

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Broadband Policy and Analysis Branch**

**RESOLUTION T- 17411
October 3, 2013**

R E S O L U T I O N

Resolution T-17411 Approval of Funding for the Grant Application of Happy Valley Telephone Company dba TDS Telecom (U-1010-C), from the California Advanced Services Fund (CASF) in the Amount of \$1,833,689 for the Olinda Underserved Broadband Project

I. SUMMARY

This Resolution approves funding in the amount of \$1,833,689 from the California Advanced Service Fund (CASF) for the CASF grant application of Happy Valley Telephone Company dba TDS Telecom (Happy Valley) for its Olinda Last Mile Underserved Broadband Project (Olinda Project). The Olinda Project will extend high-speed internet service to 19.86 square miles covering the Olinda and Anderson communities as well as other unincorporated areas of Shasta County.

II. BACKGROUND

On December 20, 2007, the California Public Utilities Commission (Commission) in Decision (D.) 07-12-054 established the CASF program as a two-year program to provide funds for the deployment of broadband infrastructure in unserved and underserved areas in California.

On September 25, 2010, Governor Schwarzenegger signed Senate Bill (SB) 1040¹ which codified the CASF program and expanded it to include three accounts: (1) the Infrastructure Grant Account, (2) the Consortia Grant Account, and (3) the Revolving Loan Account. The latter two accounts are intended to address the needs that were unmet

¹ Stats. 2010, c. 317, codified at Public Utilities (P.U.) Code § 281.

under the original CASF program. Specifically, the purpose of the Revolving Loan Account is “to finance capital costs of broadband facilities not funded by a grant from the Broadband Infrastructure Grant Account.”² SB 1040 also expanded the CASF fund from \$100 million to \$225 million adding \$100 million to the Infrastructure Grant Account and allocating \$10 million and \$15 million to the Consortia Grant Account and the Revolving Loan Account, respectively.³

On February 1, 2012, the Commission approved D.12-02-015 to implement new guidelines for the Infrastructure Grant and Revolving Loan Accounts. Key provisions of the Decision include:

- A maximum CASF grant award of 70 percent of project costs for unserved areas and 60 percent for underserved areas;
- A 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 megabits per second (Mbps) downstream and 1.5 Mbps upstream (6 Mbps /1.5 Mbps);” and
- A Revolving Loan Program 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 Infrastructure Grant Program.

Consequently, on May 10, 2012, the Commission approved Resolution T-17362 which established the application deadlines for the CASF Broadband Infrastructure Grant Account and the Revolving Loan Account as follows:

- October 1, 2012, for unserved areas;
- February 1, 2013, for underserved areas not previously funded by the CASF and hybrid projects that cover both unserved and underserved areas; and,
- A date to be determined for projects in underserved areas where the existing broadband infrastructure was partially funded by a CASF grant.

On February 1, 2013, Happy Valley submitted an application for CASF funding in the underserved areas of Olinda, Anderson and other unincorporated areas of Shasta County.

III. NOTICE/PROTESTS

Communications Division (CD) posted the proposed project area map, census block groups (CBGs) and zip codes by county for the Olinda Project on the Commission’s CASF

² P.U. Code § 281(e).

³ P.U. Code § 281(b)(1).

webpage under "Pending New CASF Applications to Offer Broadband as of February 11, 2013." CD received one challenge, as described below, to the proposed project area.

IV. DISCUSSION

This Resolution approves CD's recommended CASF fund award of \$ 1,833,689 for the Olinda Project. This award represents 60% of the total project cost of \$3,056,148. Key project information and maps are shown in Appendix A.

A. Project Overview

Happy Valley's parent company, TDS Telecom, has been building broadband networks utilizing technologies similar to this project for the past decade. Happy Valley provides both voice and broadband services in this area as the sole wireline internet service provider.

