

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Communications Division

RESOLUTION T-17424

Broadband, Policy and Analysis Branch

December 19, 2013

R E S O L U T I O N

Resolution T-17424: Approval of Funding for the Grant Application of The Ponderosa Telephone Company (U-1014) from the California Advanced Services Fund (CASF) in the Amount of \$1,755,042 for the Beasore/Central Camp Unserved and Underserved Broadband Project

I. Summary

This Resolution adopts funding in the amount of \$1,755,042 from the California Advanced Service Fund (CASF) for the CASF grant application of The Ponderosa Telephone Company (Ponderosa) for its Beasore/Central Camp Last Mile Unserved and Underserved Broadband Project (Beasore/Central Camp Project). The Beasore/Central Camp Project will extend high-speed internet service to 3.49 square miles covering the Beasore and Central Camp communities of unincorporated Madera County and provide safety-enhancing landline telephone service in an area where there currently is none.

II. Background

On December 20, 2007, the 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) 1040,¹ 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 under the original CASF program. SB 1040 also expanded the CASF fund from \$100 million to \$225 million, adding \$100 million to the Infrastructure Grant Account and

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

allocating \$10 million and \$15 million to the Consortia Grant Account and the Revolving Loan Account, respectively.²

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; and,
- 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 percent 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 a February 1, 2013 application deadline for underserved and “hybrid” (covering both unserved and underserved areas) projects not previously funded by the CASF Broadband Infrastructure Grant Account. The Beasore/Central Camp project qualifies as such a “hybrid” project.

On Feb. 1, 2013, Ponderosa submitted an application for CASF funding in the unserved and underserved Beasore and Central Camp areas of unincorporated Madera County. These communities are located within the boundaries of the Sierra National Forest.

III. Notice/Protests

Communications Division (CD) posted the proposed project area map, census block groups (CBGs) and zip codes for the Beasore/Central Camp Project on the Commission’s CASF 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.

² P.U. Code § 281(b)(1).

IV. Discussion

This Resolution adopts CD's recommended CASF fund award of \$1,755,042 for the Beasore/Central Camp Project. This award represents 61.6 percent of the total project cost of \$2,847,306. Key project information and maps are shown in Appendix A.

A. Project Overview

Ponderosa has been a provider of local exchange service since 1908. Beyond local exchange service, it also provides communities with broadband services. With the Beasore/Central Camp Project, Ponderosa would install fiber-to-the-home (FTTH) connections capable of 50 Mbps downstream throughput and 20 Mbps upstream throughput in the Beasore and Central Camp areas of Madera County. This system would provide Internet, telephone and potentially, video services to an area that is currently completely unserved by landlines and has a mix of underserved and unserved coverage from wireless providers.

The proposed project covers about 3.5 square miles in aggregate, distributed in two nearby but non-contiguous areas in adjoining, contiguous CBGs. The northern section is an irregularly shaped region centered on County Road 5S07 (aka Beasore Road) and the southern section is a near-exact square centered on County Road 8029, in the area known as Central Camp. These areas are north of the communities of Bass Lake and North Fork, in the Sierra National Forest. Ponderosa would provide backhaul for the Beasore/Central Camp Project via ADSS fiber on PG&E poles to the Central Camp area and via a microwave relay to a distribution point in the Beasore area.

The northern section of the project area (Beasore) contains 32 households, all unserved, and a population of 75 people, according to 2010 US Census figures. The southern area (Central Camp) has no households and zero population, per the 2010 Census, but aerial photography shows more than 30 structures in the southern area. Additionally, Ponderosa reports that it has had about 20 inquiries from potential subscribers in recent memory, and United States Forest Service (USFS) officials contacted by CD staff confirm that the Central Camp area is permanently populated, regardless of the findings of the 2010 US Census. It should be noted that both areas are currently without any wireline telephone service. The deployment of broadband will enable Ponderosa to begin providing voice service to individuals residing in both areas. Such individuals will be able to access emergency services currently unavailable to them, such as E911.

