PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Communications Division **RESOLUTION T- 17350**
Broadband Policy and Analysis Branch **July 12, 2012**

R E S O L U T I O N

Resolution T- 17350 Approval of Funding for the Grant Application of Verizon California, Inc. (U-1022-C) from the California Advanced Services Fund (CASF) Amounting to $329,040 for the Crowley Lake Underserved Broadband Project

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Summary

This Resolution adopts funding amounting to $329,040 from the California Advanced Services Fund (CASF) for the CASF grant application of Verizon California, Inc. for its Crowley Lake Project. The project will extend high-speed Internet service to the Crowley Lake and Swall Meadows communities in Mono County. The amount granted represents 40% of the total project cost plus Contribution in Aid of Construction (CIAC) of this 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).

[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.

On February 1, 2012, the Commission adopted Decision 12-02-015, which increased the maximum award amount to 60% of total project cost for projects in underserved areas and up to 70% of total project cost for projects in unserved areas. D. 12-02-015 also amended the definitions of underserved and unserved areas, among other modifications. This application is the last CASF grant application received under the rules established in Resolution T-17143. The rules established in D.12-02-015 apply to all future applications.

Notice/Protests

Communications Division (CD) staff posted the proposed area project map, census block groups (CBGs) and Zip Codes lists by county for the Verizon Crowley Lake project on the Commission's CASF website page under "Pending New CASF Applications to Offer Broadband as of September 20, 2011." CD received one challenge to the proposed project. Schat.net claims it can serve both communities of the proposed project at speeds of 3mbps download and 1 mbps upload (see map entitled "Verizon Crowley Lake Map – Challenge Area" in Appendix A, page A-3). CD staff investigated the challenge. Based on the information provided to CD, staff cannot verify the challenger's claim that it serves the communities of Crowley Lake and Swall Meadows at the required speeds. Therefore, CD denied the challenge.

Discussion

This Resolution adopts CD's recommended CASF funding award of $329,040 for the Crowley Lake Project. This award represents 40% of the total project cost ($693,000) plus Contribution in Aid of Construction (CIAC) of this underserved area application filed in accordance with Resolution T-17143. 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.

Verizon submitted this application on July 12, 2011, well before the Commission adopted Decision 12-02-015 on February 1, 2012. As such, CD staff evaluated the application based on the criteria established in Resolution T-17143. Verizon will be required to complete the project in compliance with Resolution T-17143. Finally, Verizon will be reimbursed in accordance with procedures instituted under Resolution T-17143, including speed requirements. Accordingly, Verizon is eligible for reimbursement of up to 40% of total project cost (plus CIAC) and must provide potential customers with service at speeds of 3 mbps download and 1 mbps upload.

Project Overview

On July 12, 2011, Verizon California, Inc. ("Verizon") submitted an application for CASF funding in underserved areas in Mono County comprising Crowley Lake and Swall Meadows.

The Crowley Lake project would include portions of one wire center in the southern part of Mono County along Highway 395, north of Bishop. Verizon currently offers voice telephone service to this wire center, but does not currently offer broadband to any portion of this wire center. The Crowley Lake wire center includes the community of Crowley Lake. In addition, the community of Swall Meadows served off of a remote facility adjacent to the Crowley Lake wire center would be included in the project.

The Crowley Lake project would consist primarily of the placement of Inter-Office Facility equipment in the Crowley Lake wire center, which requires upgrading to handle the increased volume of traffic, and placing fiber to the digital loop carrier site in Swall Meadows.

Finally, with the addition of the appropriate electronics in the Central Office, Verizon will be able to provision broadband services utilizing Digital Subscriber Line technology to customers at varying speeds dependent on the customer distance from the Central Office. The CBGs impacted by the project are 060510001014 and 060510001013.

Verizon targeted these areas for broadband deployment as part of Resolution T-17330, which provided it with the authority to deviate from California Public Utilities Code Section 320 along scenic Highway 395 in Mono County between Bishop and Mammoth Lakes.[2]

Verizon commits to a broadband pricing plan for one-year starting from the beginning date of service under the following terms:

Proposed (initial year) monthly subscription fee:	
1.1mbps-3.0mbps or 3.1mbps -7.0mbps plan (where available)	$45.25
0.5mbps-1.0mbps plan	$34.25

[2] Public Utilities Code Section 320 requires the underground placement of all communications or electric utility facilities within 1,000 feet of a scenic highway. In Resolution T-17330, the Commission approved Verizon's deviation request for approximately 32,000 feet of fiber optic cable it deployed along scenic Highway 395 in Mono County. As a condition of receiving the waiver, the Commission required Verizon to submit an application for a CASF grant to provide broadband to the communities of Swall Meadows and Crowley Lake. Verizon must offer service to these communities within 18 months of the approval of the resolution (July 28, 2011), regardless of the outcome of its CASF application.

