceeds the 80 households identified by the US Census Bureau. To substantiate this claim, Ponderosa provided CD with a count of housing units (635) within the project as per the US Census Bureau, and the total number of Ponderosa telephone service locations (578) within the project area.

⁴ Since Ponderosa's submission of its CASF project application, Round 7 broadband availability data as of December 31, 2012, has become available in the California Interactive Broadband Map. The latest data continues to show the project proposal as not having broadband availability at served speeds of 6 Mbps download and 1.5 Mbps upload.

⁵ This determination was based on the limited speed capabilities of satellite services, the cost to the consumer, high latency, and unreliability known at the time of the decision, D. 12-02-015 at 13-15. Since that time, like other technologies, satellite services have improved.

C. Project Evaluation and Recommendation for Funding

CD evaluated the application with respect to the scoring criteria defined in D.12-02-015, Appendix 1, Section VIII (Scoring Criteria). The scoring criteria include: (i) Funds Requested per Potential Customer, (ii) Speed, (iii) Financial Viability, (iv) Pricing, (v) Total Number of Households in the Proposed Area, (vi) Timeliness of Completion of Project, (vii) Guaranteed Pricing Period, and (viii) Low-Income Areas.

This project had a relatively low score compared to other projects. The low score, however, was partially due to the low number of households within the project area. Based on the additional information provided by Ponderosa, CD recommends the Commission consider that the number of households identified by the US Census Bureau (79) underestimates the total potential customers within the project area. Ponderosa argues that each of the 635 housing *units* within the project area represent a potential customer. As stated above, during the scoring and ranking process, CD calculated funds requested per household at \$11,374, however, CD notes that the amount would decrease to \$1,415 if each housing unit was considered a potential customer.

The Commission considers unserved areas as having the highest priority, and funding of the Ponderosa Big Creek Project meets this goal. The project area also includes many organizations that may benefit from the project, including: Forest Service facilities, a K-8 school, public library, museum, water company, CalTrans, California Land Management, Fresno County Sheriff, Post Office, paramedic services, Boy Scout Camps, and multiple businesses, including a Southern California Edison (SCE) Hydroelectric facility and power plant, wireless providers, recreational facilities, and a TV Station site.

D. Safety Impact

The Big Creek Project is in a remote area of the Sierra Nevada Mountains. Telephone and broadband access to emergency services is essential in these remote areas, where the threat of fire, harsh weather conditions, and other disasters can have severe impacts. During these types of emergencies, the first responders rely on the local communication network to acquire information and communicate with others.

The Big Creek Project includes several safety-related anchor institutions, including a Forest Service, Water Company, CalTrans, California Land Management, Fresno County Sheriff, Post Office, paramedic services, and an SCE Hydroelectric facility. Without the availability of high speed broadband service, these anchor institutions cannot fully take

advantage of the efficiencies and opportunities available through a broadband connection.

V. COMPLIANCE REQUIREMENTS

Ponderosa is required to comply with all guidelines, requirements, and conditions associated with the grant of CASF funds as specified in D.12-02-015. Such compliance includes, but is not limited to:

A. California Environmental Quality Act (CEQA)

All CASF grants are subject to CEQA requirements unless the project is statutorily or categorically exempt pursuant to the CEQA Guidelines.

Ponderosa has provided the Commission with construction plans for the Big Creek Project area. It consists of extending a Fiber Optic Cable System from Musick Mountain to Big Creek, installing a new Broadband Loop Carrier System, upgrading several Digital Loop Carrier systems, and deploying FTTH in the Camp Sierra subdivision.

Ponderosa proposes to conduct work in already disturbed land, active right of ways and on and in existing infrastructure with no agricultural land or landmarks disturbed. The project includes the installation of approximately 6.52 miles of buried fiber in mountainous terrain. The fiber construction is within the Sierra National Forest along logging roads and an old railroad grade, and in the Camp Sierra subdivision adjacent to existing copper right-of-ways.

The project requires a Sierra National Forest Special Use Permit. The Forest Service reviewed the project pursuant to the National Environmental Policy Act (NEPA) and determined that the project meets the criteria of the following Categorical Exclusion "Additional construction or reconstruction of existing telephone or utility lines in a designated corridor" [36 CFR 220.6(e)(2)]. The US Forest Service relied on numerous management requirements and protection measures to reach its determination that the project would have no significant effects on the human environment and minimal or temporary effects on heritage resources, hydrological resources, or with sensitive, threatened, and endangered terrestrial wildlife, aquatic, or plant species and their habitats. These measures can be found in Attachment A and are part of the project for the purposes of Commission review.