When evaluating a project, the Commission has historically considered the Census-defined number of *households* a project will serve. Ponderosa however, maintains that it has numerous potential customers in both geographical sections of the project because

of a much larger number of *housing units* in the project area.³ In total, there are 159 housing units (including about 75 in the Central Camp area) listed by the Census within project boundaries. Besides the aforementioned 32 households, these housing units include short-term vacation rentals, homes vacant as of the 2010 Census date, and second homes that are not classified as primary residences. These housing units contain a mix of unserved and underserved units. Ponderosa requested that, while considering the project’s merits, the Commission take into account that more than 32 customers will likely sign up for service. The affected CBGs for this project are 006039001021 and 006039001031.

Ponderosa targeted the area for broadband deployment after determining that the project is economically feasible with a CASF grant of \$1,755,042, which is 61.6 percent of the total project costs, to match Ponderosa’s internal funding of \$1,092,264. When completed, the project will reach an estimated 159 housing units at maximum advertised speeds of 50 Mbps download/20 Mbps upload, which is well above the served threshold of 6 Mbps download/1.5 Mbps upload. Ponderosa estimates that the project will eventually yield 111 potential customers in the proposed area.

Ponderosa has committed to a broadband pricing plan under the terms shown below for two years, starting from the beginning date of service. Ponderosa will also provide wholesale access to its network to other Internet service providers. The recurring monthly rates assume a six-month commitment by the customer.

| Service Level | Broadband speed (Up/Down in Mbps) | Monthly charge: Standalone BB | Monthly charge: Bundled w/voice |
|---|--------------------------------------|----------------------------------|------------------------------------|
| “Standard” | 6/1.5 | \$112.95 | \$54.95 |
| “Pro” | 12/3 | \$117.95 | \$59.95 |
| “Extreme” | 24/5 | \$149.95 | \$74.95 |
| “Max” | 50/20 | \$244.95 | \$144.95 |
| Activation and installation (all levels): Waived | | | |
| Modem charge: \$89 one-time purchase OR \$3.95 monthly rental | | | |
| Information: Regular voice services start at \$27.75/month (including tariffed charges) | | | |

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

³ The US Census Bureau (at <http://www.census.gov/cps/about/cpsdef.html>) describes a “housing unit” as “ a house, an apartment or other group of rooms, or a single room ... when it is occupied or intended for occupancy as separate living quarters.” In short, it is simply the presence of people living within a *housing unit* that transforms it into a *household*.

data and the California Interactive Broadband Availability map.⁴ 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 income; 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 Ponderosa's application, CD checked the CBGs submitted in the project application to determine that the project was indeed not served by wireline, fixed wireless and mobile wireless providers. The California Interactive Broadband Availability map shows broadband availability at served speeds in the proposed project area by a pair of satellite providers (Hughes.net and Skycasters, LLC). 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 funded by the CASF.⁵

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

On March 11, 2013, Verizon challenged the application stating that wireless carriers continue to build-out their 4G LTE networks. The challenge was very vague and not detailed enough to identify if Verizon was challenging the whole project proposal 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 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 address of the location of 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 CD did not receive a reply to its March 27, 2013 request and that CD would continue to consider whether the project is eligible for CASF funding. Subsequently, on June 5, 2013, CD issued a letter to the applicant, with a copy to Verizon, concluding that the communities

⁴ In this case, both Version 2.0 (with broadband availability as of June 30, 2012) and version 2.1 (with broadband availability as of Dec. 31, 2012) of the California Broadband Availability Map were consulted.

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. .

in the project area are unserved and/or underserved and thus eligible for funding by the CASF. Verizon did not contest the conclusion.

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.

The Beasore/Central Camp Project ranked low among projects submitted in this round, partly based on the relatively high cost per household. However, the project scored well in the criteria of serving low-income areas and offering very high speeds. The weighted median household income in this area is \$44,757, which is below the state median of \$61,632.⁶ Providing service to these communities, in which all of the households are currently unserved, also jibes well with the Commission's stated emphasis on giving priority to serving unserved areas. Furthermore, given the Commission's strong commitment to public safety, the project's potential to significantly improve the safety of area residents (as described below) is an important factor in CD staff's recommendation for funding.