Initial service connection charges

Shipping and Activation Charge	$25

Recurring rates

1.1mbps-3.0mbps or 3.1mbps-7.0mbps plan (where available)	$39
0.5mbps-1.0mbps plan	$28

Non-recurring charges

Modem	$50

Service restrictions: option to bundle with other services (if any)

Commitments, requirements that customers must meet, and/or equipment that they must purchase or lease, in order to receive the proposed service(s) (if any)

Requires existing Verizon wireline telephone service.
12 month Service Commitment – subject to a $99 ETF

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 2010 Census data and the revised June 30, 2011, 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 as outlined in Resolution T-17143. Other information reviewed includes: proof of a Certificate of Public Convenience and Necessity (CPCN) from the Commission; 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 Verizon's application, CD checked the CBGs as submitted in the project application and corrected the CBGs to conform to the 12-digit format and the 2010 Census. CD then confirmed the CBGs the applicant proposed to serve were underserved. 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 September 20, 2011" to offer interested parties the opportunity to challenge the proposed project areas. CD initially received no challenges. However, after reviewing data from the latest data submission round for the California Broadband Mapping Program that indicated that Verizon already served two neighborhoods in the proposed area, CD requested that Verizon clarify its service in the

proposed areas,. CD reviewed Verizon's response and reconfirmed that the project areas are underserved. On December 5, 2011, CD received a challenge from Schat.net, a wireless Internet service provider, asserting that the company already provided service in the proposed project areas.

Prior to its challenge, Schat.net had not provided the Commission with coverage information, nor had it registered with the FCC and submitted Form 477. CD staff assisted Schat.net in submitting its broadband service data for mapping purposes and also advised Schat.net to collect data that would help it prove it serves the communities in question at the required speeds. Normally, challengers supply CD staff with speed tests and the names of customers CD staff may contact to verify the assertions of service. CD staff can then resolve the challenge by contacting the customers to confirm service and by using broadband mapping data and the information contained in Form 477.

Although Schat.net asserts that it can provide broadband service at speeds of 3 mbps download and 1 mbps upload, no customers opt to pay for that service. The only evidence supporting the challenger's claim includes its unsubstantiated assertion that it provides service and unverifiable speed tests it submitted to CD staff. Since Schat.net did not submit Form 477 to the FCC, it provided CD staff with the number of customers it serves at each speed tier in the proposed project area. After reviewing the data, CD staff determined Schat.net's customer base did not support its claim that it served the two communities in question.

Moreover, other data the challenger submitted to the Commission contradicts its claim that it can serve the communities at the required speeds. Although it has not previously provided the Commission with Broadband Mapping data, Schat.net submitted information for the Commission's Fifth Round of data collection.[3] This data (see Appendix A page A-4) indicates Schat.net does not offer broadband service at speeds of 3 mbps download and 1 mbps upload in the communities of Crowley Lake and Swall Meadows.

After thorough examination, Schat.net did not convince CD staff that it could serve the communities as it claimed. On the Commission website, CD staff notes it will use whatever information it has in its review to determine whether a proposed CBG qualifies as unserved or underserved. Based on the information provided, CD staff cannot verify the challenger's claims and therefore cannot conclude the challenger is capable of serving the communities in question, especially when the data submitted by the challenger contradicts its assertions.

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[3] Pursuant to the NTIA's State Broadband Data and Development Grant Program, the CPUC must collect certain data regarding the availability of broadband services, the technology used to provide them and the location of certain broadband infrastructure for all broadband providers in California. Fifth Round information, scheduled to be available on California Interactive Broadband Map on June 1, 2012, reflects speed service data as of December 31, 2011.