The Olinda Project will implement VDSL2⁴ technology at Happy Valley's central office as well as at numerous existing and proposed digital loop carrier sites in order to provide high speed internet service over a 19.86 square mile area. The CBGs impacted by the project area are: 060890123021, 060890123022, 060890123023, 060890123024, 060890123031, 060890123032, 060890124002, and 060890124003.

Happy Valley has targeted the area for broadband deployment because of the existence of customer demand and because it determined that the project is economically feasible with the assistance of a CASF grant of \$ 1,833,689, or 60% of projects costs, to match Happy Valley's funding of \$1,222,459.

When completed, the project will reach an estimated 1,908 households at maximum advertised speeds of 25 Mbps/ 5 Mbps, which is above the served threshold of 6 Mbps/ 1.5 Mbps. Happy Valley estimates the project will initially yield 520 potential subscriber households in the proposed area.

The project area includes seven anchor institutions which may benefit from this project. They are Igo-Ono School, Igo-Ono Elementary, Platina School, Happy Valley Primary School, Happy Valley Union Elementary, and Happy Valley Community Day, and Happy Valley Elementary.

⁴ VDSL2 is an access technology that delivers improved high speed internet access capable of voice, video and data streaming, utilizing fiber facilities to the node and copper wire facilities to the customer premise.

Happy Valley has committed to a broadband pricing plan under the terms shown below for two years, starting from the beginning date of service. Since Happy Valley provides network access to its broadband facilities under the National Exchange Carrier Association federal tariff, the standalone prices are higher. No customer commitment is required to obtain these recurring monthly rates.

	Standalone Broadband Service Rates	Broadband Service Rates When Bundled with Voice Service*
Recurring Monthly Charges:		
Lite (1Mbps/ 0.5 Mbps)	\$39.95	\$29.95
Express (6 Mbps/ 1.5 Mbps)	\$49.95	\$44.95
Turbo (15 Mbps/ 1.5 Mbps)	\$54.95	\$49.95
Extreme (25 Mbps/ 5 Mbps)	\$64.95	\$59.95
Non-recurring Charges:		
Modem (optional)	\$4.95	\$4.95
Shipping and Handling	\$14.95	\$14.95
Installation	Fee Waived	Fee Waived

* This price requires that the customer subscribe to telephone service in addition to broadband service.

B. Project Qualification

To qualify for 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 and compares them with United States 2010 Census data and the California Interactive Broadband Availability map, which is based on broadband availability data as of June 30, 2012. Once CD determines that the area is eligible either as an unserved or underserved area, CD evaluates all other information submitted by the applicant to determine if the project meets the requirements outlined in D.12-02-015. Other information CD reviews includes: proof of a Certificate of Public Convenience and Necessity (CPCN) from the Commission; descriptions of current and proposed broadband infrastructure; number of potential subscriber households and average incomes; project construction schedule; project budget; proposed pricing and commitment period for new subscribers; and financial viability of the applicant.

As an initial step in the review of Happy Valley’s application, CD checked the CBGs submitted in the project application to determine that the project was indeed underserved. In doing so, CD found that there was a possibility that T-Mobile, a mobile broadband provider, was providing internet at served speeds in a small part of the project area. Happy Valley chose to remove this area from its proposed project area

because no households are located in this area. This resulted in a reduction in the square miles of the project area, but did not result in a decrease in households. The California Interactive Broadband Availability map shows broadband availability at served speeds by a satellite provider, Skycasters, LLC in the Olinda Project area. However, as adopted in D.12-02-015, the Commission does not consider satellite broadband service in CASF project evaluation, unless the satellite project is in an area that was previously CASF funded.⁵

Additionally, CD requested greater detail for the project budget and estimated economic life of assets to be funded. CD also obtained a revised pricing plan to determine standalone broadband service rates.

