

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Carrier Oversight and Programs Branch**

**RESOLUTION T- 17402
September 5, 2013**

R E S O L U T I O N

Resolution T-17402. Affirms the rejection of Resolution T-17382 that resulted in the denial of the Rural Telecommunications Infrastructure Grant Program request for the Channel Islands Telephone Company grant project; reimbursement approval for CITC Phase 2 Preparation Costs; and additional funds approval for the California Environmental Quality Act review contract.

By Advice Letter 2, filed on May 20, 2013

Summary

On May 20, 2013, the Channel Islands Telephone Company (CITC), a certificated telephone company in California (U-7086-C), filed Advice Letter (AL) 2 requesting the issuance of a formal written opinion regarding Resolution T-17382. Resolution T-17382 was rejected by a vote of Commissioners at the March 21, 2013, Commission meeting.

This resolution affirms the rejection of T-17382, which resulted in the denial of CITC's Rural Telecommunications Infrastructure Grant Program (RTIGP) request, for \$2,693,000. This resolution also approves \$93,791.31 to reimburse the CITC for Phase 2 preparation costs, and \$18,000 to increase the Energy Division's California Environmental Quality Act (CEQA) review, contract No. 08PW5758.

Background

Legislation and Rulemaking

Public Utilities (PU) Code Section 276.5 sets forth the provisions for the RTIGP. At the time of the CITC's grant request, individual RTIGP grants were limited to \$2.5 million from the California High Cost Fund-A (CHCF-A) Administrative Committee Fund for

construction of telecommunications infrastructure to low-income, rural communities currently without telephone service. Subsequent legislation has increased the RTIGP to five million dollars per project. ¹ The RTIGP was established by Assembly Bill 140 ² in 2001, and was amended later to extend the program to January 1, 2013, by Senate Bill 1149. ³

Under RTIGP legislation, the California Public Utilities Commission (Commission) was required to develop an application process and eligibility criteria for the grant program and establish a government-industry working group to review the technical criteria of the grant application. On February 26, 2003, the Commission issued an Order Instituting Rulemaking (R.) 03-02-034 ⁴ to develop the application eligibility criteria. After considering comments, the Commission issued an Interim Decision (D.) 03-09-071 ⁵ adopting an application process and eligibility criteria for the grant program on September 18, 2003. On March 17, 2005, the Commission issued D.05-03-005 ⁶ which adopted the interim grant program administration rules of D.03-09-071 as final rules.

Application Process

The RTIGP application process is divided into two phases: Phase 1 is the qualifying phase, in which applicants must provide information required by statute. This includes information about the community to be served, 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 identification of a fiscal agent. Upon successful completion of Phase 1, an applicant may submit a Phase 2 Application, detailing the feasibility study and the construction cost study. The application process also allows an applicant who has been approved for Phase 1, but is denied Phase 2 approval, to recover the cost of the Phase 2 application process from the grant funds.

CITC Project Description

There are eight Channel Islands located off the coast of Ventura County, which include San Miguel, Santa Rosa, Santa Barbara, Anacapa, Santa Cruz, San Nicholas, San Clemente and Santa Catalina Island. The CITC project proposed to provide telephone

¹ Stats. 2008, Ch. 358. SB 1149-Wiggins

² Stats. 2001, Ch.903, AB 140- Strom-Martin Rural Telecommunications Infrastructure Grant

³ Stats. 2008, Ch. 358. SB 1149-Wiggins

⁴ Order Instituting Rulemaking Into Implementation of AB 140, establishing the Rural Telecommunications Infrastructure Grant Program, Feb. 27, 2003.

⁵ Interim Opinion On Implementation Of The Rural Infrastructure Grant Program, Sept. 18, 2003.

⁶ Opinion Closing Proceeding, March 17, 2005.

service to four of the eight Channel Islands, which are the northern Channel Islands of San Miguel, Santa Barbara, Santa Cruz, and Santa Rosa.