Additionally, according to its website, the challenger charges customers at the 3/1 speed tier $149.95/month for service, over $100/month more than Verizon commits to charge potential customers for service at similar speeds. While the definition of "underserved area" in Res. T-17143 does not include a requirement that customers actually purchase the service and is silent regarding the price a provider should charge for service (*see* footnote 2 above), CD staff found it problematic to uphold a challenge that essentially is incompatible with the CASF mission of providing broadband access to those currently lacking it. Upholding the challenge may discourage consumers in Crowley Lake and Swall Meadows from receiving advanced communication services, and the economic and social benefits that flow from such services, because their best option is not at a price they can afford.

Given the information in its review and the above concerns, staff denied the challenge.

After denying the challenge, 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 Verizon's Crowley Lake 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 underserved
- 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 6 months, well within the 24 month period construction timeline required

Based on its review, CD determined that Verizon's grant application qualifies for funding as an underserved area and meets the requirements of Resolution T-17143. CD recommends Commission approval of CASF funding for Verizon's Crowley Lake project.

<u>Compliance Requirements</u>

The Application Requirements and Guidelines on the awarding of CASF Funds set forth in Resolution T-17143 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, Verizon 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.

Verizon should comply with all guidelines, requirements, and conditions associated with the granting of CASF funds as specified in Resolution T-17143 such as compliance with the California Environmental Quality Act (CEQA) and the submission of FCC Form 477, among others.

Payments to CASF Recipients

Submission of invoices from and payments to Verizon 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.

Event	Payment Cycle 1 (Day/Month)	Payment Cycle 2 (Day/Month)
Invoices due from Frontier West Coast, to CD	5th of Month 1	20th of Month 1
Payment letters from CD to Information and Management Services Division (IMSD) [4]	On 19th of Month 1	On 4th of Month 2
Invoices submitted from IMSD to State Controller's Office (SCO) for payments	20th through 26th of Month 1	5th through 13th 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.

[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.

Comments on Draft Resolution

In compliance with PU Code § 311(g), a notice letter was emailed on June 12, 2012, informing all members of the CASF distribution list of the availability of this Draft 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.

Findings

1. The Commission established the California Advanced Services Fund (CASF) in Decision (D.) 07-12-054 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. Verizon California, Inc. (U-1022-C) (Verizon) filed an application for CASF funding for its Crowley Lake project on July 12, 2011. The Crowley Lake broadband project will extend high-speed internet service to the communities of Crowley Lake and Swall Meadows, in the following two CBGs: 060510001014 and 060510001013.

4. CD staff posted the map, **c**ensus block group**s** (CBG**s**) and zip code**s** lists by county for the Verizon Crowley Lake project on the Commission's CASF website page under "Pending New CASF Applications to Offer Broadband as of September 2011."

5. CD received one challenge to the proposed project areas.

6. After thorough review, CD denied the challenge.

7. CD reviewed and analyzed data submitted for the Verizon Crowley Lake project CASF grant application to determine the project's eligibility for CASF funding. These data include, but are not limited to: proof of a Certificate of Public Convenience and Necessity (CPCN) from the Commission; 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.

8. CD reviewed the submitted shapefiles which mapped the proposed broadband deployment using United States 2010 Census data and the revised December, 2011 California Broadband Availability maps. These maps helped to verify the existence or non-existence of broadband service areas and broadband speeds, where available.

9. Based on its review, CD determined that the project qualifies for funding under Resolution T-17143 and recommends Commission approval of CASF funding for Verizon's Crowley Lake project.

10. The posting of a performance bond by Verizon is not required because 60% of the total project cost will be financed through Verizon's existing capital budget.

11. Verizon should comply with all guidelines, requirements, and conditions associated with the granting of CASF funds as specified in Resolution T-17143 such as compliance with the California Environmental Quality Act (CEQA) and the submission of FCC Form 477, among others.

12. The Commission finds the CD's recommendation to fund Verizon's Crowley Lake project as summarized in Appendix A to be reasonable and consistent with Commission orders and, therefore, adopts such recommendation.

13. A notice letter was emailed on June 12, 2012, informing all members of the CASF distribution list of the availability of this Draft 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.

THEREFORE, IT IS ORDERED that:

1. The Commission shall award funding of $329,040 from the California Advanced Services Fund to Verizon for the Crowley Lake underserved area broadband project as described in the Discussion section and summarized in Appendix A of this Resolution.

2. The program fund payment of $329,040 for this underserved project shall be paid out of the CASF fund in accordance with the guidelines adopted in Resolution T-17143.

3. 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.

4. The CASF fund recipient, Verizon, shall comply with all guidelines, requirements and conditions associated with the CASF funds award as specified in Resolution T-17143.

