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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Telecommunications Division
Market Structure Branch**

**RESOLUTION T-16945
June 16, 2005**

R E S O L U T I O N

Resolution T-16945. Rural Telecommunications Infrastructure Grant Program.

Resolution Authorizing the Disbursement of Funds for Grants from California High Cost Fund A for the Community of Charleston View in Inyo County.

SUMMARY

As part of the Rural Telecommunications Infrastructure Grant Program, this resolution grants a disbursement of \$1,313,251 in funds from the California High Cost Fund A to the community of Charleston View to establish a fiber optic-based, passive optical network line extension to provide telecommunications infrastructure to the community.

BACKGROUND

Legislation and Rulemaking

California Assembly Bill (AB) 140 (Ch. 903, Stats. 2001) created the Rural Telecommunications Infrastructure Grant Program. The first of its kind in the nation, the program provides grants of up to \$2.5 million per project, with total grant funding of \$10 million per year, for construction of telecommunications infrastructure to low-income, rural communities currently without telephone service. The legislation required the California Public Utilities Commission (CPUC or Commission) to develop eligibility criteria for community-based groups to apply for grants and establish a government-industry working group to develop technical criteria for use in evaluating grant applications.

On February 27, 2003, the Commission issued an Order Instituting Rulemaking (Rulemaking 03-02-034) to develop application eligibility criteria. After consideration of

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comments, the Commission issued an interim decision adopting an application process and eligibility criteria for the grant program on September 18, 2003 (Decision 03-09-071). On March 17, 2005, the Commission subsequently issued Decision 05-03-005 which adopted the interim grant program administration rules from D.03-09-071 as final rules and closed the Rulemaking.

Previous Year's Grants Program (2003-04)

The PUC received three applications for grants during the first year funding cycle. On June, 8, 2004, the Commission approved Resolution T-16846, providing funding for all three projects. The Yurok Tribe in Humboldt County was awarded \$2,500,000.00 for a wireline telecommunications project. The community of Iowa Hill in Placer County was awarded \$1,834,900.00 for a combination wireless and wireline infrastructure project. Trinity County was awarded \$2,500,000.00 to build ten cell tower sites throughout the county.

Application Process

The application process is divided into two phases: Phase 1 is the qualifying phase, in which applicants must provide information required in the legislation (information about their community and its residents, financial information, letters of support from the local government and other affected governmental agencies, letters of support from 75% of the identified residential community, and identity of the fiscal agent). Upon the successful completion of Phase 1, applicants are required to submit more detailed Phase 2 information consisting of items such as feasibility and construction cost studies. For fiscal year 2004-05, Phase 1 Applications were due on February 15, 2005, and Phase 2 Applications were due by May 2, 2005.

Statewide Public Information Meetings

During the first year of the grants program (2003-04), the Telecommunications Division (TD) staff held public meetings throughout the state to inform community groups of the application process and to answer questions of potential applicants. Meetings were held throughout the state in locations such as Coachella, Independence, Lakeport, Eureka, and Susanville. TD staff also sent about 1,900 meeting notices with program information to local government entities and community-based groups.

For this year's funding cycle, , TD sent out some 3,000 notices in December 2004 to local government entities and community-based groups informing them of the program and soliciting grant applications. Dozens of phone calls were received from potential applicants.

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The Government Industry Working Group

The enabling legislation required the CPUC to establish a Government-Industry Working Group (GIG) to develop the technical criteria for use in evaluating grant applications. In Decision 03-09-071, the Commission approved working group representatives from SBC California, Verizon, CPUC staff, and the following individuals: Former Assembly Member Virginia Strom-Martin, Steve Bowen of the Bowen Law Group, and Regina Costa from TURN. The decision also approved membership of one representative each from the CLEC industry and wireless sector and directed Telecommunications Division staff to fill those vacancies with qualified representatives. Jeff Compton of Telscape Communications and Chris Johnson of T-Mobile were subsequently chosen to fill those respective slots.

The GIG held its first meeting on February 23, 2004 to discuss technical criteria for evaluating grant applications. Several additional meetings were held via teleconferencing in April and May 2004 to finalize the technical criteria for evaluating grant applications. Criteria include determining consistency with the enabling legislation, technical feasibility, a determination that the chosen technology is a cost effective telecommunications application, that the program exhibits a sound work plan, and the project will provide real public benefit to the served community. When the GIG met in May 2005 to consider the current proposals, these technical criteria were applied.