Additionally, all outside plant construction must also undergo County Road Encroachment Permit review, and all aerial facilities, to the extent required, are to be installed on existing PG&E poles and meet General Order 95 loading requirements.

Based on the above information, the project qualifies for the following categorical exemptions from CEQA: CEQA Guidelines Section 15303 – New Construction or Conversion of Small Structures, involving construction, installation, and/or conversion of limited numbers of new and/or existing facilities/structures, and CEQA Guidelines Section 15304 – Minor Alterations to Land, involving minor trenching and backfilling where the surface is restored. Thus, the project is categorically exempt from CEQA review.

B. Deployment Schedule

The Commission expects Ponderosa to complete the project within 21 months from the start date. If the applicant is unable to complete the proposed project within the 21 month timeframe established by the Commission, it must notify CD's Director as soon as it becomes aware of this prospect. The Commission may reduce payment for failure to notify CD's Director and timely complete the project. In D.12-02-015, the Commission's requirement to complete the build-out of a CASF funded project is within 24 months from approval of the application.

C. Execution and Performance

CD and the CASF grant recipient shall determine a project start date after the Commission has granted all approvals to the CASF grant recipient. Should the recipient or Contractor fail to commence work at the agreed upon time, the Commission, upon five days written notice to the CASF recipient, reserves the right to terminate the award.

In the event that the CASF recipient fails to complete the project, in accordance with the terms of approval granted by the Commission, the CASF recipient must reimburse some or all of the CASF funds that it has received.

The CASF grant recipient must complete all performance under the award on or before the termination date of the award.

D. Performance Bond

The Commission does not require a performance bond if the applicant certifies that the percentage of the total project costs it is providing comes from its capital budget and is

not obtained from outside financing. In its application, Ponderosa certified that 40% of the total project costs it is providing will come from its existing capital budget. Therefore, a performance bond is not required for this project.

E. Price Commitment Period

The minimum required price commitment period for broadband service to all households within the project area is two years. Ponderosa guarantees the price of service offered in the project area for two years.

F. Project Audit

The Commission has the right to conduct any necessary audit, verification, and discovery during project implementation/construction to ensure that CASF funds are spent in accordance with Commission approval.

The recipient's invoices will be subject to a financial audit by the Commission at any time within three years of completion of the work.

G. Providing Voice Service

Ponderosa currently provides voice services, which meet the Federal Communications Commission (FCC) standards for E-911 service. Ponderosa will continue to provide voice services.

H. Reporting

Grantees must submit quarterly progress reports on the status of the project irrespective of whether grantees request reimbursement or payment. Before full payment of the project, the CASF recipient must submit a project completion report. Progress reports shall use the schedule for deployment, major construction milestones and costs submitted in the proposal; indicate the actual date of completion of each task/milestone as well as problems and issues encountered, and the actions taken to resolve these problems and issues during project implementation and construction; and identify future risks to the project. Recipients shall also include test results on the download and upload speeds on a CBG and zip code basis in the final completion report. Recipients must certify that each progress report is true and correct under penalty of perjury.

I. Submission of Form 477

The FCC currently requires broadband providers to biannually submit the Form 477, which includes speed data. While there is an imperfect match between the data that is reported in the Form 477 and to the CASF, Form 477 data will be useful in documenting CASF deployment for the new service area of the carrier. CASF recipients shall submit a copy of their Form 477 data directly to the Commission, under General Order 66-C, when they submit this data to the FCC for a five-year period after completion of the project.⁶

VI. PAYMENTS TO CASF RECIPIENTS

Submission of invoices from and payments to Ponderosa shall be made in accordance with Section XI of Appendix 1, of D.12-02-015 and according to the guidelines and supporting documentation required in D.12-02-015.

Payment to Ponderosa shall follow the process adopted for funds created under P. U. Code § 270. The following table describes the timeline for processing CASF payments.

Event	Payment Cycle 1 (Day/ Month)	Payment Cycle 2 (Day/ Month)
Invoices due from Ponderosa, to CD	5 th of Month 1	20 th of Month 1
Payment letters from CD to Administrative Services ⁷	On 19 th of Month 1	On 4 th of Month 2
Invoices submitted from Administrative Services to State Controller’s Office for payments	20 th through 26 th of Month 1	5 th through 13 th of Month 2

Ponderosa may submit its invoices under Payment Cycle 1 or 2.

If any date in this payment schedule falls on a weekend or holiday, that date will be advanced to the next business day, but the remaining dates in the payment schedule will

⁶ *Approval of the California Advanced Services Fund (CASF) Application Requirements and Scoring Criteria for Awarding CASF Funds* (2008) Cal. P.U.C. Res. No. T-17143 at 4.

