

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Broadband, Policy and Analysis Branch**

**Resolution T-17431
April 10, 2014**

RESOLUTION

Resolution T-17431 Approval of Funding for the Grant and Loan Application of Surfnet Communications, Inc. from the California Advanced Services Fund (CASF) in the Amount of \$105,437 for the Monterey Dunes Underserved Broadband Project

I. SUMMARY

This Resolution adopts total funding in the amount of \$105,437, where \$79,078 represents grant funding and \$26,359 represents loan funding, from the California Advanced Service Fund (CASF) for the CASF grant and loan application of Surfnet Communications, Inc. (Surfnet) for its Monterey Dunes Last Mile Underserved Broadband Project (Monterey Dunes Project). The Monterey Dunes Project will extend high-speed broadband service to 0.58 square miles in the Monterey Dunes area, located in Northern Monterey 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 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

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

² P.U. Code § 281(e).

\$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, Surfnet submitted an application for CASF funding for the underserved area of Monterey Dunes.

NOTICE/PROTESTS

Communications Division (CD) posted the proposed project area map, census block groups (CBGs) and zip codes by county for the Monterey Dunes Project on the Commission’s CASF webpage under “Pending New CASF Applications to Offer Broadband as of February 11, 2013.” CD received one challenge by Verizon to the proposed project areas.

³ P.U. Code § 281(b)(1).

After reviewing the application, data included in the California Interactive Broadband Map and information, and CalSPEED test results performed in the proposed project area, CD concluded that the project was eligible for funding consideration since it covers underserved areas. The majority of CalSPEED test results performed in the proposed area did not support Verizon as having broadband availability at served speeds of at least 6 Mbps download and 1.5 Mbps upload. The Commission finds that Verizon's challenge does not have merit.

III. DISCUSSION

This Resolution adopts CD's recommended CASF fund award of \$105,437 for the Monterey Dunes Project. This award represents 80% of the total project costs of \$131,797 60% of which (\$79,078) is a grant, and 20% of which (\$26,359) is a loan. Key project information and maps are shown in Appendix A.

A. Project Overview

Surfnet currently does not provide broadband or telephone service within five miles of the Monterey Dunes Project. The Monterey Dunes Project will extend high-speed broadband service to 0.58 square miles in the Monterey Dunes area by deploying high speed fiber to the home technology which will be capable of reaching speeds of 100 Mbps up and 100 Mbps down using HPNA 3.0 technologies or ADSL 2 depending on the quality of the existing wiring.

The Surfnet Monterey Dunes project is a last mile project that provides high-speed fiber that connects to existing copper wire infrastructure and upgrades broadband facilities in the proposed area. This project is dependent upon the completion of the Sunesys middle mile project⁴ to obtain backhaul and enable last mile connections in the area

Service will be provided at the proposed speeds once Surfnet receives the backhaul from Sunesys. If the segment of the Sunesys project build out that serves the project area is not ready prior to Surfnet completing project construction, Surfnet will be required to discuss interim plans and solutions for backhaul with CASF staff⁵.

⁴ Resolution T-17429 recommends CASF funding approval for the Sunesys Middle Mile Project; a 91.18 mile long backbone network from Santa Cruz to Soledad.

⁵ For example, microwave. If such an interim solution is required, Surfnet shall either contract with another provider or provision the service itself. Surfnet has indicated it is their intention that an interim solution would offer speeds of at least 6 Mbps download and 1.5 Mbps upload; however, this is not a long-term solution for the project

If CASF funding for the Sunesys project is denied or if the Sunesys project does not materialize, it will be technically impossible to build and operate the Surfnet Monterey Dunes project as proposed. Without the Sunesys middle-mile infrastructure, it would not be possible to provide the level of service and speeds proposed in the Surfnet application. Furthermore, the Monterey Dunes project is almost certainly not financially feasible without the Sunesys middle-mile. At the moment, no other feasible long-term solution exists.

Cruzio Internet will provide broadband connectivity through a connection at a data center in Santa Cruz. This project will provide an "all fiber" link from the residences in Monterey Dunes. Surfnet proposes to use Point to Point Gigabit/s Ethernet for the last mile component. Surfnet will place fiber cable along the entrance road to the property and will terminate the fiber in the Minimum Point of Entry (MPOE). Surfnet will place the cable using trenchless techniques that minimize earth disturbance and typically produce no adverse effects on sensitive environmental resources. Surfnet will place a common Ethernet router and switch at the MPOE, which will be supported with a battery backup system. Remote monitoring will alert operators to deviations in both commercial and battery backup power.

