

**D R A F T**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**Communications Division  
Carrier Oversight and Programs Branch**

**RESOLUTION T- 17238  
November 20, 2009**

**R E S O L U T I O N**

**Resolution T-17238 Approval of Funding for the Cazadero and Timber Cove areas of the Sea Ranch Project of Verizon California, Inc. (U-1002-C) from California Advanced Services Fund (CASF) Amounting to \$658,840**

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**Summary**

This Resolution adopts funding for the Cazadero and Timber Cove areas of the Sea Ranch project of Verizon California, Inc., (Verizon) amounting to \$658,840 from the California Advanced Services Fund (CASF). The amount granted represents 40% of the total project cost plus Contribution in Aid of Construction (CIAC) of this unserved and underserved area application filed in accordance with Resolution T-17143.

**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. <sup>1</sup> 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). This same Resolution directed interested applicants seeking funding for underserved and underserved projects, to file their project proposals and funding requests beginning July 24, 2008 and August 25, 2008, respectively.

On July 9, 2009, the Commission issued D.09-07-020 establishing new schedules and plans for the filing, review and approval of an additional round of broadband project requests.

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<sup>1</sup> SB 1193 (Chapter 393, Stats. of 2008) established the California Advanced Services Fund as a new public purpose program.

This decision also provides the potential for the applicants to seek CASF program funding while pursuing funding for broadband deployment grants issued under the American Recovery and Reinvestment Act (ARRA).<sup>2</sup> Because the federal grants under ARRA can fund up to 80% of the project, the Commission provided applicants in D.09-07-020 the opportunity to seek an additional 10% funding coverage from the CASF, leaving only 10% for the applicant to provide.

As of September 24, 2009, the \$ 12.6 million has been granted for 28 projects covering 4,318 square miles benefiting 32,943 potential households as follows:

- Unserved - \$11.6 million, 16 project, 4,284 square miles, and 32,284 households
- Underserved - \$1 million, 12 projects, 34 square miles, 659 households

### **Notice/Protests**

The Census Block Group (CBG) list for the Sea Ranch application covering the three project area locations appeared by county on the Commission's CASF website page under "UNDERSERVED areas proposed to be served as of August 25, 2009: Census Block Groups (CBGs)." One challenge was filed with the Communications Division (CD) for two CBGs and, through verification of information; the CBGs were determined to be clear of the challenge.

### **Discussion**

This Resolution adopts a total of \$658,840 in CASF funding support for the Cazadero and Timber Cove areas of the Sea Ranch project. The project is described in detail in Appendix A.

Verizon submitted its Sea Ranch application consisting of three separate project area locations (i.e. the Sea Ranch, the Timber Cove and the Cazadero areas) on August 25, 2009. This application proposes construction of 19 miles of new fiber optic line extending from the Timber Cove wire center to the Sea Ranch wire center. Connection with AT&T's Monte Rio wire center and other leased facilities will enable the backhaul of traffic to Verizon's Novato facilities. Verizon seeks a CASF grant for \$1,654,800, equal to 40% of the project's costs plus Contribution in Aid of Construction (CIAC) funding of \$528,000 for a total grant of \$2,182,800, and does not plan to seek federal ARRA funds for this proposed project

For qualification purposes under the CASF program, underserved areas are defined as areas where broadband is available but no facilities-based provider offers service at speeds of at least 3 mbps download and 1 mbps upload. CD reviewed this project's eligibility through the analysis of the required data submitted. These data include, but are not limited to: proof

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<sup>2</sup> The American recovery and Reinvestment Act (ARRA) appropriates \$7.2 billion for grants and loans to support broadband deployment on a national level. ARRA offers a unique and ground breaking opportunity for California to partner with the federal government and other state agencies in advancing the goal of bridging the digital divide.

of Certificate of Public Convenience and Necessity (CPCN) registration; descriptions of current and proposed broadband infrastructure; Geographic Information System (GIS) formatted Shapefiles mapping the subject areas; assertion that the area is unserved; 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. In addition, CD reviewed the Shapefiles submitted which mapped the broadband deployment proposed using United States 2000 Census data, the January, 2008, Broadband Task Force Report (BBTF) including its on-line maps, and the revised August 10, 2009, California Broadband Task Force (CBTF) map, among others. Comparisons of submitted maps to that of the BBTF and CBTF verified the existence or non-existence of broadband service as well as speeds in areas where broadband services are available.

