

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Carrier Oversight and Programs Branch ***

**RESOLUTION T- 17322
June 9, 2011**

R E S O L U T I O N

Resolution T- 17322 Approval of Funding for the Grant Application of Frontier Communications of the Southwest, Inc. (U-1026-C), from the California Advanced Services Fund (CASF) Amounting to \$168,171 for the San Bernardino Unserved Broadband Project

Summary

This Resolution adopts funding for the CASF grant application of Frontier Communications of the Southwest, Inc. (Frontier Southwest) amounting to \$168,171 from the California Advanced Services Fund (CASF) for its San Bernardino Unserved Broadband Project. The amount granted represents 40% of the total project cost.

Background

On December 20, 2007, the Commission approved Decision (D.) 07-12-054 which established the two-year CASF program to provide matching funds of up to 40% of the total project costs for the deployment of broadband infrastructure in unserved and underserved areas in California.¹ Resolution T-17143, approved on June 12, 2008, adopted the application requirements, scoring criteria for the award of funds, and a prescribed timeline for other filings and notifications including a projected Commission Meeting date for final approval of award(s).

¹ An unserved area is defined as an area that is not served by any form of facilities-based broadband, or where internet connectivity is available only through dial-up service or satellite. An underserved area is defined as an area in which broadband is available but no facilities-based provider offers service at speeds of at least 3 mbps download and 1 mbps upload.

Notice/Protests

Communications Division (CD) staff posted the proposed area project map, census block groups (CBGs) and zip codes lists by county for the Frontier San Bernardino project appeared on the Commission's CASF website page under "Pending New CASF Applications to Offer Broadband as of March 29, 2011." CD received no challenges to the proposed project areas.

Discussion

This Resolution adopts CD's recommended CASF funding award of \$168,761 for the San Bernardino project. This award represents 40% of the total project cost of \$421,903. Key information on the project is on page A-1 of Appendix A. Shapefiles and map of the proposed project can be found on pages A-2 and A-3 of Appendix A, respectively.

Project Overview

On March 3, 2011, Frontier Southwest, an Incumbent Local Exchange Carrier (ILEC), submitted an application for CASF funding in underserved areas in San Bernardino County. Frontier Southwest has been a provider of local exchange service in California for the past 75 years. Aside from local exchange service, it also provides high-speed internet service, long distance and enhanced services.

The proposed San Bernardino broadband project is intended to extend high-speed internet service over an 18 mile area through the expansion of Digital Subscriber Line (DSL) deployment into the more remote area of Frontier Southwest's rural exchanges. This expansion will involve the addition of three hops² of six new Ethernet radios and seven Adtran DSLAMS,³ which will be placed entirely on existing towers and buildings. The expansion will reach portions of the Parker, Parker Dam, Earp and Havasu Lake exchanges of Frontier Southwest, including the Havasu Palms resort, the Black Meadow Landing resort and the Parker Strip recreational areas, which currently have no broadband service. The CBGs impacted by the project are: 060710251002, 060719401001, and 060719401002.

² A Radio Hop is two radios talking to each other. Loc A to Loc B.

³ A Digital Subscriber Line Access Multiplexer (DSLAM) allows telephone lines to make faster connections to the Internet. It is a network device, located in the telephone exchanges of the internet service providers, that connects multiple customer Digital Subscriber Lines (DSLs) to a high-speed Internet backbone line using multiplexing techniques. By placing additional remote DSLAMs at locations remote to the telephone exchange, telephone companies provide DSL service to locations previously beyond effective range.

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Frontier Southwest has targeted these areas for broadband deployment because of the existence of customer demand and because it determined the project is economically feasible with the assistance of the 40% CASF grant to match Frontier Southwest’s funding of \$253,142.

When completed, the project will reach an estimated 3,732 households at speeds of 3 megabits per second (mbps) download and 1 mbps upload.

Frontier Southwest has committed to a broadband pricing plan for one-year starting from the beginning date of service under the following terms:

DSL w/Access Line	Non-contract	Contract (1 or 2 year)	
Installation (one-time)	\$134.99	\$34.99	
DSL Service Monthly	39.99	35.99	
Modem Fee Monthly	6.99	6.29	
Security Software Monthly	2.99	2.69	optional
Early Termination Penalty	N/A	200.00	

The customer is required to purchase a dial tone line in conjunction with DSL for the above pricing.