The Census Block Group (CBG) impacted by the project is 060530103061. Monterey Dunes is located near Castroville, in Northern Monterey County.

When completed, the project will reach an estimated 120 underserved households. Surfnet estimates that an initial 60 potential households will subscribe in the proposed area.

The project area does not include any anchor institutions.

Surfnet has committed to a broadband pricing plan under the terms shown below for two years, starting from the beginning date of service.

| Service/Description | Download/Upload Speeds | Monthly Fee |
|---|-----------------------------------|-------------------------------------|
| Initial Promotional Rate for Customers who sign up during the first two months of service availability: | 100 Mbps download/100 Mbps upload | No more than \$65 per month. |
| Maximum Monthly Recurring Rate | 100 Mbps download/100 Mbps upload | No more than \$80 per month |
| Other Recurring Charges | | None |
| Installation Fee | N/A | No charge for standard installation |
| Required Equipment | | Non-Recurring Charges |
| None | | |

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 and the California Interactive Broadband Availability maps which contain broadband availability data as of June 30, 2012. Once CD finds the areas eligible either as unserved or underserved areas, 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 Surfnet’s application, CD checked the CBGs submitted in the project application to determine that the project was indeed underserved. In doing so, CD found broadband availability at served speeds by two satellite providers, ViaSat and Skycasters, LLC in the Monterey Dunes 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.⁶ Additionally, CD requested clarification on the project size, construction details, and project budget.

⁶ 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.

On March 11, 2013, Verizon challenged the application stating that they offer broadband availability at served speeds in the project area. As discussed above, based on its review of the data, CD staff concluded that the area Verizon challenged was eligible for funding. Subsequently, on July 12, 2013, CD issued a letter to the applicant, with a copy to Verizon, stating that the project is eligible for CASF funding since the areas are deemed underserved.

Since Surfnet's submission of its CASF project application, Round 7 broadband availability data of December 31, 2012, shows maximum advertised mobile broadband availability from Verizon and T-Mobile at speeds greater than 6 Mbps download and 1.5 Mbps upload in portions of the proposed project area.⁷ 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 2,000 points within the State. CD inputs these tests into an interpolation model to predict speeds in areas outside of the drive tested points. Where the predicted speeds are slower than the advertised speeds, the model shows that speeds in that area are not validated. There are no drive test results in the project area. Furthermore, in the Spring of 2013, Surfnet conducted ten Verizon mobile tests in the proposed project area using the Commission's CalSPEED mobile test app. Nine out of the ten tests showed actual speeds of less than 6 Mbps download and 1.5 Mbps upload. In the Fall of 2013, Surfnet also conducted eleven T-Mobile mobile tests in the proposed project area using CalSPEED. Of these tests, eight show actual speeds of less than 6 Mbps download and 1.5 Mbps upload. Since the majority of the mobile tests conducted in the proposed 0.58 square mile project area show speeds of less than 6 Mbps down and 1.5 Mbps up, CD staff concludes that the Monterey Dunes Project is underserved and eligible for CASF funding.

Additionally, Surfnet has a pending application for a CPCN,⁸ in addition to other conditions for its CASF award. The Commission may implement the CASF award contingent upon one of the following: (1) either the Commission approves Surfnet's CPCN application; or (2) pursuant to Senate Bill (SB) 740 Padilla, Chapter 522, Statutes of 2013, Surfnet complies with the safeguard rules that the Commission will establish for non-telephone corporation in the existing CASF Rulemaking proceeding (R.12-10-012), in addition to other conditions for its CASF award⁹.

⁷ The California Interactive Broadband Map reflects Round 7 data starting in August 30, 2013.

⁸ A. 13-07-019 filed July 23, 2013 for registration as an Interexchange Carrier Telephone Corporation Pursuant to the provisions of Public Utilities Code Section 1013

⁹ Proposed Decision was issued on January 6, 2014.

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 who is able to submit local government and community endorsements or letters of support.