D. Safety considerations

The construction of this project could have significant positive safety impacts. Communication with emergency services is currently difficult in the project area because there is no existing landline telephone service to either Beasore or Central Camp and wireless phone service is spotty because of the hilly, rugged terrain. This project has the potential to connect residents to reliable wireline voice service that would improve communications with emergency services, including E911. In the southern (Central Camp) area of the project area, PG&E poles would carry the fiber lines. CD staff's communications with agencies such as the USFS Sierra National Forest-Bass Lake Ranger District have revealed the importance of expanding voice and broadband services in this area. USFS officials confirmed to CD Staff that residents, including many senior citizens, live in Central Camp year round, regardless of the 2010 Census findings. These officials noted that mobile telephone service is spotty (Central Camp is in a deep valley) and access to broadband, voice service and emergency communications such as 911 is critical. In the north, the Beasore site will receive its backhaul from a microwave radio installation with solar power and a back-up generator powering the radio, fiber GPON and subscriber terminating equipment. This

⁶ U.S. Department of Commerce and U.S. Census Bureau, State and County Quick Facts, 2010 (last visited Sept. 19, 2013) <http://quickfacts.census.gov/qfd/states/06000.html>.

equipment could potentially provide a low-vulnerability communications infrastructure in this fire-prone area.

V. **Compliance Requirements**

Ponderosa 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)

Ponderosa has provided the Commission with construction plans for the proposed project area. New underground fiber transport facilities will be constructed from a small microwave receiving site to be built above the Beasore subdivision within existing Sierra National Forest road rights-of-way. Ponderosa will install underground fiber distribution facilities within the Beasore subdivision in existing roadways which have been dedicated as public utility easements. Ponderosa will mount new aerial transport fiber through the Sierra National Forest on an existing PG&E pole line from an existing BLC site to the Central Camp subdivision. Ponderosa will place aerial distribution fiber on existing PG&E pole lines within the Central Camp subdivision.

The Beasore/Central Camp Project is subject to the California Environmental Quality Act (CEQA) review. The Commission must complete CEQA review prior to disbursing CASF funds for construction activities, and the applicant must follow the requirements listed below.

The applicant must provide the Proponent's Environmental Assessment (PEA) prior to receiving the first 25 percent payment from the CASF grant. 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 agencies and the Lead Agency if an environmental review is required). Also, the applicants must also agree to identify, prior to the first 25 percent payment, any other special permits required with a reference to the government agencies which grants these permits.

B. Deployment Schedule

The Commission expects Ponderosa 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 the Commission as soon as it becomes aware of this prospect. The Commission may reduce payment for failure to notify CD's Director and satisfy this requirement.

C. Execution and Performance

CD and the CASF grant recipient shall determine a project start date after the CASF grant recipient has obtained all approvals. 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.

D. 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, Ponderosa certified that 38.4 percent 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.

E. Price Commitment Period

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

F. Project Audit

The Commission has the right to conduct any necessary audit, verification, and discovery during project implementation/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.

G. Providing Voice Service

The area is presently not served by landline voice services. Construction of this project will enable Ponderosa to begin providing voice service in the project area that will meet the Federal Communications Commission (FCC) standards for E-911 service and utilize battery backup.

H. 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 as well as 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 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.

I. Submission of Form 477

The 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

VI. Payments to CASF Recipients

Submission of invoices from and payments to Ponderosa shall be made at 25-percent completion intervals, 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 Ponderosa shall follow the process adopted for funds created under P. U. Code § 270. The following table describes the timeline for processing CASF payments.