DISCUSSION OF APPLICATION

Community of Charleston View in southeastern Inyo County

By the February 15, 2005 deadline, the CPUC received a Phase 1 application from the County of Inyo on behalf of the community of Charleston View located in Southeastern Inyo County. TD staff reviewed the application and found it compliant with all necessary requirements of the Phase 1 process. The County of Inyo was notified they were officially qualified and eligible to submit a Phase 2 Application, the feasibility study detailing the engineering and construction costs aspects of their projects. They submitted a Phase 2 Application by the May 2, 2005 deadline.

The community of Charleston View is located in an arid desert region on the edge of Death Valley. The area shares many of the geologic and climatic conditions found in Death Valley. In this part of the state, most of the land is owned by public and governmental agencies. The little land available for private use is found in a private subdivision known as Spring Valley Ranchos which in the 1960s was subdivided into more than 2,200 lots and marketed via direct mail. At the time of the subdivision's development, no utility infrastructure was required to be built to the individual

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dwelling and to this day the individual residents are responsible for providing their own water and sewage disposal by septic system. A network of unpaved roads was constructed that connect to the county road and state highway that traverses the development. Most parcels remain undeveloped and less than 1% have dwelling units. The community has a population of 38 permanent residents and approximately 20 housing units. The nearest facilities, amenities, and commercial establishments are 24 or more miles away from residents. Several miles of uninhabited desert separate residents from one another. The Charleston View remoteness presents unique challenges for emergency services and public safety. Charleston View is located in unfiled territory approximately 23 miles north east of SBC's Shoshone Exchange. The SBC Nevada exchange of Pahrump abuts the property at the Nevada-California state line.

The County of Inyo is proposing a fiber optic-based, passive optical network (PON) architecture to provide telephone services to Charleston View. Initially, plain old telephone service (POTS) will be provided over the new facilities to the unserved areas through the establishment of an Inyo County-sponsored Local Exchange Carrier. Additionally, the design of the passive optical network will be capable of supporting high-speed data and video services as well. Inyo County will be investigating the possibility of providing broadband data services to the community through additional investment. Any costs for additional services or extending service incrementally to additional residences will be paid for by Inyo County either through direct investment or RUS grants or loans.

Funding Recommendations

On May 13, 2005, the GIG conducted a thorough, unbiased review of the community of Charleston View Application. The GIG evaluated the application, measuring it against developed technical criteria, determining it consistent with requirements of the legislation, technically feasible, a cost effective chosen technology, exhibiting a sound work plan, and achieving real public benefit. The GIG recommends full funding of the proposal, subject to the applicant providing clarification of certain technical issues. TD has reviewed this recommendation and has prepared this resolution.

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NOTICE/PROTESTS

The Telecommunications Division concludes that the applications filed by the County of Inyo for Charleston View meets the requirements set forth in California Assembly Bill 140 (Ch. 903, Stats. 2001) and Commission Decisions 03-09-071 and 05-03-005 and recommends that the Commission approve the grant application. Commission approval is based on the specifics found in the Phase 2 Application, and does not establish a precedent for the contents of future filings or for Commission approval of similar requests.

FINDINGS

1. The County of Inyo timely submitted a Rural Telecommunications Grant Application for wireless telecommunication network infrastructure in the amount of \$1,313,251.
2. The Government-Industry Working Group has conducted a thorough, unbiased review of the application, measuring it against established technical criteria, and recommends full funding of the proposal subject to the applicant providing clarification of certain technical issues.
3. The source of the funds for these grants is the California High Cost Fund A.
4. The Telecommunications Division concludes that the application meets the requirements established by California Assembly Bill 140 and Commission Decisions 03-09-071 and 05-03-005.

THEREFORE, IT IS ORDERED that:

For the Rural Telecommunications Infrastructure Grant Program, funds shall be granted from the California High Cost Fund A to the County of Inyo to develop

1. A fiber optic-based, passive optical network (PON) architecture to provide telephone services to the unserved community of Charleston View in the amount of \$1,313,251.
2. The Commission's Information and Management Services Division is authorized to enter into an agreement with the fiscal agent the County of Inyo in the amount of \$1,313,251.

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This Resolution is effective today.

I hereby certify that the Public Utilities Commission at its regular meeting on June 16, 2005 adopted this Resolution. The following Commissioners approved it:

STEVE LARSON
Executive Director