CD found that the Monterey Dunes project meets CASF funding requirements with respect to the following factors:

- Speed – the proposed speed offering of up to 100 Mbps download and up to 100 Mbps upload complies with the benchmark set by the Commission
- Service area the service area is determined to be underserved and covers 0.58 square miles
- Matching Funds of 20% of project cost – the applicant has certified that the matching funds will be funded utilizing available cash flow that includes cash injection from the company’s key principals; the submitted balance sheet, income and cash flow statements show that the applicant has the financial capability to do so
- Price commitment period - the applicant has committed to a pricing plan of two years as required
- Deployment schedule – the project will be completed within six months, well within the 24 month period construction timeline required

CD’s review of the project area shows that AT&T is offering DSL service at underserved speeds of greater than or equal to 3 Mbps and less than 6 Mbps download. This is well below served speeds. Therefore, based on its review, CD determined that Surfnet’s grant application qualifies for funding as an underserved area and meets the requirements of D.12-02-015. CD recommends Commission approval of CASF funding for Surfnet’s Monterey Dunes project. Relative to other projects that the Commission is currently considering for funding, this project is seeking a small grant amount. Also, out of all projects, this project scored among the highest in the area of time to complete, taking only about six months to completion. The project also scored highly in the area of pricing. Additionally, the funds requested per potential customer are lower than funds requested per potential customer for most of the other projects, making this project comparatively low cost.

In making its determination to fund the loan portion of Surfnet’s funding request, CD utilized the services of its loan servicing and administrative contractor, State Assistance

Fund for Enterprise, Business, and Industrial Development Corporation (SAFE-BIDCO) to conduct the underwriting phase of the review. Based on its review of Surfnet's application, SAFE-BIDCO recommended funding the loan with the condition that the two principal stakeholders of the company provide a personal guarantee for the loan. Per standard lending rules applied by SAFE-BIDCO in the underwriting review of loan applicants, a personal guarantee is generally required from the owners and/or principals of privately held corporations who have 20% or more ownership to properly underwrite the loan request.

CD staff believes that Surfnet can service the loan and that the Commission need not require a personal guarantee from the principles of the company based on the following:

1. Surfnet's two primary principals have slightly over 20% ownership of the company combined.
2. SAFE-BIDCO's underwriting results show that Surfnet, as a company, is able to service debt.
3. The loan is also 100% secured by the collateral identified in the application.

Furthermore, CD staff notes that Federal broadband loans (e.g. from the Department of Agriculture Rural Utility Service) do not require a personal guarantee from key principals of a privately held company. Although the CASF program is a separate program with its own set of rules, CD acknowledges that the Federal broadband loan program does not require personal guarantees.

As such, based on its review of the underwriting results provided by SAFE-BIDCO, and in light of the reasons presented above, CD recommends that the Commission proceed with the loan and not require a personal guarantee.

The loan is subject to the conditions listed in D.12-02-015, Resolution T-17369 and the loan agreement documents expected to be signed by the borrower. As adopted in item #6 *Loan Closing*, section E, Appendix 2 of D.12-02-015, once the Commission approves the loan via a Resolution, the borrower must sign a loan agreement document that contains all the terms and conditions of the loan. If the borrower does not sign the loan agreement document, the Commission will not execute the loan and will revoke the loan offer. Surfnet cannot withdraw loan funds without a signed loan agreement in place. The loan will be a five year term loan, fully amortized. The interest rate will be fixed at the U.S Prime Rate at loan closing. The borrower will have up to four disbursements to draw down funds, based on meeting Commission-approved project key milestones. The funds must be drawn down within two years of loan approval.

Based on its review, CD determined that Surfnet's grant application qualifies for funding as an underserved area and meets the requirements of D.12-02-015. CD recommends Commission approval of CASF funding for the Surfnet Monterey Dunes Project.

CD staff finds that funding the Monterey Dunes Project aligns with CASF's goal to encourage the deployment of high-quality advanced information and communications technologies to all Californians to promote economic growth, job creation, and substantial social benefits.

D. Safety Impact

The CASF program encourages the deployment of broadband throughout the State which can enable the public to access broadband-based safety applications, access to emergency services, and allow first responders to communicate with each other and collaborate during emergencies. As the Governor's Broadband Task Force stated in its 2007 report, ubiquitous broadband will play a key role in enhancing public safety operations and applications in law enforcement, disaster relief, traffic management, and virtually every other aspect of public safety. The funding to the Monterey Dunes Project will enable households in the Monterey Dunes area to have access to high-speed broadband and make use of the technology for safety purposes. The project area does not include any anchor institutions. However, there are nine emergency first responders, one PSAP (Public Safety Answering Points) and 125 anchor institutions within 10 miles of the project area which the project will potentially serve and which will benefit from both the fiber within, and the middle facilities, which support the project area.