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.

| Event | Payment Cycle 1 (Day/ Month) | Payment Cycle 2 (Day/Month) |
|--|--|---|
| Invoices due from Ponderosa to CD | 5 th of Month 1 | 20 th of Month 1 |
| Payment letters from CD to Administrative Services Division (ASD) ⁸ | 19 th of Month 1 | 4 th of Month 2 |
| Invoices submitted from ASD to State Controller's Office (SCO) for payments | 20 th through 26 th of Month 1 | 5 th through 13 th of Month 2 |

Ponderosa 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 Public Utilities Code § 311(g), a notice letter was e-mailed on October 1, 2013, informing all parties on the CASF Distribution List of the availability of the draft of this resolution for public comments at the Commission's documents website at <http://www.cpuc.ca.gov/PUC/documents/>. This letter also informed parties that the final conformed Resolution adopted by the Commission will be posted and available at this same website.

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.
2. Ponderosa filed an application for CASF funding for its Beasore/Central Camp Project on February 1, 2013. The proposed project will improve speeds by

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.

installing FTTH connections capable of 50 Mbps downstream and 20 Mbps upstream over a total area of 3.49 square miles in the Beasore and Central Camp areas of Madera County. This system would provide Internet, telephone and, potentially, “over the top” streaming video services to an area that is currently completely unserved by landlines and has a mix of underserved and unserved coverage from wireless providers. The CBGs impacted by the project are 006039001021 and 006039001031.

3. CD posted the proposed project area map, CBGs and zip codes by county for the Beasore/Central Camp 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 therefore CD staff considers the challenge unsubstantiated.
4. CD reviewed and analyzed data submitted for the Beasore/Central Camp Project CASF grant application to determine the project’s eligibility for CASF funding. This data includes, but is 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, with availability data current as of June 30, 2012 (later updated to December 31, 2012). These maps helped to verify the existence or nonexistence of broadband service areas and broadband speeds, where available.
6. Both the Beasore and Central Camp areas are currently not served by wired telephone services and cellular telephone reception is poor due to the mountainous terrain. United States Forest Service employees have stressed to CD staff that the safety of both Beasore and, particularly, Central Camp would be enhanced by better telecommunications infrastructure in the area.
7. 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 Ponderosa’s Beasore/Central Camp Project.

8. Ponderosa is not required to post a performance bond because 38.4 percent of the total project cost will be financed through Ponderosa's existing capital budget.
9. Ponderosa 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 T-17143.
10. The Commission finds CD's recommendation to fund Ponderosa's project as summarized in Appendix A to be reasonable and consistent with Commission orders and, therefore, adopts such recommendation.
11. The Commission must complete CEQA review prior to disbursing CASF funds for construction activities.
12. Ponderosa shall submit the PEA to Commission staff prior to the first 25-percent CASF payment.
13. A notice letter was e-mailed on October 1, 2013 informing all applicants filing for CASF funding, parties on 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.