On March 11, 2013, Verizon challenged the application stating that wireless carriers continue to build-out 4G LTE networks. The challenge was very vague and not detailed enough to identify if the whole project proposal was being challenged or just a specific area. On March 27, 2013, CD staff requested that Verizon clearly identify what area of the project, by census block, it was challenging and to provide the following information: number of subscribers by census block and speed tier, speed tests with a description of how the speed tests were conducted and what tools were used, and the addresses of the locations where the speed tests were performed to determine if in fact the area is served. Verizon did not provide a response or any further specific information on the challenge and therefore CD staff considers the challenge unsubstantiated. On April 2, 2013, CD staff e-mailed Verizon confirming that no reply was received and that CASF would continue to consider the project eligible for CASF funding. Subsequently, on June 18, 2013, CD issued a letter to the applicant, and a copy to Verizon, concluding that the communities in the project area are underserved and eligible for CASF funding. Verizon did not contest the conclusion.

Since Happy Valley's submission of its CASF project application, Round 7 broadband data as of December 31, 2012, show maximum advertised mobile broadband availability from Verizon at speeds greater than 6 Mbps/ 1.5 Mbps in the proposed project area.⁶ However, CD has not been able to validate the maximum advertised mobile broadband speeds in the area. CD validates advertised speeds by conducting drive tests at 1,200 points within the state. The nearest point to this project area is approximately 2 miles to the east of the project boundary. At this specific point, actual speeds were greater than 6 Mbps/ 1.5, but less than Verizon's maximum advertised speeds. CD inputs these tests into an interpolation model to predict speeds in areas outside of the drive tested

⁵ This determination was based on the limited speed capabilities of satellite services, the cost to the consumer, high latency, and unreliability known at the time of the decision, D. 12-02-015 at 13-15. Since that time, like other technologies, satellite services have improved.

⁶ The California Interactive Broadband Map will reflect Round 7 data in the near future.

points. Where the predicted speeds are slower than the advertised speeds, the model shows that speeds in that area are not validated. In addition, while the Commission in D.12-02-015 did not include broadband performance measures other than speed, the wireless broadband service offerings include data caps and pricing that are more restrictive than the proposed project's service offerings, which has lower prices and no explicit data caps. Although the advertised speeds have not been validated in the project area, for comparison, Appendix B shows advertised wireless and satellite broadband service data caps and prices in the project area.

C. Project Evaluation and Recommendation for Funding

CD evaluated the application with respect to the scoring criteria defined in D.12-02-015, Appendix 1, Section VIII (Scoring Criteria). The scoring criteria include: (i) Funds Requested per Potential Customer, (ii) Speed, (iii) Financial Viability, (iv) Pricing, (v) Total Number of Households in the Proposed Area, (vi) Timeliness of Completion of Project, (vii) Guaranteed Pricing Period, and (viii) Low-Income Areas. In addition, five bonus points are added to the score of an applicant that is able to submit local government and community endorsements or letters of support.

This project had an above average overall score relative to other projects. It also scored particularly high in the areas of funds requested per customer, total number of households in the proposed area and speeds offered. This project requested \$961 per potential customer household with a total of 1,908 potential customer households in its project area. Additionally, it is offering maximum advertised speeds of 25 Mbps/ 5 Mbps. As discussed above, the project also encompasses seven anchor institutions which may benefit from this project. Lastly, the Anderson Chamber of Commerce supports the project application because of the importance of broadband internet for the daily operations of businesses in the area.

D. Safety Impact

The project area includes one first responder agency, the Igo/ Ono Volunteer Fire Company #50 for the Shasta County Fire Department, which may benefit from the project. The project area is also located in a high-risk fire area and improved broadband speeds will facilitate the transmission of data and communications among first responders and improve services. Lastly, faster broadband speeds may facilitate training or distance learning opportunities for first responders.

V. COMPLIANCE REQUIREMENTS

Happy Valley is required to comply with all the guidelines, requirements, and conditions associated with the grant of CASF funds as specified in D.12-02-015. Such compliance includes, but is not limited to:

A. California Environmental Quality Act (CEQA)

The Olinda Project is subject to CEQA review and must follow the requirements listed below.