The First Responder Institutions include:

- CalStar
- Monterey County Emergency Medical Services Agency
- North County Fire District
- Monterey County Sheriff's Office
- California Highway Patrol
- California Fish and Game
- California State Parks

Additionally, the Monterey County 911 Center PSAP will potentially benefit from the broadband project.

Public safety institutions will be able to coordinate responses to regional challenges, including natural disasters. The lack of reliable, redundant connections to the wider Internet has been a major stumbling block for first responders who have worked over the last decade to increase interagency cooperation, dispatch and mutual aid nets. For

example, with a redundant fiber network in place, first responders can have access to building plans, hazardous substance information, real time mapping and coordination as well as voice, video and broadband connections for each unit in the field. The broadband infrastructure proposed for this grant project would greatly enhance first responders' efforts to work together to provide service to all, including the people in and around the project area. This project can also help allow dependable and robust public safety communications and provide the region's healthcare sector the communication infrastructure to improve health and medical services and lower costs.

IV. COMPLIANCE REQUIREMENTS

Surfnet 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)

All CASF grants are subject to CEQA requirements unless the project is statutorily or categorically exempt pursuant to the CEQA Guidelines.

Surfnet has provided the Commission with construction plans for the Monterey Dunes underserved project area. Cruzio Internet will provide broadband connectivity via a connection to a data center in Santa Cruz. Sunesys will provide Middle Mile connectivity. Surfnet proposes to use Point to Point Gigabit/s Ethernet for the last mile component. Surfnet will accomplish this by placing a fiber cable along the entrance road to the property and terminating it in the MPOE. Qualified contractors will place the cable using trenchless techniques that minimize earth disturbance.

The Monterey Dunes 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.

Prior to any construction activity the carrier is required to seek further authority from the Commission for such activity by filing a Proponent's Environmental Assessment (PEA) pursuant to Commission Rule of Practice and Procedure 2.4; and must undergo an environmental review pursuant to the California Environmental Quality Act (CEQA) (California Public Resources Code § 21000 et seq.). Carriers should contact the Supervisor of the Commission's Energy Division CEQA Unit well in advance of a contemplated filing to consult with staff regarding the process of developing and filing a PEA; providing for cost recovery per Rule of Practice and Procedure 2.5; and entering

into a Memorandum of Understanding to allow the Energy Division to initiate the retention of an environmental contractor to perform the environmental review.

Carriers may file a completed CEQA review conducted by another agency acting as the Lead Agency pursuant to CEQA; carriers should make every effort to ensure that the Commission's CEQA Unit is aware of and included in the CEQA process if it is conducted by another agency acting as the CEQA Lead Agency. Carriers should contact the Supervisor of the Commission's Energy Division CEQA Unit well in advance of a contemplated filing to consult with staff regarding the applicability of another agency's CEQA review.

B. Deployment Schedule

The Commission expects Surfnet to complete the project within six months from the start date. If the applicant is unable to complete the proposed project within the six month timeframe, it must notify the Commission as soon as it becomes aware of this prospect. The Commission requires that all projects are completed within a 24-month timeframe. 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 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.

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. Surfnet will provide 20% of the total project costs from its capital budget, which includes "paid in capital" from key principals of the company as a loan to the company. Because the paid in capital portion of the matching

funds is a loan to the company from the principals of the company, the Commission requires a performance bond 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. Surfnet 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 (if applicable)

If the grantee is providing voice service in the project area, it must meet the Federal Communications Commission (FCC) standards for E-911 service and battery backup. Surfnet in its application has stated that no voice service will be provided as part of the Monterey Dunes project.

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 both the schedule for deployment, major construction milestones and costs submitted in the proposals; indicate the actual date of completion of each task and milestone as well as any 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.

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.¹⁰

V. PAYMENTS TO CASF RECIPIENTS

Submission of invoices from and payments to Surfnet 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 Surfnet 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 Surfnet to CD | 5 th of Month 1 | 20 th of Month 1 |
| Payment letters from CD to Administrative Services ¹¹ | 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 |

Surfnet 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

¹⁰ *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.

¹¹ 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.