CITC has asserted that the proposed project is needed because park visitors and National Oceanic and Atmospheric Administration (NOAA) staff currently have limited ability to communicate between locations within the Channel Islands National Park and with personnel and other contact points on the mainland. In addition, the project would have provided communication in the case of an emergency or accident to allow for swifter emergency response for the estimated 61,000 annual visitors to the islands.

The proposed project would have provided payphones and wireless service at campground sites and certain public areas on the four islands, specifically located on areas of the islands within an approximate 0.5-mile radius of fifteen proposed facility locations, as listed in the denied draft Resolution T-17382. The fifteen locations were studied in the Mitigated Negative Declaration prepared pursuant to the required California Environmental Quality Act review.⁷

Currently, the islands have a very high frequency radio system that allows communication among radio-equipped ranger stations on the islands, as well as from hand-held radios. Satellite internet service is also available at some ranger stations that allow secure access to government internet provider addresses on the mainland. NPS personnel also possess cellular telephones; however, cellular service is unreliable because the islands are at the outer limit of the cellular service area. The location of the islands makes cellular telephone service unreliable on some parts of the islands and completely absent on others. Recreational visitors to the islands have no land-line telephone access and little to no cellular telephone reception.

This project would have proposed to provide payphones and fixed wireless antennas using Global System for Mobile Communications (GSM) cellular service. While initially proposing GSM service, the equipment is also Code Division Multiple Access (CDMA) - capable, and CITC reports that they were in the process of negotiating roaming agreements with carriers that are interested in providing coverage to their customers using CDMA.

To provide service to the fifteen proposed locations, CITC intended to install eleven wireless base stations on the Islands. Some of these base stations would serve multiple locations as discussed previously. Power would have been obtained from solar panels and lead-acid batteries rated up to 300 amp hours to provide power storage. CITC asserts the batteries would provide sufficient backup capacity to ensure an uptime of 99.9999% throughout the year.

⁷ CEQA Guidelines are codified at Title 14 California Code of Regulations section 15000, *et seq.*

CITC provided maps showing the coverage area of the proposed wireless system for the four Islands. The maps represented that the smallest circle of one-half mile radius superimposed on the maps would result in a cell phone display showing five bars of coverage. The largest circle superimposed on the maps showed an eight-mile radius, where calls in this band show one bar of coverage. Topography can affect all of the coverage areas discussed above. However, CITC asserted it would use the Personal Communications Services (PCS) spectrum, where the strongest signal is achieved by line-of-sight from the transmitter. CITC claims that these frequencies are more forgiving, by stating that PCS signals “can “see” around impediments in the environment like hills, trees, and tall buildings”, with signals able to “bounce” off intervening objects.

Telephone traffic between the islands and the mainland would be transmitted using satellite communications capacity (i.e. very small aperture terminal (VSAT) two-way dish antennas) between the CITC’s earth stations located on the four islands and the CITC’s earth station located on the mainland, and then to CITC’s central office in San Diego. From that point, traffic will be carried to and from the Public Switched Network via AT&T’s and Inteliquent’s respective tandem switches using fiber optics. Additionally, the Company would interconnect with any interexchange, competitive local exchange, or incumbent local exchange carrier that requests interconnection.

Internet communications would be transmitted between the islands and the mainland via VSAT satellite communications technology and then transmitted via leased fiber optic capacity to the Company’s internet routers/switches in Los Angeles. The Company would deliver traffic to the internet through a dual homing arrangement with XO Communications and Level 3 Communications.

For the proposed payphones, CITC stated that incoming calls, toll free, and 911 calls would be free. Outbound local calls would be billed at a rate of 20 cents per call, while the price of toll calls would be dependent on the long distance carrier selected by the caller. Payphones would accept payment by credit card, calling card, collect and third-party charges.