The applicant must provide the Proponent's Environmental Assessment (PEA) prior to the first 25% payment unless the project is statutorily or categorically exempt from CEQA requirements. The PEA submission should include information on any land crossing sites requiring discretionary or mandatory permits or environmental review pursuant to CEQA (including the type of permit required, the name of the permitting agency/agencies and the Lead Agency if an environmental review is required). Also the applicant must agree to identify, prior to the first 25% payment, any other special permits required with a reference to the government agencies which grant these permits.

Happy Valley has provided the Commission with construction plans for the Olinda Project. It consists of implementing VDSL2 technology at the central office location as well as numerous existing and proposed digital loop carrier sites. There will also be about 16 miles of new fiber facility construction. Happy Valley's preferred methods of buried construction are plowing and horizontal boring. Happy Valley plans on using little to no open trenching. If a situation warrants open trenching, Happy Valley will adhere to California Department of Transportation (DOT)'s construction manual and the appropriate local municipality's utility guidelines for trenching restoration.

B. Reporting

Grantees must submit quarterly progress reports on the status of the project irrespective of whether grantees request reimbursement or payment. Before full payment of the project, the CASF recipient must submit a project completion report. Progress reports shall use the schedule for deployment, major construction milestones and costs submitted in the proposal; indicate the actual date of completion of each task/ milestone; problems and issues encountered and the actions taken to resolve these problems and issues during project implementation and construction; and identify future risks to the project. Recipients shall also include test results on the download speed and upload speeds on a

CBG and zip code basis in the final completion report. Recipients must certify that each progress report is true and correct under penalty of perjury.

C. Submission of Form 477

The Federal Communications Commission (FCC) currently requires broadband providers to biannually submit the Form 477, which includes speed data. While there is an imperfect match between the data that is reported in the Form 477 and to the CASF, Form 477 data will be useful in documenting CASF deployment for the new service area of the carrier. CASF recipients shall submit a copy of their Form 477 data directly to the Commission, under General Order 66-C, when they submit this data to the FCC for a five-year period after completion of the project.⁷

D. Deployment Schedule

The Commission expects Happy Valley to complete the project within 24 months from the start date. If the applicant is unable to complete the proposed project within the 24 month timeframe requirement established by the Commission, it must notify CD's Director as soon as it becomes aware of this prospect. The Commission may reduce payment for failure to notify CD's Director and timely complete the project.

E. Execution and Performance

CD and the CASF grant recipient shall determine a project start date after the Commission has granted all approvals to the CASF grant recipient. Should the recipient or Contractor fail to commence work at the agreed upon time, the Commission, upon five days written notice to the CASF recipient, reserves the right to terminate the award.

In the event that the CASF recipient fails to complete the project, in accordance with the terms of approval granted by the Commission, the CASF recipient must reimburse some or all of the CASF funds that it has received.

The CASF grant recipient must complete all performance under the award on or before the termination date of the award.

⁷ *Approval of the California Advanced Services Fund (CASF) Application Requirements and Scoring Criteria for Awarding CASF Funds* (2008) Cal. P.U.C. Res. No. T-17143 at 4.

F. Performance Bond

The Commission does not require a performance bond if the applicant certifies that the percentage of the total project costs it is providing comes from its capital budget and is not obtained from outside financing. In its application, Happy Valley certified that 40% of the total project costs it is providing will come from its existing capital budget. Therefore, a performance bond is not required for this project.

G. Price Commitment Period

The minimum required price commitment period for broadband service to all households within the project area is two years. Happy Valley guarantees the price of service offered in the project area for two years.

H. Project Audit

The Commission has the right to conduct any necessary audit, verification, and discovery during project implementation and construction to ensure that CASF funds are spent in accordance with Commission approval.

The recipient's invoices will be subject to a financial audit by the Commission at any time within three years of completion of the work.

I. Providing Voice Service

Happy Valley currently provides voice services, which meet the FCC standards for E-911 service and utilize battery backup power. Happy Valley will continue to provide voice services.