CD verified this project and, when necessary, requested additional information and/or meetings with the applicant to clarify its project proposal. Of the three CBGs in this project, two appeared to be already served per the CBTF; however, CD contacted local businesses and spoke to residents and service providers to validate the CBTF map data. In the Timber Cove area, the CBTF shows service at speeds of between 5-10 mbps but one prominent hotel serving that coastal community asserted that no one in the area has speed that fast. The hotel, in fact, pays for a T-1 dedicated line as does the local school in Fort Ross; everyone else in the community with internet service subscribes to satellite service. CD contacted a resident, to whom the hotel referred for more specific information, and the resident attested that the only broadband service available for Timber Cove is from Hughes Satellite. According to this resident, although there is service, it is extremely slow, spotty, unreliable, and expensive, costing \$129 per month.

For the Sea Ranch area of, the CBTF indicates service on the west end of the community (i.e. West side of Highway 1) at speeds between 10-100 mbps. CD contacted the known service provider for that area, Central Valley Cable, Inc. (CVC), based in Gualala. CVC confirmed that it offers its highest speed service as 3 mbps download and 1 mbps (3/1 mbps) upload to local residents, which satisfies the definition of "served" per Resolution T-17143. However, residents who anticipated the filing of this Verizon project have come forward with letters of support indicating that the broadband DSL cable service is slower than the advertised 3/1 mbps. CVC has concentrated existing service on from The Sea Ranch's north town boundary to its south town limit on the west coastal side of State Highway 1 with some homes served on the east side of State Highway 1

From its review, CD believes that the Sea Ranch area of the Verizon's CASF application appears to be served with broadband speeds of 3/1. Therefore, the Sea Ranch area should not be granted CASF funding at this time. However, to the extent Verizon or Sea Ranch area residents provide factual support that they are not able to receive broadband speeds of 3/1, then, Verizon should consider re-filing it application for the Sea Ranch area in the future.

Finally, for the Cazadero area of the Sea Ranch application, CD verified that portions of the CBG that the Cazadero area is in is served and part of it is unserved. CD informed Verizon and Verizon agreed to revise its application to reflect only that part of the CBG that is unserved.

After a review of the challenger's existing service area and the CBTF maps, and verifying with Verizon, the two CBGs were determined to be clear of challenge. CD could not find evidence of speeds of 5-10 or 10-100 mbps, as noted in the CBTF and is allowing Verizon to retain the underserved CBG for the Timber Cove area and unserved CBG for Cazadero area. CD determined that the CBGs covering the proposed areas are qualified as underserved (the Timber Cove area) and as unserved (the Cazadero area) as defined in Resolution T-17143.

On October 16, 2009, Verizon modified its project proposal offering speeds of 7 mbps download and 0.768 mbps upload for all three of the service areas in the Sea Ranch application. Further, Verizon indicated that it would agree to a 12-month price commitment not to exceed \$49.25 monthly for the 7/0.768 mbps plan. In its original August 25, 2009 filed application, Verizon had indicated that it would offer two pricing options for residents: a) 1.5/0.768 mbps plan for \$45.25 monthly or b) 3/0.768 mbps plan for \$34.25 monthly.

The modified project area to be served spans 20 square miles and census information available indicates approximately 408 households combined are in the two locations. Based on an estimated 27% subscriber "take" rate, it could be estimated that as many as 110 subscribers may be acquired. The total cost of the originally filed Sea Ranch application, which is made up of three service areas (the Sea Ranch, the Timber Cove and the Cazadero areas) is \$4,137,000 with the 40% CASF subsidy amounting to \$1,654,800 and CIAC amounting to \$528,000 for a total CASF fund request of \$2,182,800. However, as indicated above, CD recommends CASF funding at this time for the Timber Cove and Cazadero area locations. Until further project expense information is submitted to staff from Verizon, CD estimates the total project cost for these two areas calculated at 30% based on the difference of households to be served. Including the Sea Ranch build-out, the original estimate of households to be served was 1,506. As modified, the estimated households to be served is 408, or about 30% of the original proposed project. Therefore, CD estimates a revised total project cost at 30% to be \$1,895,940 which includes a CASF award at 40% of the revised budget amounting to \$496,440, and CIAC request at 30% of the original amount, or \$158,400. Therefore for the Timber Cove and Cazadero areas, the total CASF award requested amounts to \$654,840 for the two locations with a matching fund amount from Verizon of \$586,260.