⁷ The above schedule is contingent on the CASF recipient submitting clear, complete, and error-free invoices to CD. Additional time to process payments may be necessary if CD finds problems with the submitted invoices.

remain unchanged. The State Controller's Office (SCO) requires 14- 21 days to issue payment from the day that requests are received by SCO.

VII. COMMENTS ON DRAFT RESOLUTION

In compliance with P.U. Code § 311(g), a notice letter was emailed on October 1, 2013, informing all applicants filing for CASF funding, parties on the service list of R.06-06-028, and the CASF distribution list of the availability of the draft of this Resolution for public comments at the Commission's website <http://www.cpuc.ca.gov/PUC/documents/>. This letter also informed parties that the final conformed Resolution adopted by the Commission will be posted and will be available at this same website.

No public comments were submitted regarding this resolution.

VIII. FINDINGS

1. On May 10, 2012, the Commission approved Resolution T-17362 which established the application deadlines for the CASF Broadband Infrastructure Grant Account and the Revolving Loan Account as follows: October 1, 2012, for unserved areas; February 1, 2013, for underserved areas not previously funded by the CASF and hybrid projects that cover both unserved and underserved areas; and, a date to be determined for projects in underserved areas where the existing broadband infrastructure was partially funded by a CASF grant.
2. Ponderosa filed an application for CASF funding for its Big Creek Project on February 1, 2013. The Big Creek Project proposes a combination of system upgrades and installation of new systems and infrastructure in order to provide high speed Internet service over a 39.04 square mile area. The CBGs impacted by the project area are: 060190064021 and 060190064022.
3. CD posted the proposed project area map, CBGs and zip codes by county for the Big Creek Project on the Commission's CASF webpage under "Pending New CASF Applications to Offer Broadband as of February 11, 2013." CD received no challenges to the proposed project areas.
4. CD reviewed and analyzed data submitted for the Big Creek Project CASF grant application to determine the project's eligibility for CASF funding. This data includes, but is not limited to: proof of a CPCN from the Commission; descriptions of current and proposed broadband infrastructure; geographic information system (GIS) formatted shapefiles mapping the project areas; assertion that the area is underserved; number of potential subscribers and average household incomes; project construction schedule; project budget; proposed pricing and commitment period for new subscribers; and financial viability of the applicant.
5. CD reviewed the submitted shapefiles, which mapped the proposed broadband deployment using United States 2010 Census data and the California Broadband Availability Maps, revised July 31, 2012. These maps helped to verify the existence or nonexistence of broadband service and broadband speeds, where available.
6. Based on its review, CD determined that the project qualifies for funding under D.12-02-015 and recommends Commission approval of CASF funding for Ponderosa's Big Creek Project.

7. Ponderosa is not required to post a performance bond because 40% of the total project cost will be financed through Ponderosa's existing capital budget.
8. Ponderosa is required to comply with all guidelines, requirements, and conditions associated with the granting of CASF funds as specified in D.12-02-015 such as complying with CEQA and submitting the FCC's Form 477, as specified in Resolution T-17143.
9. The Commission finds CD's recommendation to fund Ponderosa's Big Creek Project as summarized in Appendix A to be reasonable and consistent with Commission Orders and, therefore, adopts such recommendations.
10. This project meets the criteria of the CEQA Guidelines Section 1503, categorical exemptions for new construction or conversion of small structures, and CEQA Guidelines Section 15304, categorical exemptions for minor alterations to land.
11. A notice letter was emailed on October 1, 2013 informing all applicants filing for CASF funding, parties on the service list of R.06-06-028, and the CASF distribution list of the availability of the draft of this Resolution for public comments at the Commission's website: <http://www.cpuc.ca.gov/PUC/documents/>. This letter also informed parties that the final conformed Resolution adopted by the Commission will be posted and available at this same website.
12. No public comments were submitted regarding this resolution.

THEREFORE, IT IS ORDERED that:

1. The Commission shall award \$898,574 from the CASF to Ponderosa for the Big Creek Project as described herein and summarized in Appendix A of this Resolution.
2. The program fund payment of \$898,574 for this unserved and underserved project shall be paid out of the CASF fund in accordance with the guidelines adopted in D.12-02-015.
3. Payments to the CASF recipient shall be in accordance with Section XI of Appendix 1, of D.12-02-015 and in accordance with the process defined in the "Payments to CASF Recipients" section of this Resolution.
4. The CASF fund recipient, Ponderosa, shall comply with all guidelines, requirements and conditions associated with the CASF funds award as specified in D.12-02-015 and must submit the FCC Form 477, as specified in T-17143.