The proposed project’s updated construction budget is \$2.693 million, as itemized Table 1:

Table 1

Item	Units	Equipment	Engineering	Installation	Total
Wireless base stations	11	\$936,562	\$93,000	\$220,000	\$1,249,562
Hub/Switch	1	812,575	60,000	40,000	912,575
Electrical Backup System		45,372			45,372
Fixed telephone lines	25	4,987	1,000	9,000	14,987
Pay telephones	8	19,984	2,000	30,000	51,984
SONET satellite Transport		39,987	5,000	5,000	49,987
Equipment Shelters		75,127		50,000	125,127
Internet Service Provider Data Hub		35,323		5,000	40,323
Solar Power		149,324		45,000	194,324
Computers		8,648			8,648
Total		\$2,127,889	\$161,000	\$404,000	\$2,692,889

Review of Phase 1 and 2 Applications

On December 19, 2006, CITC submitted an application to provide telephone service to the Channel Islands, and submitted an RTIGP Phase 1 application for the CITC Grant Project. In reviewing the Phase 1 application, the Commission's Communications Division (CD) determined that the application complied with all necessary requirements, with the exception of a written verification from County of Ventura of its agreement to act as fiscal agent for the project, and the required letters from residents to show their willingness to subscribe for service, both of which CITC provided later. The CD Director notified CITC of conditional approval on February 26, 2007, and of its eligibility to submit a Phase 2 application.

CITC submitted its Phase 2 RTIGP application on April 17, 2007. CD reviewed the application and notified CITC by letter, on June 18, 2007, that the application was rejected due to missing household income data.

CITC then responded by submitting information that was missing from the application, supporting the application with the following:

1. On June 29, 2007, CITC provided letters of support for this project.
2. On October 29, 2007, CITC provided CD with a letter issued by the County of Ventura stating that it was willing to serve as the Fiscal Agent for the CITC project, subject to approval of the County of Ventura Board of Supervisors.

At the time of the filing of the Phase 2 application, CITC reported there were two residents on the island, excluding NPS employees. In addition to providing letters of support from the two residents, CITC submitted three additional letters of support from visitors willing to utilize the services while on the island.

On July 13, 2007, Channel Islands Aviation, the official concessionaire to the Channel Islands National Park wrote a letter to the Commission in support of the CITC project. On July 20, 2007, Terra Marine Research & Education, Inc., the official boat concessionaire to the Channel Islands National Park, and operator of Island Packers, wrote a letter to the Commission in support of the CITC project.

The supplemental application information settled the remaining open issues with the Phase 1 and Phase 2 applications, including a revision to the application that did not provide for facilities installation on Anacapa Island.

The initial 2008 review of the consumer benefit for the CITC project included consideration that several consumers would benefit from the project including Vail and Vickers Company (an island resident), John Gherini (an island resident), and the National Oceanic and Atmospheric Administration's National Marine Mammal Lab. In addition, the initial review indicated that the project would benefit the many visitors to the islands. However, the two island residents no longer live on the islands. Vail and Vickers Company, who once owned Santa Rosa Island, moved out in 2011. John Gherini and family members no longer reside on the Island.

Comments addressing Resolution T-17382

Draft Resolution T-17382 was mailed for comments on November 20, 2012. On November 28, 2012, the CITC filed comments on the draft resolution. CITC asserted in its comments and ensuing discussions with CD that funding for the project should be adjusted to account for increased costs since their Phase 2 filing in April of 2007.

On December 7, 2012, CITC provided documentation to forecast that the proposed project costs had increased to approximately \$2.693 million, as shown in the discussion and in Table 1.

CD reviewed the revised project forecast and agreed to increase the project funding. The total included \$18,000 for County of Ventura's fees to act as Fiscal Agent, and

\$35,000 to increase the Commission CEQA Contract 08PW5758. No party submitted a protest to the Resolution, although the Commission received numerous letters expressing either support of or opposition to the project.

At this point, the volume of discussion regarding this draft resolution necessitated that the Commission vote be “held” for several consecutive Commission meetings. During January 2013, the Commission received nine letters of support from State Legislators.