VI. PAYMENTS TO CASF RECIPIENTS

Submission of invoices from and payments to Happy Valley shall be made in accordance with Section XI of Appendix 1 of D. 12-02-015 and according to the guidelines and supporting documentation required in D. 12-02-015.

Payment to Happy Valley shall follow the process adopted for funds created under P.U. 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 Happy Valley, to CD	5 th of Month 1	20 th of Month 1
Payment letters from CD to Administrative Services ⁸	On 19 th of Month 1	On 4 th of Month 2
Invoices submitted from Administrative Services to State Controller's Office (SCO) for payments	20 th through 26 th of Month 1	5 th through 13 th of Month 2

Happy Valley 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. The State Controller's Office (SCO) requires 14- 21 days to issue payment from the day that requests are received by SCO.

VII. COMMENTS ON DRAFT RESOLUTION

In compliance with PU Code §311(g), a notice letter was emailed on September 3, 2013, informing all applicants filing for CASF funding, parties on the service list of R.06-06-028, and the CASF distribution list of the availability of the draft of this Resolution for Public Comments at the Commission's website <http://www.cpuc.ca.gov/PUC/documents/>. This letter also informed parties that the final confirmed Resolution adopted by the Commission will be posted and will be available at this same website.

No opening or reply public comments were submitted on this Resolution.

⁸ 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.

VIII. FINDINGS

1. On May 10, 2012, the Commission approved Resolution T-17362 which established the application deadlines for the CASF Broadband Infrastructure Grant Account and the Revolving Loan Account as follows: October 1, 2012, for unserved areas; February 1, 2013, for underserved areas not previously funded by the CASF and hybrid projects that cover both unserved and underserved areas; and, a date to be determined for projects in underserved areas where the existing broadband infrastructure was partially funded by a CASF grant.
2. Happy Valley filed an application for CASF funding for its Olinda Project on February 1, 2013. The Olinda Project will improve speeds by implementing VDSL2 technology at its central office as well as at numerous existing and proposed digital loop carrier sites over a 19.86 square mile area. The CBGs impacted by the project area are: 060890123021, 060890123022, 060890123023, 060890123024, 060890123031, 060890123032, 060890124002, and 060890124003.
3. CD posted the proposed project area map, CBGs and zip codes by county for the Olinda Project on the Commission's CASF webpage under "Pending New CASF Applications to Offer Broadband as of February 11, 2013." CD received one challenge from Verizon Wireless, which challenged this project by asserting that it provided internet service in this area at served speeds. However, Verizon did not respond to CD staff inquiries to validate its challenge, and neither CD staff's mobile drive tests nor the interpolation model based on these tests validated Verizon's maximum advertised speed; therefore CD staff considers the challenge unsubstantiated.
4. CD reviewed and analyzed data submitted for the Olinda Project CASF grant application to determine the project's eligibility for CASF funding. This data includes, but are not limited to: proof of a CPCN from the Commission; descriptions of current and proposed broadband infrastructure; geographic information system (GIS) formatted shapefiles mapping the project areas; assertion that the area is underserved; number of potential subscriber households and average incomes; project construction schedule; project budget; proposed pricing and commitment period for new subscribers; and financial viability of the applicant.
5. CD reviewed the submitted shapefiles, which mapped the proposed broadband deployment using United States 2010 Census data and the California Broadband Availability Maps, which is based on data as of June 30, 2012. This helped to verify

the existence or nonexistence of broadband service areas and broadband speeds, where available.

