

D R A F T

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Carrier Oversight and Programs Branch**

**RESOLUTION T- 17238
December 17, 2009**

R E S O L U T I O N

**Resolution T-17238 Approval of Funding for The Sea Ranch Project the of
Verizon California, Inc. (U-1002-C) from California Advanced Services Fund
(CASF) Amounting to \$2,147,110**

Summary

This Resolution adopts funding for The Sea Ranch, Cazadero, and Timber Cove areas of The Sea Ranch project of Verizon California, Inc., (Verizon) amounting to \$2,147,110 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.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). 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. This decision also provides the potential for the applicants to seek CASF program funding

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

while pursuing funding for broadband deployment grants issued under the American Recovery and Reinvestment Act (ARRA).² 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 October 29, 2009, the \$15.12 million has been granted for 30 projects covering 4,942 square miles benefiting 41,209 potential households as follows:

- Unserved - \$11.64 million, 16 projects, 4,284 square miles, and 32,284 households
- Underserved - \$3.48 million, 14 projects, 658 square miles, and 8,925 households

Notice/Challenges

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 \$2,147,110 in CASF funding support for The Sea Ranch project. The project is described in detail in Appendix A.

Verizon submitted The Sea Ranch application consisting of three separate project area locations (i.e. The Sea Ranch, Timber Cove, and 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 of Certificate of Public Convenience and Necessity (CPCN) registration; descriptions of current and proposed broadband infrastructure; Geographic Information System (GIS)

² 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.

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. 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. CD also contacted local businesses and spoke to residents and service providers to validate the CBTF map data.

Cazadero

For the Cazadero area of The Sea Ranch application, CD verified that portions of the Cazadero area CBG are both served and unserved. A challenge filed with CD for two CBGs confirmed existing service around the proposed Cazadero project area. After a review of the challenger's existing service area and the CBTF maps, CD informed Verizon of its findings and Verizon agreed to revise its application to reflect only those parts of the CBGs that are unserved.

Although the CBTF maps show that there are existing speeds of 5-10 or 10-100 mbps in Cazadero, CD could not find evidence of such speeds. Further, since no challenges have been submitted to support the CBTF speed information, CD is allowing Verizon to retain the CBGs for the Cazadero project areas. CD, therefore, concludes that the Cazadero area qualifies for CASF funding.

Timber Cove

For 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, referred by the hotel, 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.

As in the Cazadero area, CD could not find evidence of speeds of 5-10 or 10-100 mbps, as reflected in CBTF, in Timber Cove. No challenges have also been submitted to date to support the CBTF speed information. Therefore, CD is allowing Verizon to retain the CBGs for the Timber Cove project areas and concludes that Timber Cove is eligible for CASF funding.

Sea Ranch

For The Sea Ranch area, the CBTF indicates service on the southwest end of the community at speed between 10-100 mbps. Central Valley Cable, Inc. (CVC), the local cable service provider based in Gualala, contacted CD to provide challenge information. CVC confirmed that it offers its highest speed service as 3 mbps download and 1 mbps (3/1 mbps) upload to local residents in The Sea Ranch.

CVC then submitted supporting documentation including speed tests conducted in four different locations within its service area, a list of subscribers of the 3/1 mbps Premium package who reside in various areas of The Sea Ranch, and a list of all its customers within its footprint. In addition, CVC explained to CD its most recent network improvements in The Sea Ranch as has added bandwidth for its customers over a period of 13 months. However, residents in The Sea Ranch have come forward with letters of support for Verizon's proposal indicating that the existing broadband DSL service is slower than the advertised 3/1 mbps and not deployed throughout the service area. Specifically, they have noted that CVC has concentrated existing service for The Sea Ranch mainly on the west coastal side of State Highway 1 and that homes on the east side of State Highway 1 and some pockets of the area are not served.

In response, Verizon submitted a revised project proposal on November 10, 2009, covering The Sea Ranch community to be served out of its Sea Ranch wire center. As reflected in the Project Map of Appendix A, Verizon plans to provide service in four pockets that are asserted to be unserved at this time, namely:

- North cluster - Equinox-Leeward and northeast Deer Trail-Halycon;
- Pine Meadow cluster;
- Verdant View cluster; and
- Yardarm-95480 cluster

Verizon estimates a total of 316 households in this portion of the project. In addition, Verizon states this fiber installation would improve the area's service reliability by moving feed off of copper wire from its central office and provide access to other service providers from The Sea Ranch middle mile backhaul. CD concludes that Sea Ranch, as modified, qualifies for CASF funding.