On February 22, 2013, the Superintendent of the Channel Islands National Park, part of the NPS, expressed neutrality toward this project, but indicated that, “We are unaware that there is a public demand for cellular service on the islands. It is our opinion that the project will have limited utility to the visiting public.”

On February 28, 2013, CD met with Mr. Freddie Romero, a representative for the Santa Ynez Chumash Tribal Elders Council of the Santa Ynez Band of Chumash Indians. This group is the only federally-recognized Chumash Tribe in the nation. Mr. Romero asserted the Tribal Elders opposition, stating that the CITC project would add to the destruction of the spirit of the islands, and its environment, and result in the future development of these islands that would destroy them for the generations of indigenous people to come.

On March 8, 2013, CITC submitted additional comments regarding the proposed CITC project including discussion of system coverage, the unknown history of attempts to access 9-1-1 from the islands, the National Oceanic and Atmospheric Administration (NOAA) need for telephone and internet service, spectrum interference with military installations, revenue generating roaming agreements, and CITC compliance concerns regarding state and federal issues. CITC also provided comments from those who had lost a family member due to accident or medical emergency while visiting the islands. These families supported the CITC project.

Resolution T-17382 was rejected by a vote of Commissioners at the March 21, 2013, Commission meeting. There were several reasons discussed regarding the rejection. However, no formal written opinion was issued.

Subsequently, CITC submitted AL 2 on May 20, 2013, in which CITC requests that the Commission issue a formal written opinion regarding its rejection. Notice of AL 2 was published in the Commission’s Daily Calendar of May 28, 2013, and no parties submitted protests to this AL.

Resolution T- 17402 addresses this request, and is the formal opinion that affirms the Commission’s rejection of Resolution T-17382, which resulted in the denial of the RTIGP request for the CITC grant project. This resolution also discusses the reasons for the rejection, and thus, the denial of CITC’s request for its grant project.

Discussion

RTIGP Funding Evaluation

PU Code 276.5 states, "In evaluating grant applications, the commission shall consider the cost effectiveness of the application, the number of people served, the level of local support, the ability of the community serviced to pay for the services delivered, and the effect on public health and safety".

The Reasoning for the rejection of Resolution T-17382.

As discussed at the Commission meeting on March 21, 2013, this resolution affirms the denial of an RTIGP grant to CITC for the following reasons:

1. Cost Effectiveness To the Community

Section 276.5 provides that the Commission shall consider the cost effectiveness of the application, the number of people served, the level of local support, the ability of the community served to pay for the services delivered, and the effect on public health and safety..." In assessing the cost effectiveness of this project on the Channel island community, we note the cost of \$2.692 million would not serve a single residential customer on the islands. Moreover, the National Park Service (NPS), which resides on the islands, has its own communication system and would not be expected to subscribe to CITC service. Hence, because there is not a permanent island community that would benefit from the project, it is not demonstrated that this project is an appropriate use of public funds.

2. Questionable Benefits to Island Visitors

Although the CITC project is represented to benefit the thousands of island visitors by allowing telephone service, particularly in cases of accidents or medical emergencies, we are not persuaded that this project has been justified as needed. The NPS indicated in a letter dated February 22, 2013, that it does not believe the project is necessary, noting that it is unaware that there is a public demand for cellular service on the islands. Moreover, there are outstanding concerns about whether the CITC project would effectively benefit visitors on various parts of the islands where line-of-sight and terrain issues would limit wireless phone coverage. Finally, given the NPS letter, we are not persuaded that visitors would gain any significant change in the rate of responsiveness by emergency personnel.

3. This Project is Opposed by Chumash Community

As several Chumash Indian representatives have strongly emphasized that the Channel Island are sacred grounds with a significant historic and cultural legacy to the

tribe, we are concerned that the project ultimately upsets a community that regards the Channel Island as its ancestral home.

In responding to the request for a written opinion, the reasons for rejecting Resolution T- 17382 are still valid. Accordingly, we affirm our rejection of the resolution for the reasons stated above.