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

VI. COMMENTS ON DRAFT RESOLUTION

In compliance with P.U. Code § 311(g), a notice letter was emailed on February 11, 2014, 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 conformed Resolution adopted by the Commission will be posted and will be available at this same website.

VII. 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. Surfnet filed an application for CASF funding for its Monterey Dunes Project on February 1, 2013.
3. If the segment of the Sunesys project build out that serves the project area is not ready prior to Surfnet completing project construction, Surfnet will be required to discuss interim plans and solutions for backhaul with CASF staff.
4. If CASF funding for the Sunesys project is denied or if the Sunesys project does not materialize, it will be technically impossible to build and operate the Surfnet Monterey Dunes project as proposed. Without Sunesys, it would not be possible to provide the level of service and speeds proposed in the application. Furthermore, the Monterey Dunes project is almost certainly not feasible without the Sunesys fiber. At the moment, no other feasible long-term solution exists.

5. The Monterey Dunes Project will extend high-speed broadband service to 0.58 square miles in Monterey Dunes by deploying by deploying high speed fiber to the home technology which will be capable of reaching speeds of 100 Mbps up and 100 Mbps down using HPNA 3.0 technologies or ADSL 2 depending on the quality of the existing wiring. The CBG impacted by the project is: 060530103061.
6. CD posted the proposed project area map, CBGs and zip codes by county for the Monterey Dunes 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 to the proposed project areas. The Commission did not uphold the challenge because CD determined that speeds in the area challenged were not above served speed thresholds.
5. CD reviewed and analyzed data submitted for the Monterey Dunes Project CASF grant application to determine the project's eligibility for CASF funding. This data includes, but is not limited to: a CPCN application; 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.
6. CD reviewed the submitted shapefiles, which mapped the proposed broadband deployment using United States 2010 Census data and the California Broadband Availability Maps, revised July 31, 2012. These maps helped to verify the existence or nonexistence of broadband service areas and broadband speeds, where available.
7. Based on its review, along with results of the underwriting conducted by SAFE-BIDCO, CD determined that the project qualifies for funding under D.12-02-015 and recommends Commission approval of CASF grant and loan funding for Surfnet's project.
8. Surfnet must sign a loan agreement document that contains all the terms and conditions of the loan. If Surfnet does not sign the loan agreement document, the Commission will not execute the loan and will revoke the loan offer. Surfnet cannot withdraw loan funds without a signed loan agreement in place.
9. Surfnet is required to post a performance bond because part of the matching funds it is providing will be a loan from the company's key principals.

10. Surfnet 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.
11. The Commission finds CD's recommendation to fund Surfnet's project, as summarized in Appendix A, to be reasonable and consistent with Commission orders and, therefore, adopts such recommendation.
12. The Monterey Dunes project is subject to the CEQA review and must follow the above requirements.
13. The CASF award is contingent upon Commission approval of Surfnet's CPCN application. In the event that the Commission does not grant Surfnet a CPCN Surfnet's CASF award will be contingent upon Surfnet complying with the safeguard rules that the Commission will establish for non-telephone corporations in the existing CASF Rulemaking proceeding (R.12-10-012) implementing SB 740 (Padilla, Chapter 522, Statutes of 2013), in addition to other conditions for its CASF award.
14. A notice letter was emailed on February 11, 2014 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.
15. No comments were received.

THEREFORE, IT IS ORDERED that:

1. The Commission shall award \$105,437, where \$79,078 represents grant funding and \$26,359 represents loan funding, from the CASF to Surfnet Inc. for the Monterey Dunes Project as described herein and summarized in Appendix A of this Resolution.
2. The CASF award shall be contingent upon Commission approval of Surfnet's CPCN application. If the Commission does not grant Surfnet a CPCN, then Surfnet shall comply with the safeguard rules that the Commission will establish for non-telephone corporations in the existing CASF Rulemaking proceeding (R.12-10-12) implementing SB 740 (Padilla, Chapter 522, Statutes of 2013), in addition to other conditions for its CASF award.
3. If the segment of the Sunesys project build out that serves the project area is not ready prior to Surfnet completing project construction, Surfnet will be required to discuss interim plans and solutions for backhaul with CASF staff.
4. Surfnet shall post a performance bond equal to the total CASF grant as specified in Section V, item #20, in Appendix 1 of D.12-02-015.
5. The program fund payment of \$105,437 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.
6. 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. Specifically for the loan amount of \$26,359, payment shall be in accordance with Appendix 2 of D.12-02-015, Resolution T-17369, and in accordance with the loan agreement documents signed by the borrower.
7. The CASF fund recipient, Surfnet, 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 T-17143.