6. Based on its review, CD determined that the project qualifies for funding under D. 12-02-015 and recommends Commission approval of CASF funding for Happy Valley's Olinda project.
7. Happy Valley is not required to post a performance bond because 40% of the total project cost will be financed through Happy Valley's existing capital budget.
8. Happy Valley is required to comply with all guidelines, requirements, and conditions associated with the granting of CASF funds as specified in D. 12-02-015 and must submit the FCC Form 477, as specified in Resolution T-17143.
9. The Commission finds CD's recommendation to fund Happy Valley's Olinda Project as summarized in Appendix A to be reasonable and consistent with Commission orders and, therefore, adopts such recommendation.
10. The Commission must complete CEQA review prior to disbursing CASF funds for construction activities.
11. Happy Valley shall submit the PEA to staff prior to the first 25% payment.
12. A notice letter was emailed on September 3, 2013 informing all applicants filing for CASF funding, parties on the service list of R.06-06-028, and the CASF distribution list of the availability of the draft of this Resolution for public comments at the Commission's website <http://www.cpuc.ca.gov/PUC/documents/>. This letter also informed parties that the final confirmed Resolution adopted by the Commission will be posted and available at this same website.
13. No opening or reply public comments were submitted on this Resolution.

THEREFORE, IT IS ORDERED that:

1. The Commission shall award funding of \$1,833,689 from the CASF to Happy Valley for the Olinda Project as described herein and summarized in Appendix A of this Resolution.
2. The program fund payment of \$1,833,689 for this underserved project shall be paid out of the CASF fund in accordance with the guidelines adopted in D. 12-02-015, including compliance with CEQA.
3. Payments to the CASF recipient shall be in accordance with Section XI of Appendix 1 of D. 12-02-015 and in accordance with the process defined in the "Payments to CASF Recipients" section of this Resolution.
4. The CASF fund recipient, Happy Valley, shall comply with all guidelines, requirements and conditions associated with the CASF funds award as specified in D. 12-02-015 and must submit the FCC Form 477, 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 October 3, 2013. The following Commissioners approved it:

PAUL CLANON
Executive Director

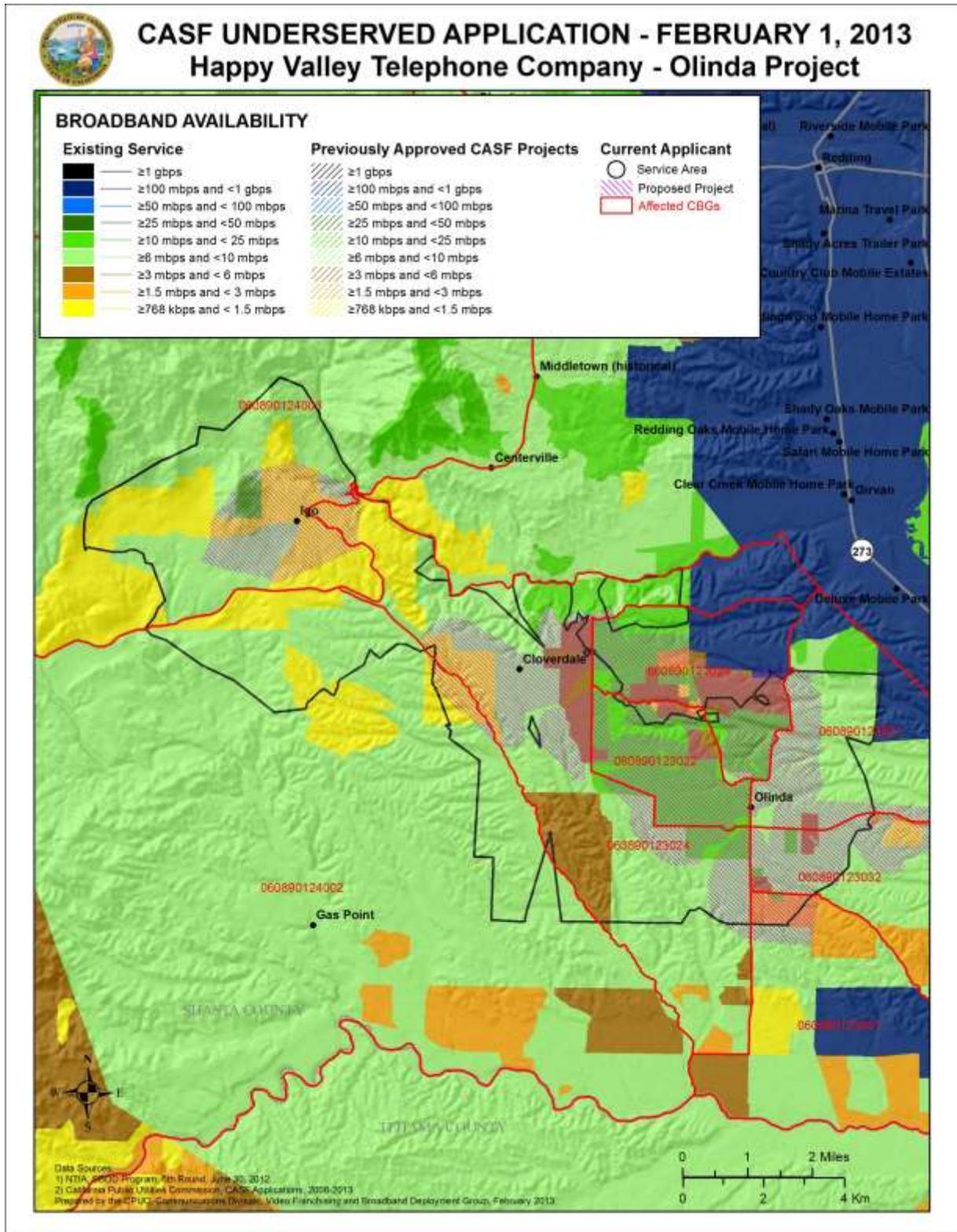
APPENDIX A
Resolution T -17411
Happy Valley Telephone Company Olinda Project
Key Information