Cost Reimbursement For Phase 2 Preparation

D.03-09-071 also states, "Section 276.5 also permits reimbursement for preliminary engineering feasibility studies, including but not limited to any approved cost of a local telecommunications carrier that contributes to the studies, to grant applicants whose proposals are rejected. Rejected grant applicants should submit a request for reimbursement and an itemized accounting of reimbursable amounts to the Commission within 90 days of the mailing of the notification rejecting the phase II, feasibility /construction, application."

In compliance with D.03-09-071, CD e-mailed a letter to Todd Lesser on March 28, 2013, regarding the denial of Resolution T-17382. CD advised Mr. Lesser that the 90-day period to submit documentation for Phase 2 reimbursement expired on June 26, 2013.

Upon CD inquiry, Mr. Lesser stated that the reimbursement request had been e-mailed to the Commission earlier and re-sent this information for CD review on July 2, 2013. Mr. Lesser requested reimbursement for Phase 2 preparation costs in the amount of \$487,692.50 as itemized in Table 2:

Table 2

Description	CITC Requested	CD Recommended
Helicopter rental to sites	\$4,785.00	\$4,785.00
National Park Service document review	\$48,250.00	\$14,303.33
Satellite purchase	\$19,825.37	\$0.00
Consultant	31,016.53	\$31,016.53
Dedicated employment	340,129.15	\$0.00
Legal: attorneys	\$43,686.45	\$43,686.45
Total	\$487,692.50	\$93,791.31

CD has reviewed the reimbursement request, and disallowed: \$33,946.67 for NPS document review; \$19,825.37 for satellite equipment that should not have been purchased before Phase 2 approval; and \$340,129.15 for a dedicated employee, as itemized in Table 2.

The applicant requested reimbursement of \$48,250 paid by CITC to the NPS for CEQA document review and permitting purposes. CD then learned that NPS refunded \$33,946.67 of this total to the applicant. Therefore, CD has reduced the NPS document review reimbursement amount by \$33,946.67 to \$14,303.33. Table 3 itemizes the payments by CITC to NPS and the NPS refund to CITC.

Table 3

Date	Description	Refunds	Payments
6/16/2011	CITC Payment to NPS		\$250.00
9/26/2011	CITC Payment to NPS		\$12,692.45
6/15/2012	CITC Payment to NPS		\$35,307.55
9/27/2012	NPS Payment to CITC	\$33,946.67	
	Total	\$33,946.67	\$48,250.00
	Net paid by CITC to NPS		\$14,303.33

The satellite purchase, in the amount of \$19,825.37, includes the purchase of satellite equipment. Data could have been collected by a consultant, and CITC did not have Phase 2 approval to purchase equipment. CD disallows \$19,825.37 for satellite purchase as not reasonable.

Additionally, CD disallows reimbursement for the Dedicated Employment line item for \$340,129.15. This employee worked for HFT, Inc., a company owned by the applicant, for the years 2009 through 2012. CD disallows this full amount of \$340,129.15, as the reimbursement request spans a span during which the employee could have done other work for the applicant, and the applicant did not adequately demonstrate that this employee was hired to work exclusively on this project. As CITC did not have Phase 2 approval, CD finds that claiming an employee as a dedicated resource for this project is not reasonable. Also, a consultant was hired to work on this project as shown in Consultant line item. CD disallows \$340,129.15 for Dedicated Employment.

CD believes, within the context of PU Code 276.5, that these expenses are appropriate and reasonable and recommends that the Commission approve these Phase 2 reimbursement costs in the amount of \$93,791.31. The Commission agrees with CD's recommendation.

CD will prepare a payment letter to Administrative Services Division within 30 days of the adoption of this Resolution, remitting payment of \$93,791.31 to the applicant.

