

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

**Communications Division  
Broadband, Policy and Analysis Branch**

**RESOLUTION T-17369  
August 23, 2012**

**D R A F T R E S O L U T I O N**

**Resolution T-17369. California Advance Services Fund Broadband  
Infrastructure Revolving Loan Program Application and Other Fees**

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**Summary**

This resolution sets the application and borrower fees associated with the California Advance Services Fund (CASF) Broadband Infrastructure Revolving Loan program.

**Background**

The California Advanced Services Fund (CASF), established in D.07-12-054, promotes the deployment of broadband infrastructure in unserved and underserved areas by providing grants to fund capital costs of eligible broadband infrastructure projects. Senate Bill (SB) 1040 (Stats. 2010, c. 317, codified at P.U. Code § 281) extended CASF indefinitely and expanded it to include three accounts: (1) Broadband Infrastructure Grant Account<sup>1</sup> (Infrastructure Grant), (2) Rural and Urban Regional Broadband Consortia Grant Account (Consortia Grant), and (3) Broadband Infrastructure Revolving Loan Account (Loan Account). The latter two accounts are intended to address the needs that are unmet under the original CASF program. In particular, the purpose of the Consortia Grant is to fund the cost of broadband deployment activities other than the capital cost of facilities, as specified by the Commission. P.U. Code § 281(d). The purpose of the Loan Account is to finance capital costs of broadband facilities not funded by an Infrastructure Grant. P.U. Code § 281(e). SB 1040 also increased the CASF fund from \$100 million to \$225 million as follows: funding for Infrastructure Grants increased by \$100 million while funding for Consortia Grants and the Loan Account was set at \$10 million and \$15 million, respectively. P.U. Code § 281(b)(1).

In D.12-02-015 (February 1, 2012), the Commission adopted rules to implement provisions of Senate Bill (SB) 1040 relating to the Infrastructure Grant and Loan Account. Appendices 1 and 2 of that decision set forth details of the application

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<sup>1</sup> Senate Bill 1193 (Stats. 2008, c.393) established the CASF as a new universal service program geared towards the deployment of broadband infrastructure in unserved and underserved areas in California.

requirements and guidelines for the Infrastructure Grant and the Loan Account, respectively. Some of the key provisions that the Commission adopted in D.12-02-015 include:

- A new maximum CASF grant award of 70 percent of project costs for unserved areas and 60 percent for underserved areas;
- A new definition of an underserved area, where broadband is available, but no wireline or wireless facilities-based provider offers service at advertised speeds of at least 6 mbps download and 1.5 mbps upload; and
- A new revolving Loan Account to provide supplemental financing for projects also applying for CASF grant funding (up to 20% of projects costs, with a maximum of \$500,000), utilizing the same project and applicant eligibility requirements as the Broadband Infrastructure Grant Account.

As prescribed in section II.F of Appendix 2 of D.12-02-015, the Commission adopts in this resolution fees associated with a Loan Account application and fees that approved borrowers will pay for the identified services.

**Discussion**

The Commission establishes the following fees associated with an application and servicing of a CASF loan issued from the Loan Account. Communications Division (CD) staff contacted several state agencies which manage revolving loan programs to learn best practices on the development and managing of a revolving loan program and to also compare the estimated costs incurred in the servicing and underwriting of loans. The estimated application and loan fees provided below are comparable to fees set by other government agencies for similar services and are determined to be reasonable.

To cover costs associated with the processing of a loan application, a CASF loan applicant must pay the following application fees. The application fee and out of pocket expenses related to the application are non-refundable:

Item	Fee Description	Amount
<b>Loan Application Fees</b>		
1	Loan application fee (includes credit report)	\$250
2	Out of pocket expenses (as applicable) (e.g., notary fees, state Uniform Commercial Code (UCC) searches of filings with the state’s Secretary of State for financing statements and lien documents, recordings with state UCC. UCC fees vary by state. For example, if a company is incorporated in Delaware, the cost for a UCC search in the state of Delaware is estimated to be \$217).	Varies by Applicant

If approved for a CASF loan, the borrower must pay the following borrower fees, as applicable:

Item	Fee Description	Amount
<b>If Approved for a CASF Loan, Loan Borrower Fees</b>		
3	Loan documentation fee (i.e. Loan Agreement Documents)	\$250
4	Loan documentation amendments prior to recording (if applicable)	\$150
5	Modification of "initial loan terms" fee in excess of one per year (if applicable) (modification request started by borrower)	\$5
6	Modification of initial Account Clearing House (ACH) structure (if applicable) (per occurrence)	\$25
7	Borrower requested additional copy of the year end statement (if applicable) (The Commission will provide one copy at no cost)	\$10
8	Insufficient funds fee (if applicable)	\$25
9	Insufficient funds replacement payment via ACH (if applicable)	\$17*
		* Subject to change based on bank rates
10	Late fee as agreed to in the loan agreement document (if applicable).  A late fee will be charged on any payment not made within 10 business days after the monthly payment due date agreed upon on the loan agreement documents. The borrower will be responsible to pay the late fee in addition to all amounts due under the monthly installment payment (i.e. interest plus principal)	5% of the Monthly Installment Payment Due
11	If repayment of loan is made by check, a check payment processing fee per month (if applicable)	\$15
12	Collection and liquidation on defaulted loans (if applicable)	The loan agreement document will specify that the borrower is responsible for all fees associated with the collection and liquidation on defaulted loans incurred by the Commission and the servicing partnering agency