This Resolution is effective today.

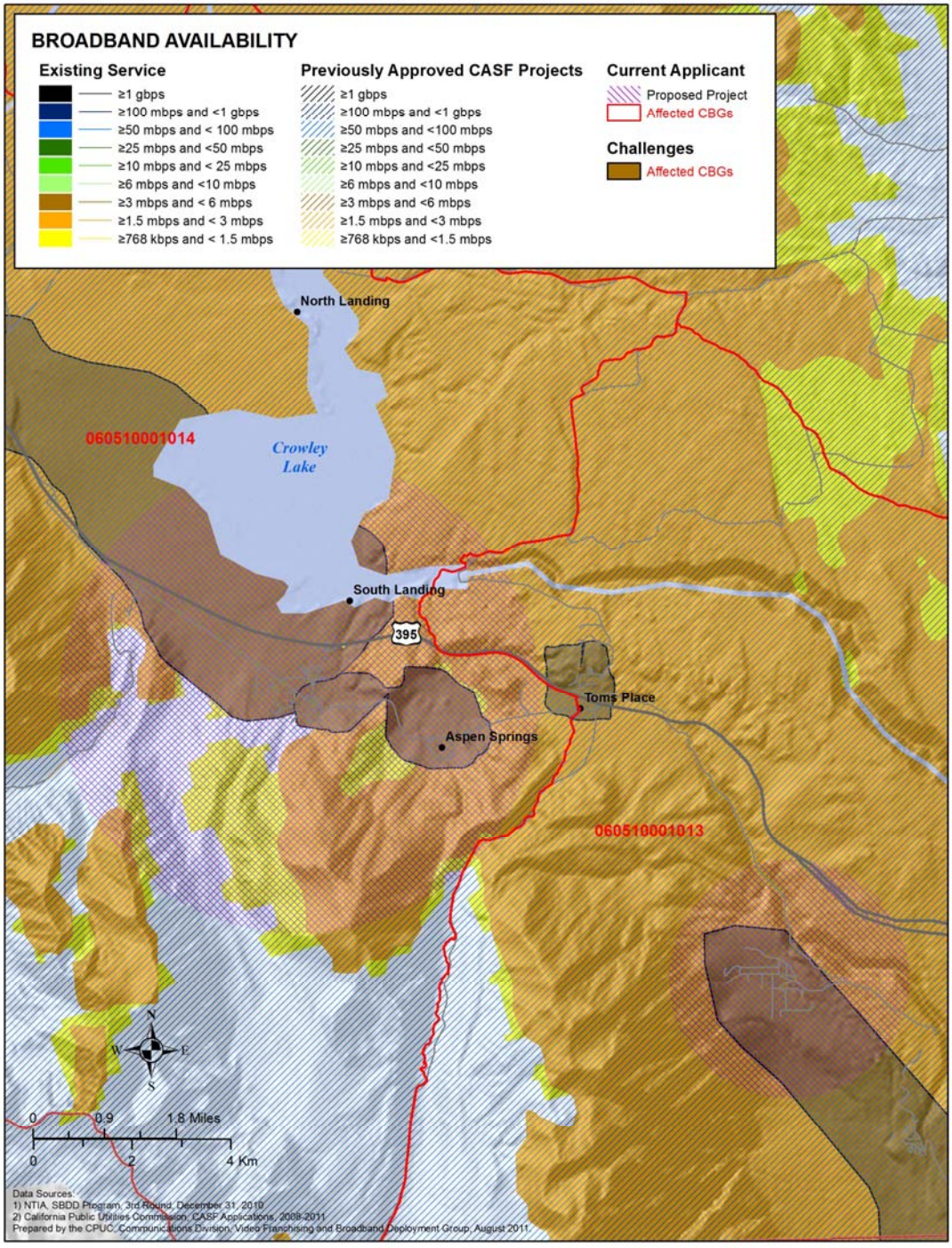
I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on July 12, 2012. The following Commissioners approved it:

PAUL CLANON
Executive Director

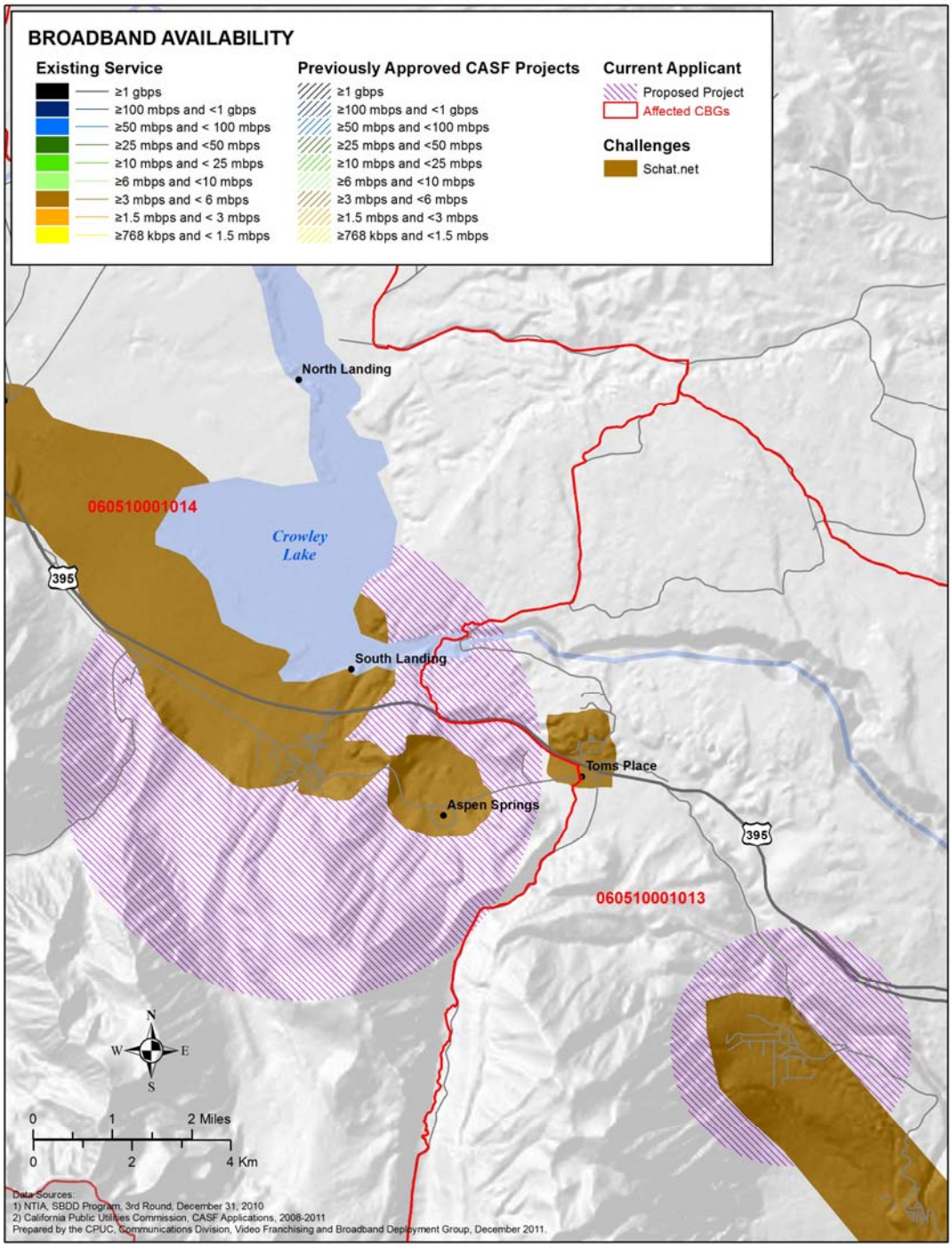
APPENDIX A
Resolution T- 17350
Verizon Crowley Lake Project
Key Information

Project Name	**Verizon Crowley Lake Project**		
Project Plan	The Crowley Lake project would consist primarily of the placement of IOF equipment in the Crowley Lake wire center and placing fiber to the DLC site in Swall Meadows.		
Project Size (in square miles)	1.19 square miles		
Download/upload speed (in Mbps)	3 Mbps/1 Mbps		
Location	Mono County		
Community Name	Crowley Lake & Swall Meadows		
CBGs/Household Income	060510001014/ $54,597		
	060510001013/ $54,597		
ZIP Codes	93514 & 93546		
Estimated Potential Subscriber Size Households/Subscribers	470		
Deployment Schedule (from Commission approval date)	6 months		
Proposed Project Budget	$693,000		
Total	$693,000		
Amount of CASF Funds Requested (40% + CIAC)	$329,040		
Internally funded (60% - CIAC)	$363,960		