In summary, the Timber Cove and the Cazadero areas of Verizon's Sea Ranch project are recommended for approval and award of CASF funding.

Under the Commission's Rulemaking (R.) 06-10-066, Verizon is categorically exempt from the California Environmental Quality Act (CEQA) requirements because Verizon's CPCN is unrestricted and this project would exist within Verizon's service territory. Verizon

indicates that it will agree to provide, prior to the first 25% payment, identification of any other special permits required with a cross reference to the government agencies from which the permits will be required for this project.

The Application Requirements and Guidelines on the awarding of CASF Funds<sup>3</sup> provide that the execution of 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, Verizon indicated that its match of the 60% of the total project costs will come from its existing capital budget as submitted in the company’s financial documentation. Therefore, a performance bond is not required for this project.

**Payments to CASF Recipients**

Submission of invoices from and payments to Verizon California, Inc. 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 Verizon shall essentially follow the process adopted for funds created under Public Utilities Code §270. The following table describes the timeline for processing CASF payments.

<b>Event</b>	<b>Payment Cycle 1 (Day/Month)</b>	<b>Payment Cycle 2 (Day/Month)</b>
Invoices due from Verizon California, Inc. to CD	5 <sup>th</sup> of Month 1	20 <sup>th</sup> of Month 1
Payment letters from CD to Information and Management Services Division (IMSD) <sup>4</sup>	On 19 <sup>th</sup> of Month 1	On 4 <sup>th</sup> of Month 2
Invoices submitted from IMSD to State Controller’s Office (SCO) for payments	20 <sup>th</sup> through 26 <sup>th</sup> of Month 1	5 <sup>th</sup> through 13 <sup>th</sup> of Month 2

Verizon 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**

<sup>3</sup> Resolution T-17143

<sup>5</sup> 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.

In compliance with PU Code § 311(g), a notice letter was emailed on October 21, 2009, informing a) all applicants filing for underserved areas and b) 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.

## **Conclusion**

The Commission finds CD's recommended contingent CASF fund award for the Timber Cove and the Cazadero area locations of Verizon's Sea Ranch project as discussed in this resolution and summarized in Appendix A to be reasonable and consistent with Commission orders and, therefore, adopts such award.

## **Findings**

1. The Commission finds Communications Division's (CD) recommended contingent California Advanced Services Fund (CASF) award for the Cazadero and Timber Cove area locations of the Sea Ranch project of Verizon California, Inc., (U-1002-C) (Verizon) as discussed in this resolution and summarized in Appendix A to be reasonable and consistent with Commission orders and, therefore, adopts such award. The CASF was implemented by Decision (D.) 07-12-054.
2. 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, subject to the Commission's completion of review pursuant to the California Environmental Quality Act.
3. 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). T-17143 directed interested applicants seeking funding for unserved and underserved projects to file their project proposals and funding requests beginning July 24, 2008.
4. On July 9, 2009, the Commission issued D.09-07-020 approving a new CASF schedule and plan for an additional round of broadband projects that would complement broadband grants awarded under the federal government's American Recovery and Reinvestment Act (ARRA). While retaining the 40% matching grant process, the Commission in this Decision authorized providers an option of seeking a 10% grant from the CASF concurrent with efforts to seek an 80% grant from the ARRA fund.
5. A list of census block groups (CBGs) appeared by county on the Commission's CASF website page under "UNDERSERVED areas proposed to be served as of August 25, 2009: Census Block Groups (CBGs)." The Communications Division (CD) proceeded

with its independent review and analysis of this project area to verify that it was underserved as of the applicant's filing date.