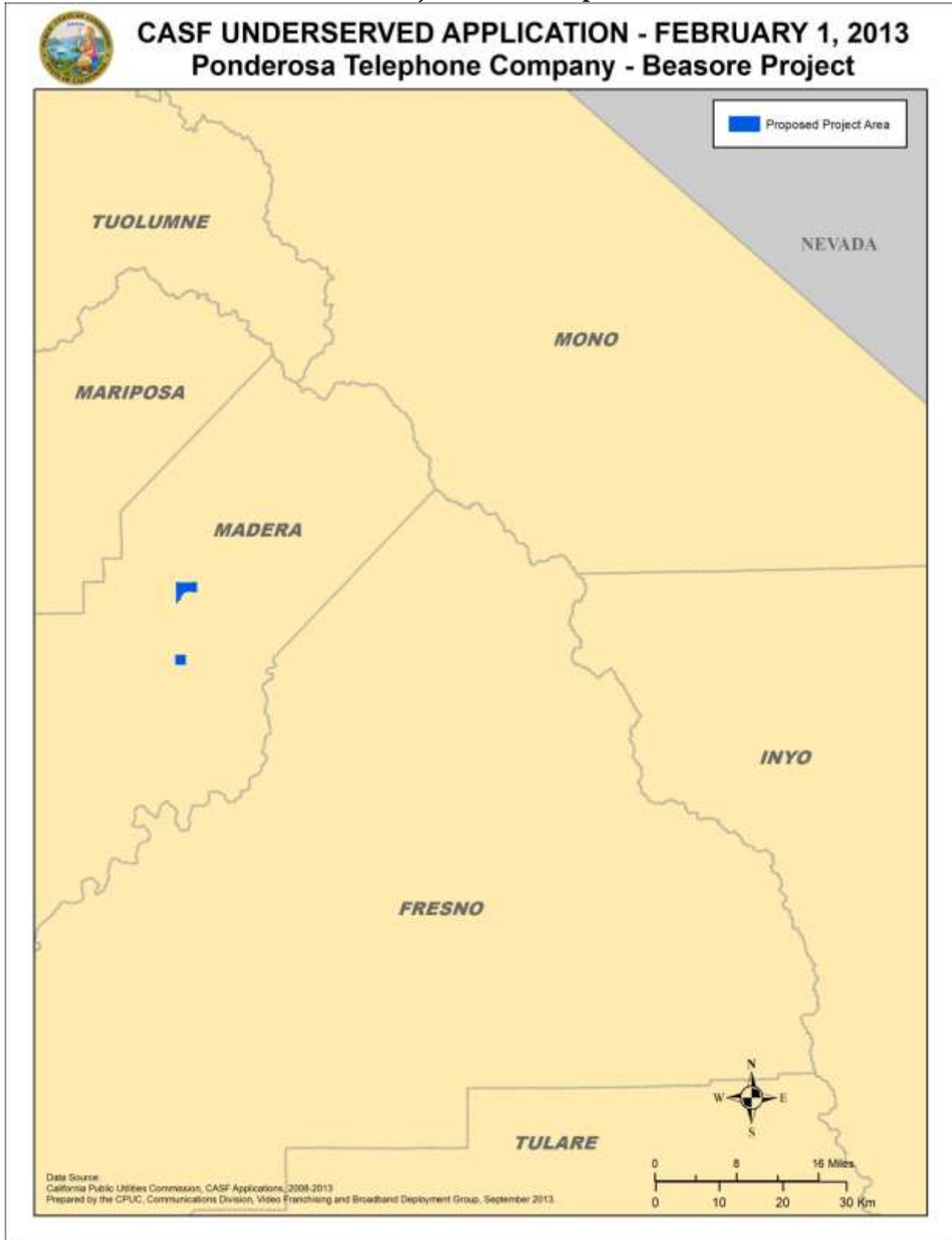
THEREFORE, IT IS ORDERED that:

1. The Commission shall award \$1,755,042 from the CASF to Ponderosa for the Beasore/Central Camp Project as described herein and summarized in Appendix A of this Resolution.
2. The program fund payment of \$1,755,042 for this unserved and 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, Ponderosa, 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.