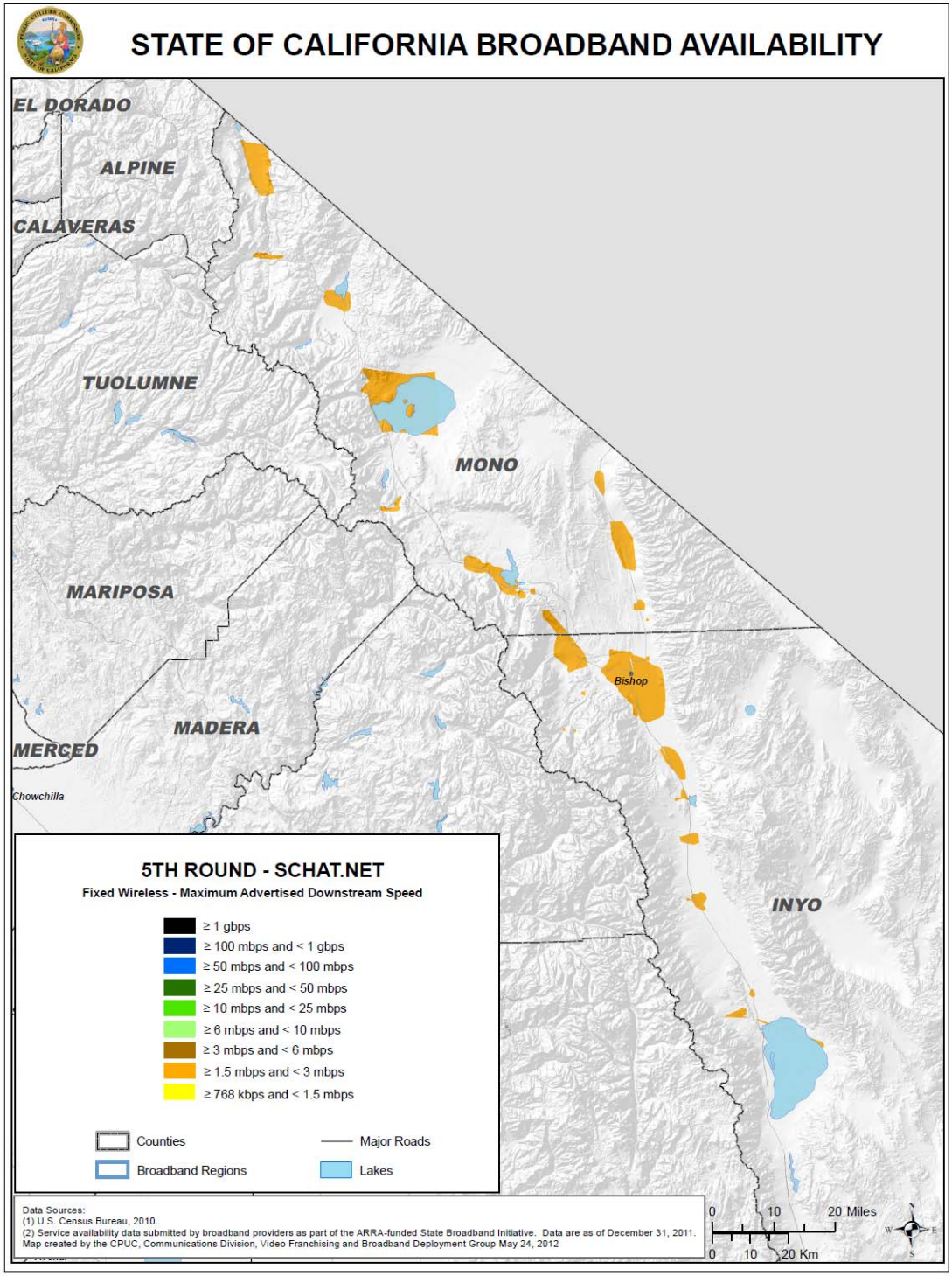
APPENDIX A
Resolution T- 17350
Verizon Crowley Lake Project Shapefiles



APPENDIX A
Resolution T- 17350
Verizon Crowley Lake Map – Challenge Area



APPENDIX A
Resolution T- 17350
Verizon Crowley Lake Map – Challenger's Broadband Mapping Round Five Data



END OF APPENDIX A