Verizon proposed to offer 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 with rates of \$49.25 monthly for the 7/0.768 mbps plan, \$45.25 monthly for the 1.5/0.768 mbps plan, and \$34.25 monthly for the 3/0.768 mbps plan.

The project as modified spans 20 square miles and census information available indicates approximately 539 households combined are in the project locations. Based on an estimated 27% subscribership rate, it is estimated that as many as 146 subscribers may sign up. The total cost of the revised project is \$4,069,580 with the 40% CASF subsidy amounting to \$1,627,832 and CIAC amounting to \$519,278 for a total CASF fund request of \$1,922,470.

In view of these findings, Verizon's The Sea Ranch project, as modified, is recommended for approval and award of CASF funding.

This project is subject to the California Environmental Quality Act (CEQA). The Commission cannot authorize the disbursement of funds, and Verizon cannot conduct ground disturbing activities, until the Commission has completed CEQA review. 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. 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

The Application Requirements and Guidelines on the awarding of CASF Funds³ 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.

³ Resolution T-17143

Event	Payment Cycle 1 (Day/Month)	Payment Cycle 2 (Day/Month)
Invoices due from Verizon California, Inc. 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

Verizon California 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 November 13, 2009, informing a) CASF applicants filing under D. 09-07-020 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 Verizon's The 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 California Advanced Services Fund (CASF) award for 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, should be adopted.

⁵ 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.

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, Timber Cove, and Cazadero areas) on August 25, 2009 seeking CASF funding for 40% of its project, or \$2,182,800.
7. 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 7mbps download and 0.768 mbps upload.
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 The 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 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.

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 within the challenger's existing area.
13. On November 10, 2009, Verizon modified its project proposal to include four clusters of service in The Sea Ranch community asserting that these are unserved.
14. The area to be served as modified spans 20 square miles and the project will deliver service to 539 households.
15. The total project cost of the Sea Ranch application, which consists of three service areas (The Sea Ranch, Timber Cove, and Cazadero areas) is \$4,069,580 with the 40% CASF subsidy amounting to \$1,627,832 and Contribution in Aid of Construction amounting to \$519,278 for a total CASF fund request of \$2,147,110.
16. After its independent review, CD determined Verizon's The Sea Ranch project, as modified, application covering three CBGs as eligible to receive funding under CASF.
17. This project is subject to the California Environmental Quality Act (CEQA) requirements. The Commission cannot authorize the disbursement of funds, and Verizon cannot conduct ground disturbing activities, until the Commission has completed CEQA review.
18. 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.
19. 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.
20. A notice letter was emailed on November 13, 2009, informing a) all CASF applicants filing under D. 09-07-020 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.
21. The Commission finds CD's recommendation of CASF award for Verizon's The 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 \$2,147,110 from the California Advanced Services Fund to Verizon California, Inc. for The 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 \$2,147,110 for this Commission-approved 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.