This Resolution is effective today.

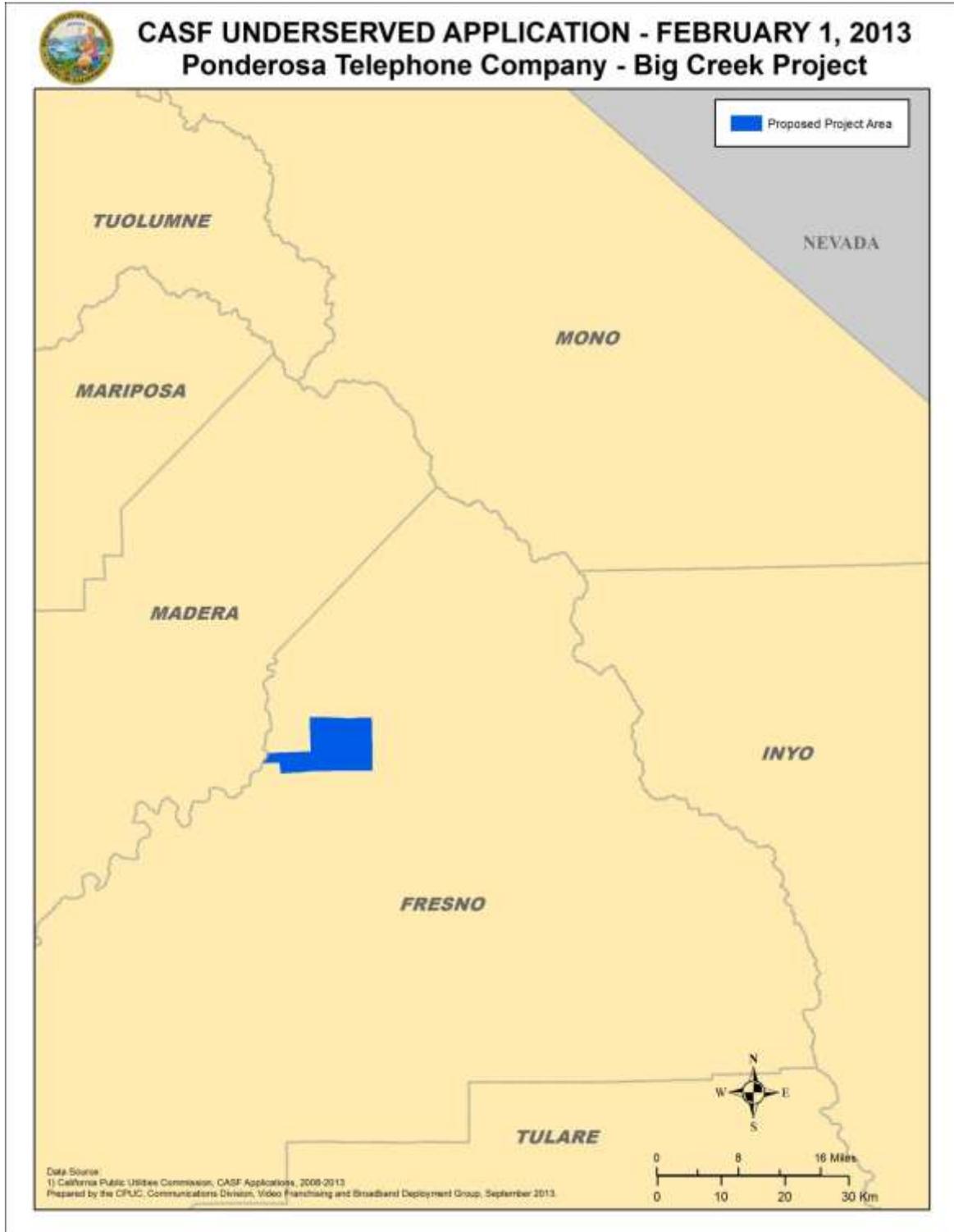
I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on October 31, 2013. The following Commissioners approved it:

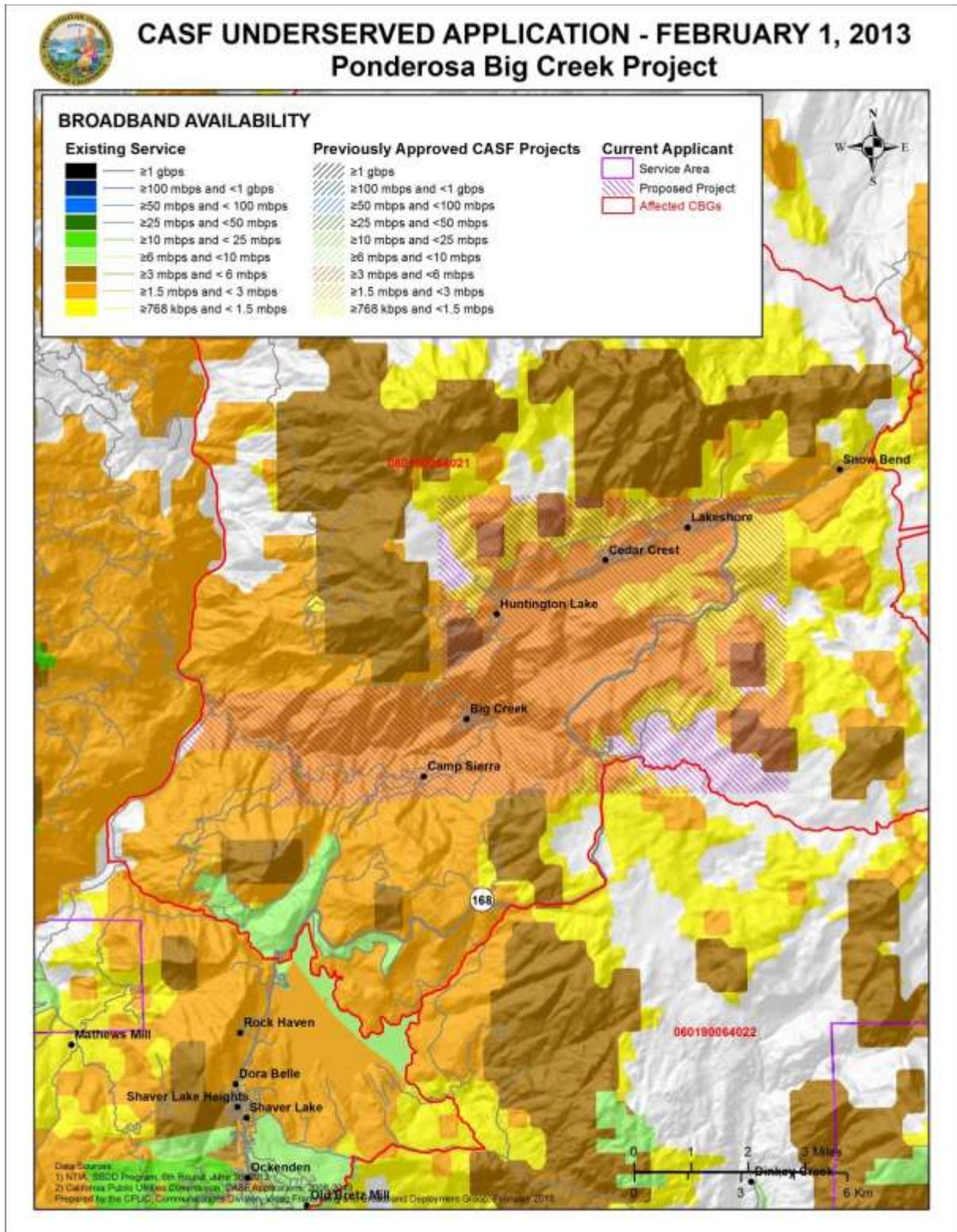
PAUL CLANON
Executive Director

APPENDIX A
Resolution T-17423
Ponderosa Telephone Company Big Creek Project
Key Information

<i>Project Name</i>	Ponderosa Telephone Company Big Creek Project
<i>Project Plan</i>	Extend network via a new Fiber Optic Cable System. Install a new BLC and a FTTH system. Upgrade several legacy Digital Loop Carrier systems.
<i>Project Size (in square miles)</i>	39.04
<i>Download/ upload speed (in Mbps)</i>	6 Mbps / 1.5 Mbps
<i>Location</i>	Fresno County
<i>Community Name</i>	Big Creek, Huntington Lake and Lakeshore
<i>CBGs/ Household Income</i>	060190064021 / \$96,250 060190064022 / \$61,064
<i>Zip Codes</i>	93664
<i>Estimated Potential Subscriber Size Households/ Subscribers</i>	42 / 229
<i>Deployment Schedule (from Commission approval date)</i>	21 months
<i>Proposed Project Budget</i>	
<i>Total</i>	\$1,497,624
<i>Amount of CASF Funds requested (60%)</i>	\$898,574
<i>Internally funded (40%)</i>	\$559,050

Resolution T-17423
Ponderosa Telephone Company Big Creek Project
Map





END OF APPENDIX A