Stand-alone DSL	Non-contract	Contract (1 or 2 year)	
Installation (one-time)	\$134.99	\$34.99	
DSL Service Monthly	49.99	47.49	
Modem Fee Monthly	6.99	6.64	
Security Software Monthly	2.99	2.84	optional
Early Termination Penalty	N/A	200.00	

The purchase of a modem is required with DSL service. Security software is mandatory with month-to-month pricing and optional with a price protection plan (contract). Several bundled service options are available which may significantly lower the monthly price of the DSL offering and reduce or waive the installation charge. In addition, occasional promotional discounts are offered.

Project Qualification

To qualify under 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 by comparing them with United States 2000 Census data and the revised June 30, 2010, California Broadband Availability maps. Once the area is found to be eligible either as an unserved or underserved area, CD staff evaluates all other information submitted by the applicant to determine if the project meets the requirements

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as outlined in Resolution T-17143. Other information reviewed include: proof of CPCN registration; descriptions of current and proposed broadband infrastructure; potential subscriber size and household incomes; project construction schedule; project budget; proposed pricing and commitment period for new subscribers; and financial qualifications of the applicant.

As an initial step in the review of Frontier Southwest's application, CD checked the CBGs as submitted in the project application and corrected the CBGs as submitted to conform to the 12-digit format and the 2010 Census. Frontier Southwest agreed with these adjustments. Although Frontier Southwest, in their application, stated that the project is an underserved area, CD discovered in comparing the proposed area coverage map with the June 30, 2010 California Broadband Availability map that the project is located in an unserved area.

CD then published the CBGs, zip codes, and map of the proposed project on the CASF Commission's CASF website page under "Pending New CASF Applications to Offer Broadband as of March 29, 2011" to afford interested parties the opportunity to challenge the proposed project areas. CD received no challenges. CD proceeded to evaluate the application with respect to the speed, service area, the applicant's commitment and ability to fund 60% of the project cost, the price commitment period, and the deployment schedule. CD found that the San Bernardino project meets CASF funding requirements with respect to the following factors:

- Speed – the proposed speed offering of 3 mbps download and 1 mbps upload complies with the benchmark set by the Commission
- Service area- is determined to be unserved and covers 18 miles
- Matching Funds of 60% of project cost – the applicant has certified that the matching funds will come from their capital budget; the submitted balance sheet, income and cash flow statements show that the applicant has the financial capability to do so
- Price commitment period- the applicant has committed to a pricing plan of one year as required
- Deployment schedule – the project will be completed within 9 months, well within the 24 month period construction timeline required

Based on its review, CD determined that Frontier Southwest's grant application qualifies for funding as an unserved area and meets the requirements of Resolution T-17143. CD recommends Commission approval of CASF funding for Frontier Southwest's San Bernardino project.

Compliance Requirements

The Application Requirements and Guidelines on the awarding of CASF Funds provide that a Performance Bond is not required if 60% of the total project costs come from the applicant’s capital budget and is not obtained from outside financing sources. In its application, Frontier Southwest certified that 60% of the total project costs will come from its existing capital budget. Therefore, a performance bond is not required for this project. Frontier Southwest should comply with all guidelines, requirements, and conditions associated with the granting of CASF funds as specified in Resolution T-17143 such as the submission of FCC Form 477, among others.

For purposes of CEQA review, Frontier Southwest has provided the Commission with photos and visual simulations that show the placement of hops, Ethernet radios and seven Adtran DSLAMS, on existing towers and buildings, demonstrating that the new equipment is consistent with the visual character of, and involves minor modifications to the existing structures. Accordingly, this project meets the criteria of the CEQA categorical exemption for new construction or conversion of small structures (CEQA Guidelines §15303) and the Commission, therefore, is not required to conduct an environmental review pursuant to CEQA before approving this project.

Payments to CASF Recipients

Submission of invoices from and payments to Frontier Southwest shall be made in accordance with Section IX of Appendix A of Resolution T-17143 and according to the guidelines and supporting documentation required in Resolution T-17143.

Payment to Frontier Southwest shall essentially follow the process adopted for funds created under Public Utilities 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 Frontier Southwest, to CD	5 th of Month 1	20 th of Month 1

Payment letters from CD to Information and Management Services Division (IMSD) ⁴	On 19 th of Month 1	On 4 th of Month 2
Invoices submitted from IMSD to State Controller's Office (SCO) for payments	20 th through 26 th of Month 1	5 th through 13 th of Month 2

Frontier Southwest 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 remain unchanged. SCO requires 14 to 21 days to issue payment from the day that requests are received by SCO.

Comments on Draft Resolution

In compliance with PU Code § 311(g), a notice letter was emailed on May 10, 2011, informing all applicants filing for CASF funding and parties on the service list of R.06-06-028 of the availability of the draft of this Resolution for public comments at the Commission's website <http://www.cpuc.ca.gov/static/documents/index.htm>. 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.