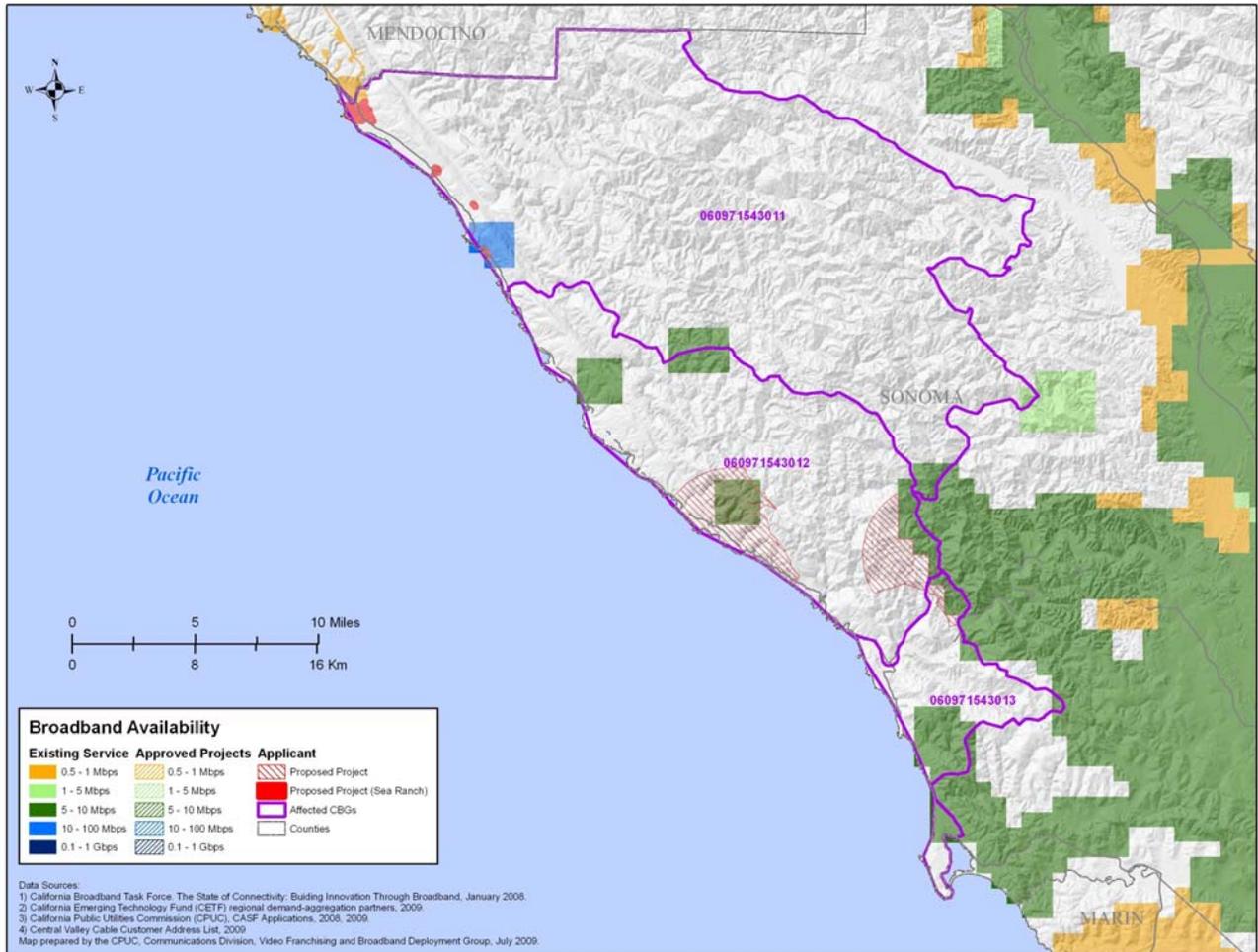
I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 17, 2009. The following Commissioners approved it:

PAUL CLANON
Executive Director

APPENDIX A
Resolution T- 17238
Verizon California, Inc. (U-1002-C)
The Sea Ranch Project - Key Information

1	Project ID	Verizon California, Incorporated	
2	Project Name	The Sea Ranch Project	
3	Project Plan	Construction of new fiber optic line extending from the Timber Cove wire center to The Sea Ranch 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.	
4	Project Size (in square miles)	20	
5	Download speed	7.0 mbps	
6	Upload speed	0.768 mbps	
7	Location	Sonoma County	
a)	Community Name		
		Timber Cove	
		Cazadero	
		The Sea Ranch	
b)	CBGs / Household Income		
		60971543011	\$76,621
		60971543012	\$44,080
		60971543013	\$49,110
c)	ZIP Codes		
		95412	
		95421	
		95450	
		95497	
8	Estimated Potential Subscriber Size		
a)	Households	539	
b)	Broadband Subscribers	146	
c)	Deployment Schedule (from Commission approval)	10 months	
9	Proposed Project Budget	-	
a)	Total	\$4,069,580	
b)	CASF (40%)	\$1,627,832	
c)	Contribution in Aid of Construction (CIAC)	\$519,278	
d)	Amount of CASF Funds Requested	\$2,147,110	
e)	Internally funded (60%)	\$1,922,470	

APPENDIX A
Resolution T- 17238
Verizon California, Inc. (U-1002-C)
The Sea Ranch Project
Shapefiles



APPENDIX A
Resolution T- 17238
Verizon California, Inc. (U-1002-C)
The Sea Ranch Project - Statewide Map



END OF APPENDIX A