CD staff will inform the CASF distribution list and post on the CASF website the process for remittance of the above fees.

### Comments on Draft Resolution

In compliance with PU Code § 311(g), a notice letter was emailed on July 24 2012, to parties on the service lists of Rulemaking (R.) 10-12-008 and R.06-06-028, to CASF applicants, and to telecommunications carriers registered with the Commission of the availability of the draft of this resolution for public comments at the Commission's web site <http://www.cpuc.ca.gov>. This letter also informed parties that the final

resolution adopted by the Commission will be posted and available at the same web site.

### **Findings and Conclusions**

1. Senate Bill (SB) 1040 (Stats. 2010, c. 317, codified at California Public Utilities (P.U.) Code section 281) extended CASF indefinitely and expanded it to include three accounts: (1) Broadband Infrastructure Grant Account; (2) Rural and Urban Regional Broadband Consortia Account, and (3) Broadband Infrastructure Revolving Loan Account.
2. Pursuant to P.U. Code Section 281(d), the purpose of the Rural and Regional Urban Consortia Grant Account (Consortia Grant) is to fund the cost of broadband deployment activities other than the capital cost of facilities, as specified by the Commission.
3. Pursuant to P.U. Code Section 281(e), the purpose of the Broadband Infrastructure Revolving Loan Account (Loan Account) is to finance capital costs of broadband facilities not funded by a grant from the Broadband Infrastructure Grant Account (Infrastructure Grant).
4. SB 1040 increased the CASF fund from \$100 million to \$225 million as follows: funding for Infrastructure Grants increased by \$100 million while funding for Consortia Grants and the Loan Account was set at \$10 million and \$15 million, respectively. P.U. Code § 281(b)(1).
5. In D.12-02-015 (February 1, 2012), the Commission adopted rules to implement provisions of SB 1040 relating to the Infrastructure Grant and Loan Account. Appendices 1 and 2 of that decision set forth details of the application requirements and guidelines for the Infrastructure Grant and the Loan Account, respectively.
6. As prescribed in section II.F of Appendix 2 of D.12-02-015, the Commission adopts in this resolution fees associated with a Loan Account application and fees that approved borrowers will pay for the identified services. CD staff will inform the CASF distribution list and post on the CASF website the process for remittance of the above fees.
7. A notice letter was emailed on July 24, 2012, informing the parties of record in Rulemaking (R.) 10-12-008 and R.06-06-028, CASF applicants, and telecommunications carriers registered with the Commission of the availability of the draft resolution for public comments at the Commission's web site <http://www.cpuc.ca.gov>.

**THEREFORE, IT IS ORDERED that:**

1. The Broadband Infrastructure Revolving Loan Account application and borrower fees are as follows:

To cover costs associated with the processing of a loan application, a CASF loan applicant must pay the following application fees. The application fee and out of pocket expenses related to the application are non-refundable:

Item	Fee Description	Amount
<b>Loan Application Fees</b>		
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6	Modification of initial Account Clearing House (ACH) structure (if applicable) (per occurrence)	\$25
7	Borrower requested additional copy of the year end statement (if applicable) (The Commission will provide one copy at no cost)	\$10
8	Insufficient funds fee (if applicable)	\$25
9	Insufficient funds replacement payment via ACH (if applicable)	\$17*
		* Subject to change based on bank rates
10	Late fee as agreed to in the loan agreement document (if applicable).  A late fee will be charged on any payment not made within 10 business days after the monthly payment due date agreed upon on the loan agreement documents. The borrower will be responsible to pay the late fee in addition to all amounts due under the monthly installment payment (i.e. interest plus principal)	5% of the Monthly Installment Payment Due
11	If repayment of loan is made by check, a check payment processing fee per month (if applicable)	\$15

<b>Item</b>	<b>Fee Description</b>	<b>Amount</b>
12	Collection and liquidation on defaulted loans (if applicable)	The loan agreement document will specify that the borrower is responsible for all fees associated with the collection and liquidation on defaulted loans incurred by the Commission and the servicing partnering agency

2. CD staff will inform the CASF distribution list and post on the CASF website the process for remittance of the above fees.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on August 23, 2012. The following Commissioners approved it:

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PAUL CLANON  
Executive Director