Opening Comments

On May 16, 2011, Frontier Communications sent a letter to the Director of the Communications Division pointing out its error in submitting the application under Frontier Communications West Coast, Inc. (U-1020-C) instead of Frontier Communications of the Southwest, Inc. (U-1026-C). Frontier requests a correction of this error in order to accurately reflect the legal entity that will be receiving the grant. Further, Frontier requests that all references to the company name be changed to reflect Frontier Communications of the Southwest, Inc.

On May 25, 2010, the Division of Ratepayer Advocates (DRA) filed the following comments:

- The Commission should stop awarding CASF grants until it has revised and adopted revised standards and requirements for the CASF program as contemplated in R.10-12-008. DRA points out in their comments previously filed

⁴ 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.

recommendations to improve the process for reviewing and awarding of grants notably in the areas of transparency, speed, performance and fiscal responsibility.

- The Commission should require applicants to waive installation charges for projects built using CASF funding. DRA recommends the deferment of Commission decision on the funding request until the a determination of the treatment of installation charges and other issues relative to the CASF grant process is resolved in R.10-12-008.
- The applicant lacks household data. DRA recommends that if the Commission continues to award CASF funds despite the pendency of R.10-12-008, Frontier Southwest should be required to supplement their application with median household incomes.

Reply Comments

On May 31, 2011, Frontier Communications filed reply comments as follows:

- Frontier points out DRA's comments are inappropriate. While the Commission opened R.10.12-008 to review and potentially modify the program to reflect changes adopted in Senate Bill 1040, Frontier notes that the legislation and proceeding did not revoke or put a hold on existing rules. Although comments have been solicited from parties, Frontier observes that no decision has as yet been adopted by the Commission and it is not clear when a proposed decision will be issued. Frontier opines that DRA's comments seek to stall or halt the current lawfully adopted program, apparently with the objective that DRA's proposed changes to the program will be adopted at some future point. If DRA's approach was followed, Frontier asserts that the consequence will delay much deserved broadband deployment for an indefinite period. Frontier does not believe the legislation and proceeding contemplate putting an indefinite hold on much deserved projects.
- Frontier argues that it filed the grant application following existing CASF rules, including the household income data that DRA claims is missing. The application was complete, thoroughly reviewed by staff, including discussions and discovery with Frontier. Frontier asserted that it filed the application in good faith in order to provide much needed broadband coverage in San Bernardino County.
- Frontier requests that in the spirit of fairness, due process, and rapid deployment of broadband to unserved and underserved Californians, the grant be approved via existing rules.

Commission's Responses to Comments Filed

- On the change of grantee from Frontier Communications West Coast, Inc. to Frontier Communications of the Southwest, Inc.

We have made the necessary changes in this resolution to correct the carrier's error.

- On the suspension of the CASF application process pending the issuance of a Commission decision in R.10-12-008

In opening R.10-12-008, the Commission did not impose a suspension of CASF application and grant process. Since the goal of the CASF program is to deploy broadband technologies to unserved and underserved areas so that the many benefits of broadband can be realized by Californians, a suspension of the CASF process would mean that portions of San Bernardino county would not get broadband.

Although the Commission may make changes to existing CASF infrastructure grant requirements and processes in R.10-12-008, the existing Commission requirements and processes for CASF infrastructure grants remain in effect.

- On the requirement to waive installation charges for projects built using CASF funding

There is no existing Commission requirement under existing CASF rules to waive installation charges for projects built using CASF funding. While we intend to consider the issue in R.10-12-008, it would be premature to impose this requirement at this time.

- On the lack of household income data

In their application, Frontier submitted income data, which is now shown in Appendix A. Therefore, it is not necessary to require Frontier Southwest to supplement its application.

Findings

1. The Commission established the California Advanced Services Fund (CASF) in Decision (D.) 07-12-054. The CASF was established as a two-year program that will provide matching funds of up to 40% of the total project costs for the deployment of broadband infrastructure in unserved and underserved areas in California.
2. Resolution T-17143, approved on June 12, 2008, adopts the application requirements and scoring criteria for the award of funds, a prescribed timeline for other filings, and notifications including a projected Commission Meeting date for final approval of award(s).
3. Frontier Communications of the Southwest, Inc. (Frontier Southwest) filed an application for CASF funding for its San Bernardino project on March 3, 2011. The San Bernardino broadband project is intended to extend high-speed internet service over an 18 mile area through the expansion of Digital Subscriber Line (DSL) deployment into the

more remote area of Frontier Southwest's rural exchanges. This expansion will reach portions of the Parker, Parker Dam, Earp and Havasu Lake exchanges of Frontier Southwest including the Havasu Palms resort, the Black Meadow Landing resort and the Parker Strip recreational areas, which currently have no broadband service. The CBGs impacted by the project are: 060710251002, 060719401001, and 060719401002.