6. Verizon filed the Sea Ranch application consisting of three project areas (i.e. the Sea Ranch area, the Timber Cove area, and the Cazadero area) on August 25, 2009 seeking CASF funding for 40% of its project, or \$2,182,800.
7. Verizon's Sea Ranch application proposes construction of new fiber optic line extending from the Timber Cove wire center to the Sea Ranch wire center. Connection with AT&T's Monte Rio wire center and other leased facilities will enable the backhaul of traffic to Verizon's Novato facilities.
8. Unserved areas are defined as areas not served by any form of facilities-based broadband or where internet connectivity is available only through dial-up service or satellite.
9. Underserved areas are defined as areas where broadband are available but no facilities-based provider offers service at speeds of at least 3 mbps download and 1 mbps upload.
10. CD reviewed Verizon California, Inc.'s Sea Ranch application eligibility through the analysis of required data submitted. 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 unserved; 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.
11. Shapefiles, which mapped the broadband deployment, were reviewed by CD using sources including, but not limited to, the United States 2000 Census data, the January, 2008, Broadband Task Force Report, and the revised August 10, 2009, California Broadband Task Force (CBTF) map, among others. These maps helped to verify the existence or non-existence of broadband service areas and broadband speeds, where available.
12. CD verified this project and, when necessary, requested additional information and/or meetings with the applicant to clarify its project proposal. Of the three CBGs in this project, two were formally challenged. Subsequent review of the challenge revealed that Verizon California, Inc.'s proposed service area is not planned within the challenger's existing area. Therefore, CD determined that the CBGs covering the proposed area are qualified as unserved and underserved as defined in Resolution T-17143.
13. Verizon California, Inc. plans to construct new fiber optic line extending from the Timber Cove wire center to the Sea Ranch wire center. Connection with AT&T's Monte Rio wire center and other leased facilities will enable the backhaul of traffic to Verizon's Novato facilities. Three CBGs will receive at minimum speeds starting at 3 mbps download and 0.768 mbps upload.

14. The area to be served spans 40 square miles and the project will deliver service to 1506 rural households. The region is comprised of rugged terrain and, consequently, this proposed area is sparsely populated.
15. On October 16, 2009, Verizon modified its project proposal offering speeds of 7 mbps download and 0.768 mbps upload.
16. The Sea Ranch area of Verizon's Sea Ranch project should not be granted CASF funding at this time as it appears to be served by broadband speeds of 3 mbps download and 0.768 mbps upload. However, to the extent Verizon or Sea Ranch area residents provide factual support that they are not able to receive broadband speeds of 3/1, then, Verizon should consider re-filing its application for the Sea Ranch area in the future.
17. The total project cost of the Sea Ranch application, which consists of three service areas (the Sea Ranch area, the Timber Cove area and the Cazadero area) is \$4,137,000 with the 40% CASF subsidy amounting to \$1,664,800 and Contribution in Aid of Construction amounting to \$528,000 for a total CASF fund request of \$2,182,800.
18. CD recommends CASF funding for the Timber Cove and Cazadero area locations at this time. The estimated proposed area is approximately 20 square miles with service delivery to an estimated 408 households. The total project cost calculated at 30% of the original filing for these two locations is \$1,895,940 with a total CASF award of \$654,840.
19. As modified, the estimated households to be served is 408, or about 30% of the original 1,506 proposed in the project. Therefore, CD estimates a revised total project cost at 30% to be \$1,895,940 which includes a CASF award at 40% of the revised budget amounting to \$496,440 and Contribution in Aid of Construction request at 30% of the original amount, or \$158,400. Therefore for the Timber Cove and Cazadero areas, the total CASF award requested amounts to \$654,840 for the two locations with a matching fund amount from Verizon of \$586,260.
20. After its independent review and this singular proposal to deploy broadband in this specific area, CD determined the underserved Timber Cove area and the unserved Cazadero area of Verizon's Sea Ranch project application covering two CBGs as eligible to receive funding under CASF.
21. The posting of a performance bond is not required because Verizon California, Inc. indicated that its match of the 60% of the total project costs will come from its existing capital budget.
22. Under the Commission's Rulemaking (R.) 06-10-066, Verizon California, Inc. is categorically exempt from the California Environmental Quality Act (CEQA) requirements.
23. Verizon California, Inc. should comply with all guidelines, requirements, and conditions associated with the granting of CASF funds as specified in Resolution T-17143 including the submission of FCC Form 477 and compliance with the CEQA, among others.
24. A notice letter was emailed on October 21, 2009, informing a) all applicants CASF applicants filing for unserved and underserved areas and b) 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.