<i>Project Name</i>	Happy Valley Telephone Company Olinda Project
<i>Project Plan</i>	Implementation of VDSL2 technology at its central office as well as at numerous existing and proposed digital loop carrier sites
<i>Project Size (in square miles)</i>	19.86
<i>Download/ upload speed (in Mbps)</i>	25 Mbps/ 5 Mbps
<i>Location</i>	Shasta County
<i>Community Name</i>	Olinda, Anderson
<i>CBGs/ Household Income</i>	060890123021/\$48,036
	060890123022/\$50,351
	060890123023/\$58,750
	060890123024/\$56,757
	060890123031/\$59,773
	060890123032/\$44,856
	060890124002/\$48,583
	060890124003/\$64,125
<i>Zip Codes</i>	96007
	96047
	96091
<i>Estimated Potential Subscriber Size Households/ Subscribers</i>	1,908
<i>Deployment Schedule (from Commission approval date)</i>	24 months
<i>Proposed Project Budget</i>	

<i>Total</i>	\$3,056,148
<i>Amount of CASF Funds requested (60%)</i>	\$1,833,689
<i>Internally funded (40%)</i>	\$1,222,459

**Resolution T -17411
Happy Valley Telephone Company Olinda Project
Maps**





APPENDIX B
Resolution T -17411
Happy Valley Telephone Company Olinda Project
Mobile Wireless and Satellite Advertised Data Caps and Pricing

Verizon’s HomeFusion Broadband Plans (Speeds: 5 – 12 Mbps download and 2 – 5 Mbps upload)

Monthly Data Allowance	Monthly Price
10GB	\$60
20GB	\$90
30GB	\$120

Verizon’s Smartphone Share Everything Plans

Monthly Data Allowance	Monthly Price
6GB	\$80
10GB	\$100
20GB	\$150
30GB	\$225

Satellite Provider plans in the area at served speeds

Company	Speeds	Monthly Data Allowance	Monthly Price
Skycasters	6 Mbps download/ 1.5 Mbps upload	15 GB (12 GB down / 3 GB up)	\$999
Hughes	10 Mbps download/ 2 Mbps upload	15 GB	\$80
	15 Mbps download/ 2 Mbps upload	40 GB	\$100