4. CD staff posted the map, census block groups (CBGs) and zip codes lists by county for the Frontier Southwest San Bernardino project appeared on the Commission's CASF website page under "Pending New CASF Applications to Offer Broadband as of March 29, 2011." CD received no challenges to the proposed project areas.
5. CD reviewed and analyzed data submitted for the Frontier Southwest San Bernardino project CASF grant application to determine the project's eligibility for CASF funding. These data include, but are not limited to: proof of CPCN registration; descriptions of current and proposed broadband infrastructure; geographic information system (GIS) formatted shapefiles mapping the subject areas; assertion that the area is underserved; potential subscriber size and household incomes; project construction schedule; project budget; proposed pricing and commitment period for new subscribers; and financial qualifications of the applicant.
6. CD reviewed the submitted shapefiles which mapped the proposed broadband deployment using United States 2000 Census data and the revised June 30, 2010 California Broadband Availability maps. These maps helped to verify the existence or non-existence of broadband service areas and broadband speeds, where available.
7. Based on its review, CD determined that the project qualifies for funding under Resolution T-17143 and recommends Commission approval of CASF funding for Frontier Southwest's San Bernardino project.
8. The posting of a performance bond by Frontier Southwest is not required because 60% of the total project cost will be financed through Frontier Southwest's existing capital budget.
9. Frontier Southwest should comply with all guidelines, requirements, and conditions associated with the granting of CASF funds as specified in Resolution T-17143 such as the submission of FCC Form 477, among others.
10. This project meets the criteria of CEQA Guidelines § 15303, the categorical exemption for new construction or conversion of small structures. Therefore, the Commission is not required to conduct environmental review pursuant to CEQA before approving this project.

11. The Commission finds the CD's recommendation to fund the San Bernardino project of Frontier Southwest as summarized in Appendix A to be reasonable and consistent with Commission orders and, therefore, adopts such recommendation.
12. A notice letter was emailed on May 10, 2011 informing all applicants filing for CASF funding and parties on the service list of R.06-06-028 of the availability of the draft of this Resolution for public comments at the Commission's website <http://www.cpuc.ca.gov/static/documents/index.htm>. This letter also informed parties that the final conformed Resolution adopted by the Commission will be posted and available at this same website.
13. Frontier Communications and the Division of Ratepayer Advocates filed opening comments on May 16, 2011 and May 25, 2011, respectively. Frontier Communications filed reply comments on May 31, 2011. CD's responses to these comments are discussed in this resolution.