25. The Commission finds CD's recommendation of CASF award for the Timber Cove and Cazadero areas of the Verizon Sea Ranch project summarized in Appendix A of this Resolution to be reasonable and consistent with Commission orders and should be adopted.

**THEREFORE, IT IS ORDERED that:**

1. The California Advanced Services Fund shall award \$654,840 from the California Advanced Services Fund to Verizon California, Inc. for the Timber Cove and Cazadero areas of its Sea Ranch project for unserved and underserved areas as described in the Discussion section and summarized in Appendix A of this Resolution.
2. The posting of a performance bond by Verizon California, Inc. is not required for this project.
3. Verizon California, Inc. shall comply with all guidelines, requirements and conditions associated with the CASF funds award as specified in Resolution T-17143 including the submission of FCC Form 477 and compliance with the California Environmental Quality Act, among others.
4. The program fund payment of \$654,840 for this Commission-approved unserved and underserved project shall be paid out of the CASF fund in accordance with the guidelines adopted in Resolution T-17143.
5. 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.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on November 20, 2009. The following Commissioners approved it:

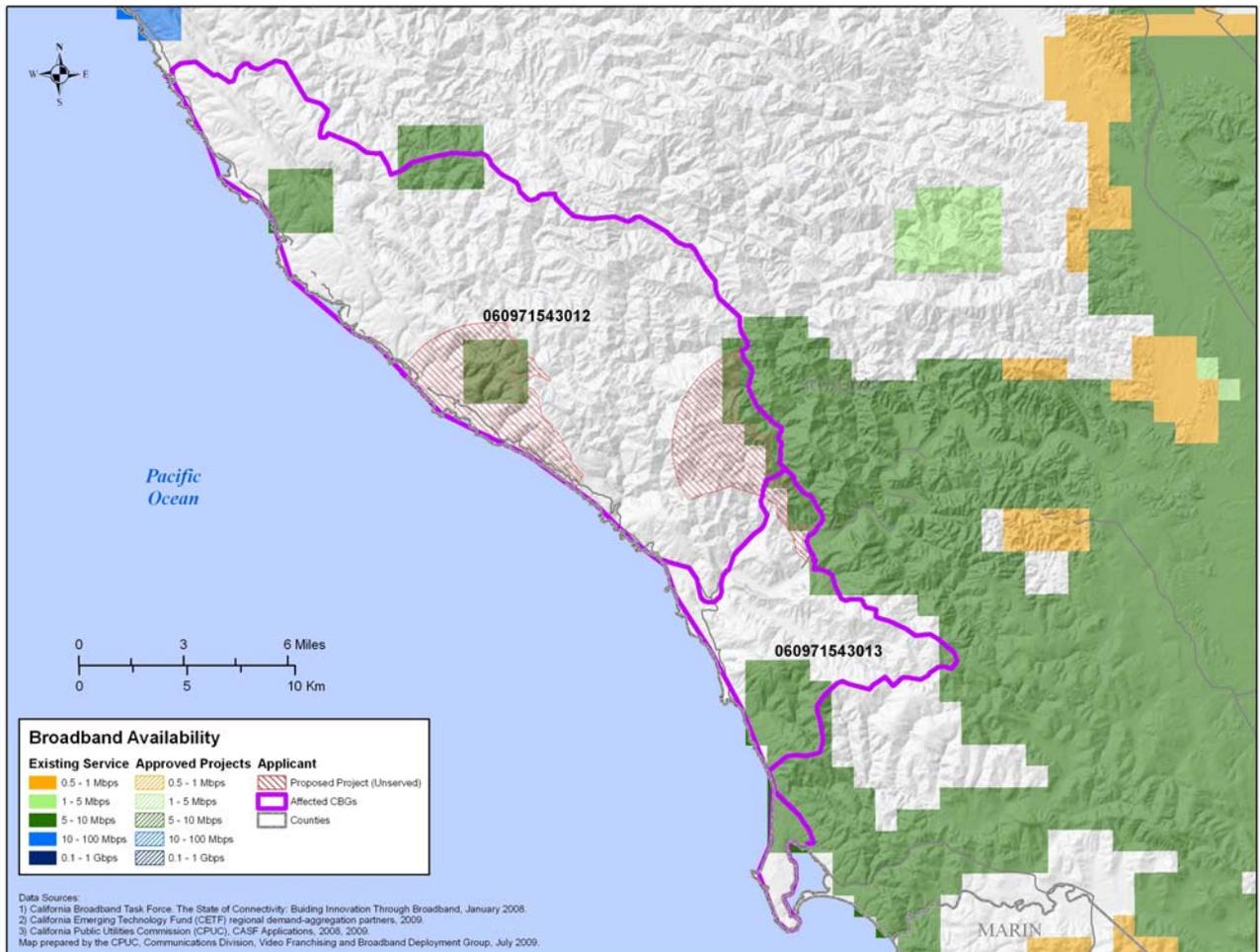
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PAUL CLANON  
Executive Director