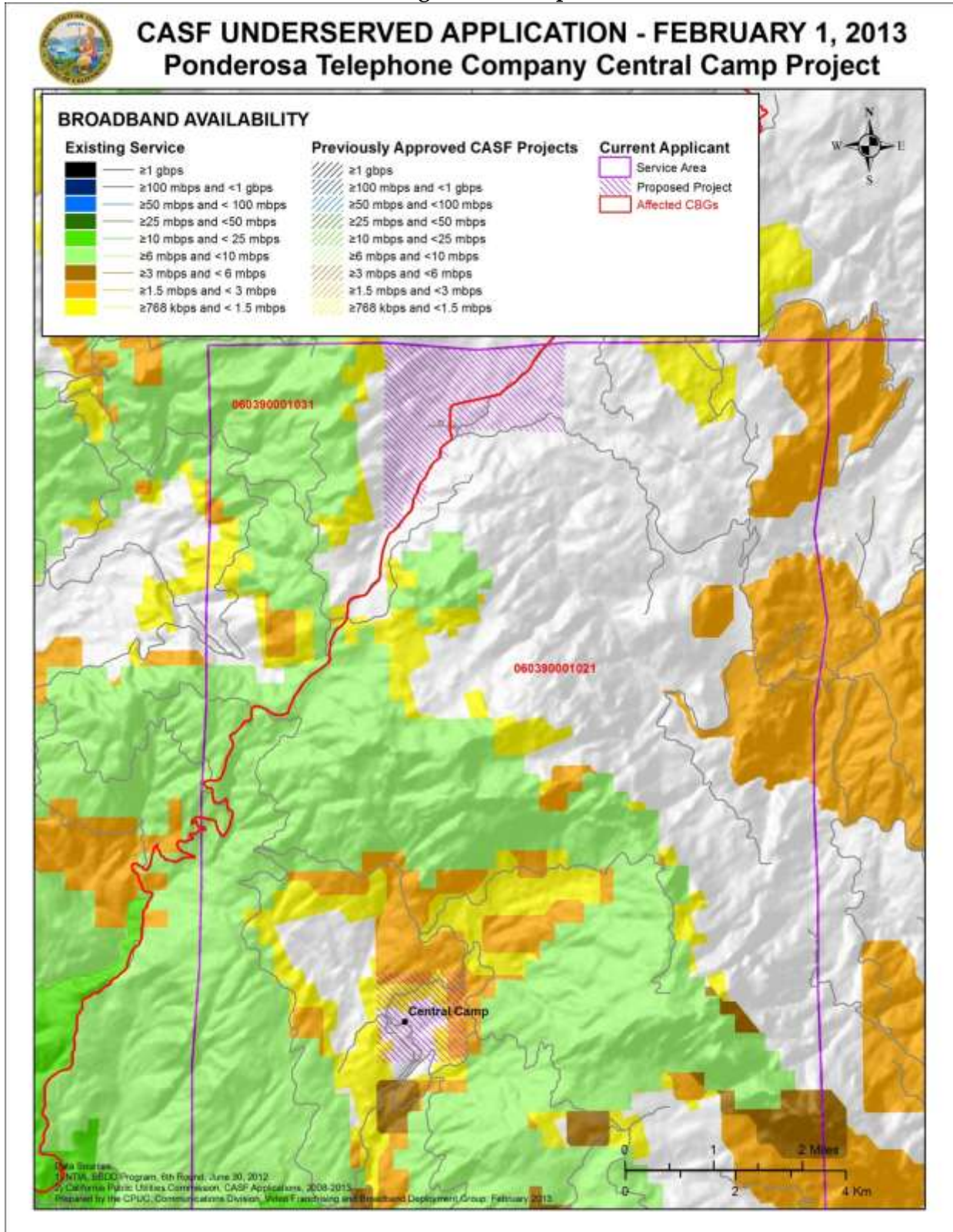
APPENDIX A
Resolution T-17424
The Ponderosa Telephone Company, Beasore/Central Camp Project
Key Information

| <i>Project Name</i> | Ponderosa Telephone Company, Beasore/Central Camp Project |
|--|--|
| <i>Project Plan</i> | Fiber-to-the-home connections with supporting infrastructure |
| <i>Project Size (in square miles)</i> | 3.49 |
| <i>Download/Upload speed (in Mbps)</i> | 50/20 |
| <i>Location</i> | Madera County |
| <i>Community Names</i> | Beasore and Central Camp subdivisions |
| <i>CBGs / Household Income</i> | 006039001031 / \$44,286 006039001021 / \$59,375 |
| <i>Weighted Median Household Income</i> | \$44,757 |
| <i>Zip Code</i> | 93644 |
| <i>Estimated potential subscriber size</i> | 32 households / 75 population |
| <i>Applicant expectations (inc. "housing units")</i> | 111 customers |
| <i>Deployment Schedule (from Commission approval date)</i> | 21 months |
| <i>Proposed Project Budget (Total)</i> | \$2,847,306 |
| <i>Amount of CASF funds requested (61.6%)</i> | \$1,755,042 |
| <i>Internally funded (38.4%)</i> | \$1,092,264 |

Appendix A
Resolution T-17424 Ponderosa Beasore/Central Camp
Project location map



Appendix A
Resolution T-17424 Ponderosa Beasore/Central Camp
Existing download speeds



Appendix A
Resolution T-17424 Ponderosa Beasore/Central Camp
Existing service level