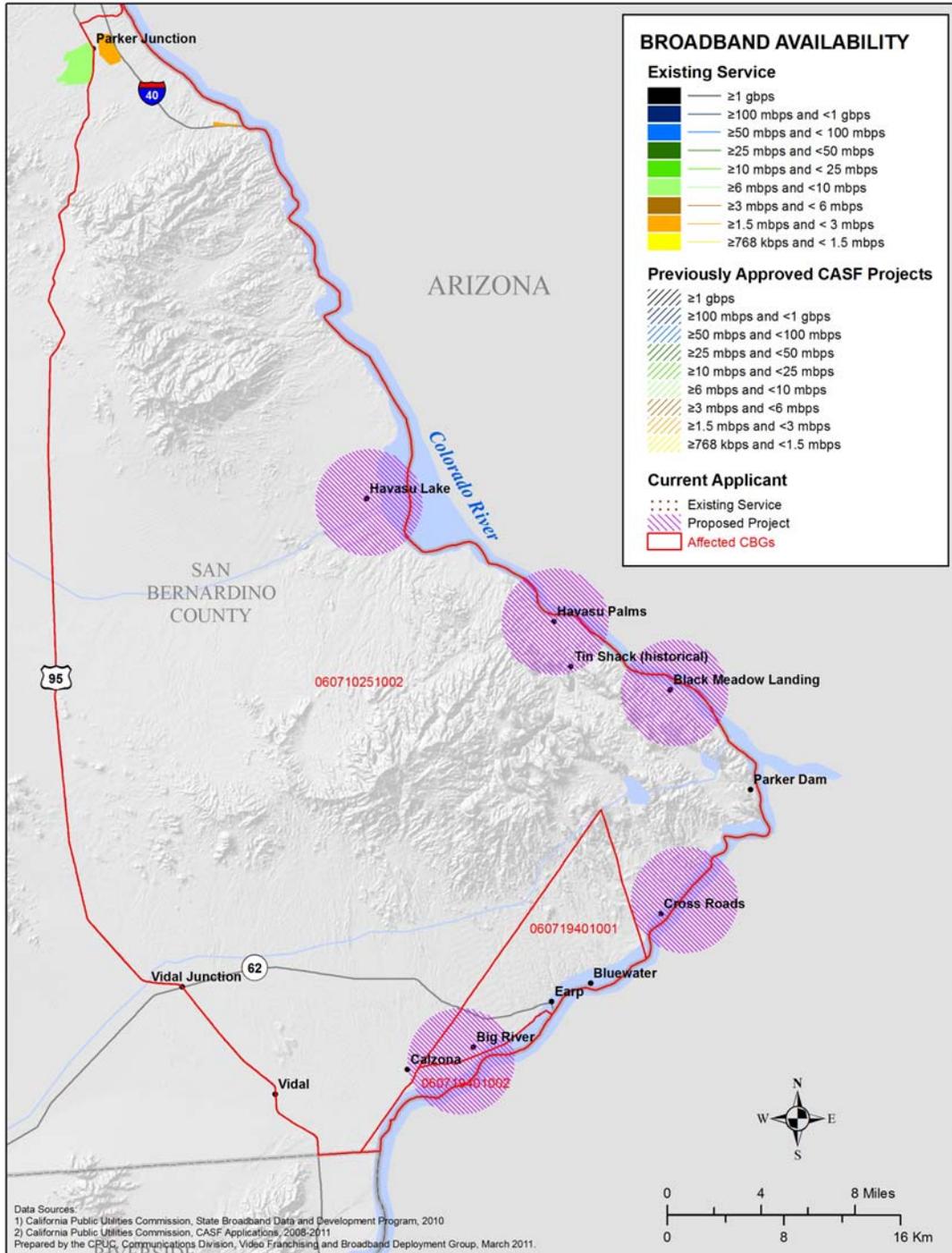
THEREFORE, IT IS ORDERED that:

1. The Commission shall award funding of \$168,761 from the California Advanced Services Fund to Frontier Communications of the Southwest, Inc. for the San Bernardino unserved area broadband project as described in the Discussion section and summarized in Appendix A of this Resolution.
2. Frontier Communications of the Southwest, Inc. shall not be required to post a performance bond.
3. The program fund payment of \$168,761 for this unserved project shall be paid out of the CASF fund in accordance with the guidelines adopted in Resolution T-17143.
4. Payments to the CASF recipient shall be in accordance with Section IX of Appendix A of Resolution T-17143 and in accordance with the process defined in the "Payments to CASF Recipients" section of this Resolution.
5. The CASF fund recipient, Frontier Communications of the Southwest, Inc., shall comply with all guidelines, requirements and conditions associated with the CASF funds award as specified in Resolution T-17143.

APPENDIX A
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Frontier Communications of the Southwest, Inc. San Bernardino Project
Key Information

<i>Project Name</i>	Frontier Southwest San Bernardino Project		
<i>Project Plan</i>	Expansion of Digital Subscriber Line (DSL) through the addition of three hops of six new Ethernet Radios and seven Adtran DSLAMs.		
<i>Project Size (in square miles)</i>	18		
<i>Download/ upload speed (in Mbps)</i>	3 Mbps/1 Mbps		
<i>Location</i>	San Bernardino County		
<i>Community Name</i>	Havasu Palms and Black Meadow Landing resorts; Parker Strip recreational areas; portions of Parker, Parker Dam, Earp and Havasu Lake exchanges of Frontier Communications Southwest, Inc.		
<i>CBGs/ Median Household Income</i>	060710251002	\$93,303	
	060719401001	\$19,115	
	060719401002		
<i>ZIP Codes</i>	92242		
	92267		
	92363		
<i>Estimated Potential Subscriber Size Households/ Subscribers</i>	3,732		
<i>Deployment Schedule (from Commission approval date)</i>	9 months		
<i>Proposed Project Budget</i>			
<i>Total</i>	\$421,903		
<i>Amount of CASF Funds Requested (40%)</i>	\$168,761		
<i>Internally funded (60%)</i>	\$253,142		

APPENDIX A
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Frontier Communications of the Southwest, Inc.
San Bernardino Project Shapefiles



APPENDIX A
Resolution T- 17322
Frontier Communications of the Southwest, Inc.
San Bernardino Project Regional Map



END OF APPENDIX A