CEQA Contract Increase

On October 10, 2008, the Energy Division awarded Contract 08PW5758 to an environmental consultant to perform the environmental review required for the

proposed project. Although the project's CEQA analysis was nearly complete, the original contract amount of \$325,000 fell short of the \$343,000 funding that was actually needed to finalize the review. The Commission has determined that an additional \$18,000 should be authorized for Contract 08PW5758.

Safety Considerations

Although this project is intended to promote public safety on the Channel Islands by enhancing access to 911 emergency service, the NPS already has communications resources available to meet emergency needs, and states that the project may provide limited benefits to the visiting public.

Comment

The Commission's CD e-mailed a notice letter on August 6, 2013, informing the applicant and CITC, the CHCF-A Administrative Committee, and representatives of the Chumash Tribe of the availability of the draft resolution for public comments at the Commission's website: <http://www.cpuc.ca.gov>. In addition, all were informed of the availability of the conformed resolution, once adopted by the Commission, at the same website.

Conclusion

This Resolution affirms the rejection of Resolution T- 17382, which resulted in a denial of a Rural Telecommunications Infrastructure Grant Program grant, to construct the CITC project in the amount of \$2,693,000.

This Resolution authorizes CITC to receive funds in the amount of \$93,791.31 for reimbursement of Phase 2 preparation costs as authorized by D.03-09-071 to CITC.

This Resolution increases the Energy Division's CEQA review contract 08PW5758 in the amount of \$18,000.

Findings and Conclusions

1. The RTIGP provisions are set forth in Section 276.5 of the Public Utilities Code.
2. The Rural Telecommunications Infrastructure Grant Program (RTIGP) was established by Assembly Bill 140 in 2001 and was most recently amended to extend the program to January 1, 2013, by Senate Bill 1149 in 2008. In Decision (D.) 05-03-005, the California Public Utilities Commission (Commission) adopted the interim RTIGP administration rules from D.03-09-071 as final rules.

3. In Decision (D.) 05-03-005, the California Public Utilities Commission (Commission) adopted the interim RTIGP administration rules from D.03-09-071 as final rules.
4. The CITC requested RTIGP funding in an amount to not exceed \$2,693,000 for construction of the CITC project which included \$18,000 for County of Ventura for Fiscal Agent Services and \$35,000 for California Environmental Quality Act Contract 08PW5758.
5. The Channel Islands Telephone Company (CITC), a certificated telephone corporation in California, requested to provide telephone service for the Channel Islands and submitted an RTIGP Phase 1 application for the CITC project.
6. Upon receiving Phase 1 approval, the CITC submitted a RTIGP Phase 2 application for the CITC project.
7. The Commission's Communications Division (CD) approved the Phase 1 application on February 26, 2007.
8. On November 28, 2012, the CITC filed comments on the draft resolution asserting that funding for the project should be increased since the estimate provided for the Phase 2 filing was submitted in April of 2007, and included an updated cost forecast. CD concurred and recommended increasing proposed costs to \$2,693,000, of which \$18,000 is for the County of Ventura's fees to act as Fiscal Agent and \$35,000 is to increase the amount of the Commission's California Environmental Quality Act Contract, 08PW5758.
9. PU Code 276.5 states, "In evaluating grant applications, the commission shall consider the cost effectiveness of the application, the number of people served, the level of local support, the ability of the community serviced to pay for the services delivered, and the effect on public health and safety".
10. No party submitted a protest to this Resolution; however, a representative for the Santa Ynez Chumash Tribal Elders Council of the Santa Ynez Band of Chumash Indians asserted their opposition to this project.
11. At the Commission meeting on March 21, 2013, the Commissioners voiced their concerns about draft Resolution T-17382 regarding the cost effectiveness, questionable benefit to island visitors and project opposition by the Chumash Community. The Commissioners unanimously rejected Draft Resolution T-17382.
12. The Commissioners referred to a National Park Service (NPS) letter dated February 22, 2013, wherein the NPS believes the project is not necessary as there does not appear to be a public demand for cellular service on the islands. The Commissioners also expressed concerns about line-of-sight issues and terrain issues would limit wireless phone coverage.