**APPENDIX A**  
**Resolution T- 17238**  
**Verizon California, Inc. (U-1002-C)**  
**Cazadero and Timber Cove - Key Information**

<b>1</b>	<b>Project ID</b>	<b>Verizon California, Incorporated (U-1002-C)</b>	
<b>2</b>	<b>Project Name</b>	<b>Cazadero and Timber Cove Projects</b>	
	<b>Project Plan</b>	Construction of new fiber optic line extending from the Timber Cove wire center. Installation includes underground and aerial facilities within and adjacent to the Caltrans Highway 1 Right-of-Way. Connection with AT&T's Monte Rio wire center and other leased facilities will enable the backhaul of traffic to Verizon's Novato facilities.	
<b>4</b>	<b>Project Size (in square miles)</b>	20	
<b>5</b>	<b>Download speed</b>	7.0 mbps	
<b>6</b>	<b>Upload speed</b>	0.768 mbps	
<b>7</b>	<b>Location</b>	Sonoma County	
<b>a)</b>	<b>Community Name</b>		
		<b>Timber Cove</b>	
		<b>Cazadero</b>	
<b>b)</b>	<b>CBGs / Household Income</b>		
		60971543012	\$44,080
		60971543013	\$49,110
<b>c)</b>	<b>ZIP Codes</b>		
		95421	
		95450	
<b>8</b>	<b>Estimated Potential Subscriber Size</b>		
<b>a)</b>	<b>Households</b>	408	
<b>b)</b>	<b>Broadband Subscribers</b>	undetermined - est. 110	
<b>c)</b>	<b>Median Household Income in Proposed Project Location</b>	\$46,595	
<b>d)</b>	<b>Deployment Schedule (from Commission approval)</b>	10 months	
<b>9</b>	<b>Proposed Project Budget – Timber Cove &amp; Cazadero</b>		
<b>a)</b>	<b>Project Total</b>	<b>\$1,895,940</b>	
<b>b)</b>	<b>CASF (40%)</b>	\$496,440	
<b>c)</b>	<b>Contribution in Aid of Construction (CIAC)</b>	\$158,400	
<b>d)</b>	<b>Amount of CASF Funds Requested</b>	<b>\$654,840</b>	
<b>e)</b>	<b>Internally funded (60%)</b>	\$586,260	

**APPENDIX A**  
**Resolution T- 17238**  
**Verizon California, Inc. (U-1002-C)**  
**Cazadero and Timber Cove**  
**Shapefiles**



**APPENDIX A**  
**Resolution T- 17238**  
**Verizon California, Inc. (U-1002-C)**  
**Cazadero and Timber Cove Statewide Map**



END OF APPENDIX A