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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking into the Review of
the California High Cost Fund B Program.

Rulemaking 06-06-028
(Filed June 29, 2006)

**ASSIGNED COMMISSIONER'S RULING
ON PHASE II ISSUES RELATING TO
THE "CALIFORNIA ADVANCED SERVICES FUND"**

Decision (D.) 07-09-020 authorized an inquiry in Phase II of this proceeding as to the establishment of a California Advanced Services Fund (CASF) for promoting the deployment of broadband services in areas that are not served or that are underserved within the territories of the Incumbent Local Exchange Carriers that are subject to the B-Fund program.¹ This ruling sets forth the scope, and provides notice with opportunity for comment on issues to be addressed in Phase II relating to the CASF.

By this ruling, I solicit comments concerning the establishment and funding of a CASF program, and what rules should be formulated to determine eligibility to draw from the CASF, taking into consideration the relevant policy rationale, legal basis, and administration of a CASF program, as discussed in D.07-09-020, at 52-70, *mimeo*. A separate Commission decision shall be prepared on an expedited basis regarding the issues raised in D.07-09-020 as to the funding

¹ See Ordering Paragraph 4 of D.07-09-020. The scoping and development of the record relating to issues other than the CASF, as identified in D.07-09-020 for consideration in Phase II of this proceeding, shall be addressed in a separate ruling.

of advanced services through a CASF program, and related administrative implementation issues. Other Phase II issues identified in D.07-09-020 will be addressed in a separate Commission decision.

Solicitation of Comments

Comments are hereby solicited on the following questions:

1. Address the policy merits and legal basis for funding and administering the CASF under the provisions of the CHCF-B program versus establishing an entirely new independent funding program pursuant to the Commission's statutory authority under Pub. Util. Code § 701.
2. What overall dollar amount, funding source(s), and time considerations are appropriate for the CASF to build advanced infrastructure in California? To what extent should matching funds be required? To what extent, and subject to what criteria, should existing B-Fund contributions (versus independent sources) be used to fund the CASF?
3. What process should be established for prospective applicants to apply for and receive grants of CASF money for the purpose of deploying broadband services which will include as one component basic residential service within underserved or unserved areas consistent with universal service goals as discussed in D.07-09-020?
4. Comments are solicited on the merits of the process to apply for funding the California Advanced Services Fund in Appendix 3 of D.07-09-020 (attached to this ruling for reference). Are there additional requirements that should be added to help avoid waste, fraud, and abuse? For any suggested modifications, clarifications, or refinements to the process proposed in Appendix 3, parties should provide supporting rationale.

5. Comments are solicited as to whether an application for CASF funding should trigger and open a 60-day window for other applications for substantially the same geographic area.
6. D.07-09-020 stated that CASF applicants must meet specific audit, verification, and other requirements with respect to the use of the funds, subject to procedures adopted in the next phase of the proceeding. Parties should identify specific audit, verification, and other requirements that would be warranted as a basis to administer the CASF funding consistent with the universal service goals as discussed in D.07-09-020.
7. If Pub. Util. Code § 739.3 is the basis for the CASF, comments are solicited as to whether the use of the term “telephone corporation” in that section may limit recipients of CASF money to those entities qualifying under Pub. Util. Code § 234.²

IT IS RULED that:

1. This ruling provides notice and opportunity to comment regarding the scope of inquiry identified in Decision (D.) 07-09-020 for Phase II of this proceeding relating to the policy and legal basis, as well as administrative implementation measures for a California Advanced Services Fund (CASF) program.
2. Comments are hereby solicited on the questions set forth above on the designated CASF issues.
3. Opening comments shall be due September 26, 2007.

² See, Pub. Util. Code §§ 233 and 234.

4. Reply comments shall be due October 3, 2007.
5. Additional issues that were identified in D.07-09-020 for Phase II of this proceeding shall be addressed in a separate ruling.

Dated September 12, 2007, at San Francisco, California.

/s/ RACHELLE B. CHONG

Rachelle B. Chong
Assigned Commissioner

APPENDIX 3

ATTACHMENT FROM D.07-09-020 "PROPOSED PROCESS FOR ADMINISTERING APPLICATIONS FOR FUNDING UNDER THE CALIFORNIA ADVANCED SERVICES FUND"

An application process would be established for candidates to seek to qualify for funding to be applied towards costs of broadband deployment based on a showing that a proposed area is either not being served or is underserved by broadband services at less than speeds of 3 MBPS downstream. Under such a process, applicants would be required to: (1) voluntarily submit data to the Commission, under appropriate confidentiality provisions, of its current broadband infrastructure by census block group; (2) set forth the boundaries of the specific high cost area to be served by census block group along with a verifiable showing that it is unserved or underserved; and (3) commit to complete build out within 18-24 months of the grant of the application. The Commission would provide funds to match the equivalent amount of funds provided by the applicant. A bond may be required for applicants. We envision a process whereby priority would be directed first to areas not served by facilities capable of providing 3 MBPS download and 1 MBPS upload speeds, and second, to underserved areas (e.g., areas with only one facilities-based provider capable of providing those speeds to all customers).

Applications for funding through the CASF component of CHCF-B would be filed beginning in early 2008, and considered on a first come, first considered basis, subject to window periods where all applications received within the timeframe specified will be treated as if received on the same date. Applications must include project plans, maps of the proposed service area, and specific milestones which must be verifiable by Staff. Staff will make funding

determinations based at least on the price per MBPS offered to customers, overall size of the request, matching funds, and time for implementation. A reasonable amount of funding may be distributed prior to construction and at the completion of specific milestones. Commission staff may be delegated ministerial authority to establish a specific application process and forms.

(END OF APPENDIX 3)

