

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Telecommunications Division
Market Structure Branch**

**RESOLUTION T-17012
April 13, 2006**

R E S O L U T I O N

Resolution T-17012. Rural Telecommunications Infrastructure Grant Program.

Resolution Authorizing The Disbursement Of Funds For Additional Grant Funding From California High Cost Fund A.

SUMMARY

As part of the Rural Telecommunications Infrastructure Grant Program, this resolution grants the disbursement of additional funding in the amount of \$245,000 from the California High Cost Fund A to the community of Iowa Hill in Placer County. On June 8, 2004, the commission granted funding in the amount of \$1,834,900 to fund a combination Wireless Transport Link and Wireline Distribution Infrastructure to the community of Iowa Hill in Placer County. Due to additional environmental review costs and cost increases for copper cable and labor, the additional funding is necessary to complete the project.

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 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.

Iowa Hill Grant Project

The Iowa Hill project was one of three grant applications received by the CPUC during the program's first year funding cycle (2003-4). On June, 8, 2004, the Commission approved Resolution T-16846, providing funding for all three projects. The community of Iowa Hill in Placer County was awarded \$1,834,900.00 for a combination wireless and wireline infrastructure project.

The complex process associated with securing the required approvals to begin the project took much longer than Placer County had anticipated. On February 15, 2006, via letter, Placer County formally requested additional funding in the amount of \$245,000 to cover costs associated with unanticipated Environmental Impact Review (EIR) requirements, increased costs of the copper cable and increased labor costs associated with prevailing wage requirements.

DISCUSSION OF PROJECT AND REQUEST FOR ADDITIONAL FUNDING

The community of Iowa Hill is located in rural Placer County; the area is east of Colfax and north of Foresthill. It is a low-income community of about fifty families struggling without phone service and holds the distinction of having the only U.S. Post Office in the state of California without telephone service. In addition to the fifty residences, there is a volunteer fire department, the Iowa Hill School, and a small general store. The general store has recently discontinued accepting food stamps, since the Government Food Stamp program is now administered by Citibank on an electronic level and requires a telephone connection. This change has been detrimental to the folks in Iowa Hill who rely on food stamp assistance.

Iowa Hill's proposal is to build a combination Wireless Transport Link and Wireline Distribution Infrastructure project. The wireless transport system consisting of two towers and associated equipment will connect from the town of Colfax to Iowa Hill. Since Iowa Hill does not have commercial power service, the proposed power source includes a solar array and battery chain equipped with a supplemental LP and diesel

generator. From the Iowa Hill tower site, the distribution facilities will include buried copper cable to all known potential subscribers of the Iowa Hill Community. It is estimated 22 miles of telecommunication outside plant will be placed, including main distribution routes and individual subscriber drops. At the time of the original application, the overall cost of the project was estimated at \$1,834,900, including construction cost estimates, associated engineering, design, and fiscal agent expenses.

Due to the complex process associated with securing the required approvals to begin the project, project implementation has been delayed. Costs associated with the environmental review requirements have added an additional \$25,000 to the cost of the project. Rising fuel costs and high demand caused by the rebuilding of the Gulf coast states affected by hurricane Katrina have increased the price of copper cable substantially in recent months, resulting in the need for an additional \$220,000 in funding to complete the project. In total, an additional \$245,000 in funding is necessary to move the project to completion in a timely manner.

Funding Recommendations

The Telecommunications Division (TD) recommends granting the additional funding request in the amount of \$245,000. This will bring total funding for the Iowa Hill Placer County Rural Telecommunications Infrastructure grant to \$2,079,800. This is below the \$2,500,000 project cap limitation in the enabling legislation. It is also less than the \$10,000,000 total funding cap per year requirement of the enabling legislation. There are sufficient funds in High Cost Fund A to cover this additional amount. TD has reviewed this recommendation and has prepared this resolution.

Notice/Protests

The Telecommunications Division concludes that the applications filed by the Iowa Hill community and Placer County meet the requirements set forth in California Assembly Bill 140 (Ch. 903, Stats. 2001) and Commission Decisions, D. 03-09-071 and D. 05-03-005 and recommends that the Commission approve the request for additional funds. Commission approval is based on the specifics found in this Resolution and does not establish a precedent for the contents of future filings or for Commission approval of similar requests.

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code Section 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

Findings

1. Iowa Hills did timely submit a Rural Telecommunications Grant Application for wireless telecommunication network infrastructure in the amount of \$1,834,900.
2. Resolution T-16846 granted funding for the Iowa Hill Grant Application.
3. Additional funding in the amount of \$245,000 is necessary to timely complete the Iowa Hill Rural Telecommunication Infrastructure Grant project.
4. The source of the funds for these grants is the California High Cost Fund A.
5. There is sufficient funds in the CHCF-A to cover the additional cost of the project.
6. The Telecommunications Division concludes that the application meets the requirements established by California Assembly Bill 140 and Commission Decisions, D. 03-09-071 and D. 05-03-005.

THEREFORE, IT IS ORDERED that:

1. For the Rural Telecommunications Infrastructure Grant Program, funds shall be granted from the California High Cost Fund A to the community of Iowa Hill and Placer County in the amount of \$245,000 or less.
2. The Commission's Information and Management Services Division is authorized to enter into an agreement with the fiscal agent Placer County in the amount of \$245,000.

This Resolution is effective today.

I hereby certify that the Public Utilities Commission at its regular meeting on April 13, 2006 adopted this Resolution. The following Commissioners approved it:

/s/ STEVE LARSON

STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
President
GEOFFREY F. BROWN
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
Commissioners