13. The Commissioners also expressed concern that the visitors would gain any significant change in the rate of responsiveness by emergency personnel.
14. On May 20, 2013, Channel Islands Telephone Company (CITC) filed Advice Letter 2, requesting the issuance of a formal written opinion addressing Resolution T-17382 which was not adopted at the March 21, 2013, Commission meeting.
15. D.03-09-071 also permits “reimbursement for preliminary engineering feasibility studies, including but not limited to any approved cost of a local telecommunications carrier that contributes to the studies, to grant applicants whose proposals are rejected. Rejected grant applicants should submit a request for reimbursement and an itemized accounting of reimbursable amounts to the Commission within 90 days of the mailing of the notification rejecting the phase II, feasibility/construction, application.”
16. CITC filed a timely request for reimbursement as outlined in D.03-09-071.
17. CITC requested reimbursement for \$487,692.50 as detailed in the table below. CD recommends reimbursement of \$93,791.31, and proposes this amount for adoption by the Commission.

Description	CITC Requested	CD Recommended
Helicopter rental	\$4,785.00	\$4,785.00
National Park Service	\$48,250.00	\$14,303.33
Satellite purchase	\$19,825.37	\$0.00
Consultant	31,016.53	\$31,016.53
Dedicated employment	340,129.15	\$0.00
Legal: Attorneys	\$43,686.45	\$43,686.45
Total	\$487,692.50	\$93,791.31

18. The Commission recommends disallowing reimbursement for a portion of NPS document review. The NPS reimbursed the applicant \$33,946.67 of the \$48,250 total paid for CEQA document review and permitting purposes. CD recommends reimbursement for NPS in the amount of \$14,303.33 as shown in the Finding 17 table.
19. The Commission recommends disallowing reimbursement for “Satellite purchase” of \$19,825.37 as detailed in the Finding 17 table. CD asserts the purchase of equipment is not reasonable as CITC had not already received project approval, and therefore disallows \$19,825.37.

20. The Commission recommends disallowing reimbursement for “Dedicated Employment” totaling \$340,129.15 as detailed in the Findings 17 table. This employee worked for HFT, Inc., a company owned by the applicant. CD recommends disallowance for the full amount of \$340,129.15 as the applicant is requesting reimbursement for four years during which the employee could have done other work for the applicant. As CITC had not already received project approval, CD finds the hiring of an employee as a dedicated resource is not reasonable.
21. CD believes, within the context of PU Code 276.5, that expense Phase 2 reimbursement of \$93,791.31 is appropriate and reasonable and recommends that the Commission approve these Phase 2 reimbursement costs. The Commission agrees with CD’s recommendation.
22. CD should prepare a payment letter to Administrative Services Division within 30 days of the adoption of this Resolution remitting payment to the applicant in the amount of \$93,791.31.
23. The Energy Division’s contract no. 08PW5758 for California Environmental Quality Act review is increased by \$18,000.

THEREFORE, IT IS ORDERED THAT:

1. The Commission affirms the rejection of T-17382, which resulted in the denial of the Rural Telecommunications Infrastructure Grant Project request from Channel Islands Telephone Company, in the amount of \$2,693,000.
2. The Commission shall authorize \$93,791.31 from the Rural Telecommunications Infrastructure Grant Program to reimburse Channel Islands Telephone Company for the Phase 2 Application costs associated with the preliminary engineering and feasibility studies of the Channel Islands Telephone Company Project, denied by the Commission on March 21, 2013, and pursuant to Public Utilities Code section 276.5.
3. Communications Division shall prepare a payment letter to Administrative Services Division within 30 days of the adoption of this Resolution remitting payment to the applicant in the amount of \$93,791.31.
4. The Commission’s Energy Division may increase contract No. 08PW5758 for California Environmental Quality Act review by \$18,000.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 5, 2013. The following Commissioners approved it:

PAUL CLANON
Executive Director