Resolution T- 17431
CD/PL1

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on April 10, 2014.

/s/ Paul Clanon

PAUL CLANON
Executive Director

MICHAEL R. PEEVEY

President

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

CARLA J. PETERMAN

MICHAEL PICKER

Commissioners

Resolution T- 17431
CD/PL1

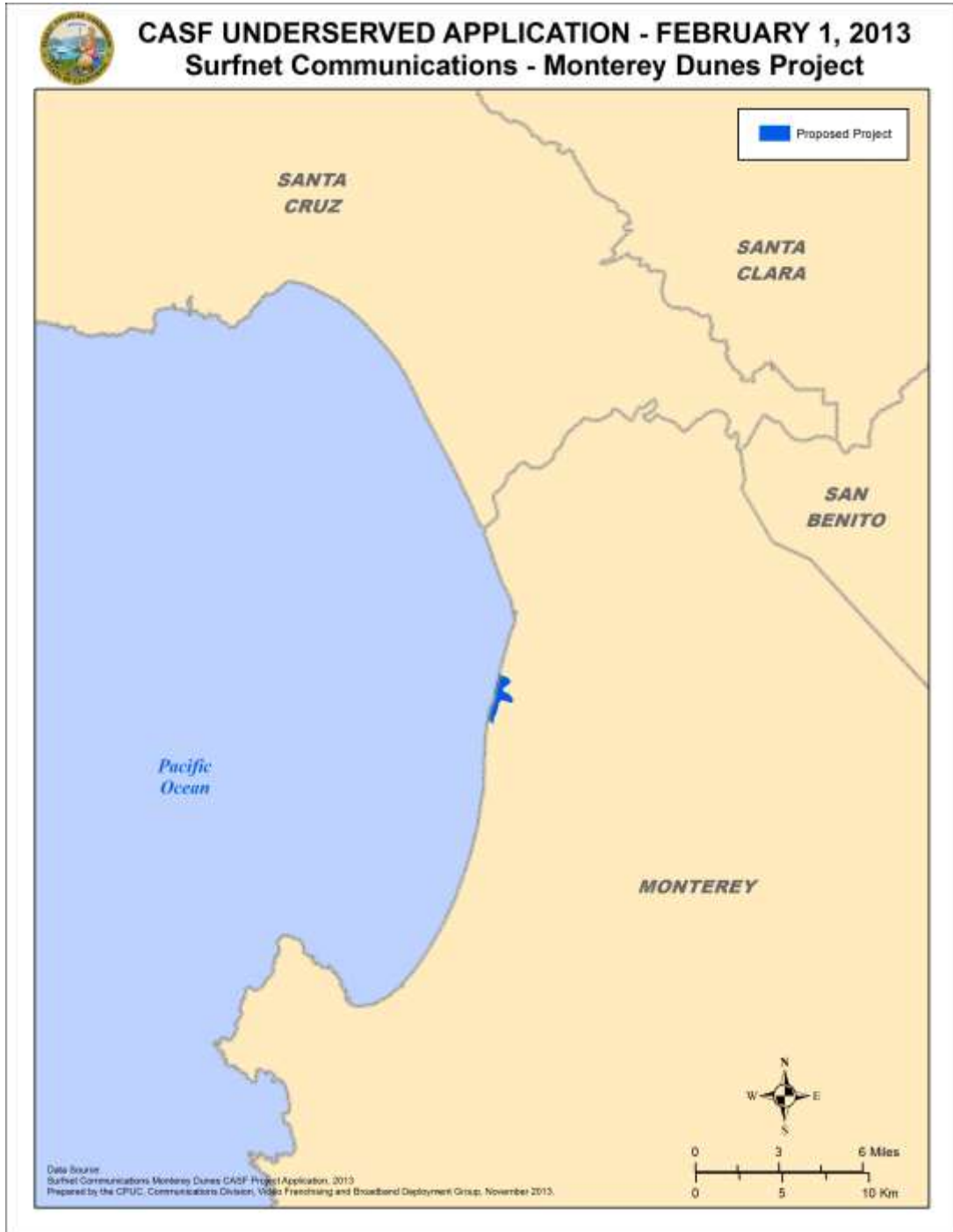
APPENDIX A
Resolution T-17431

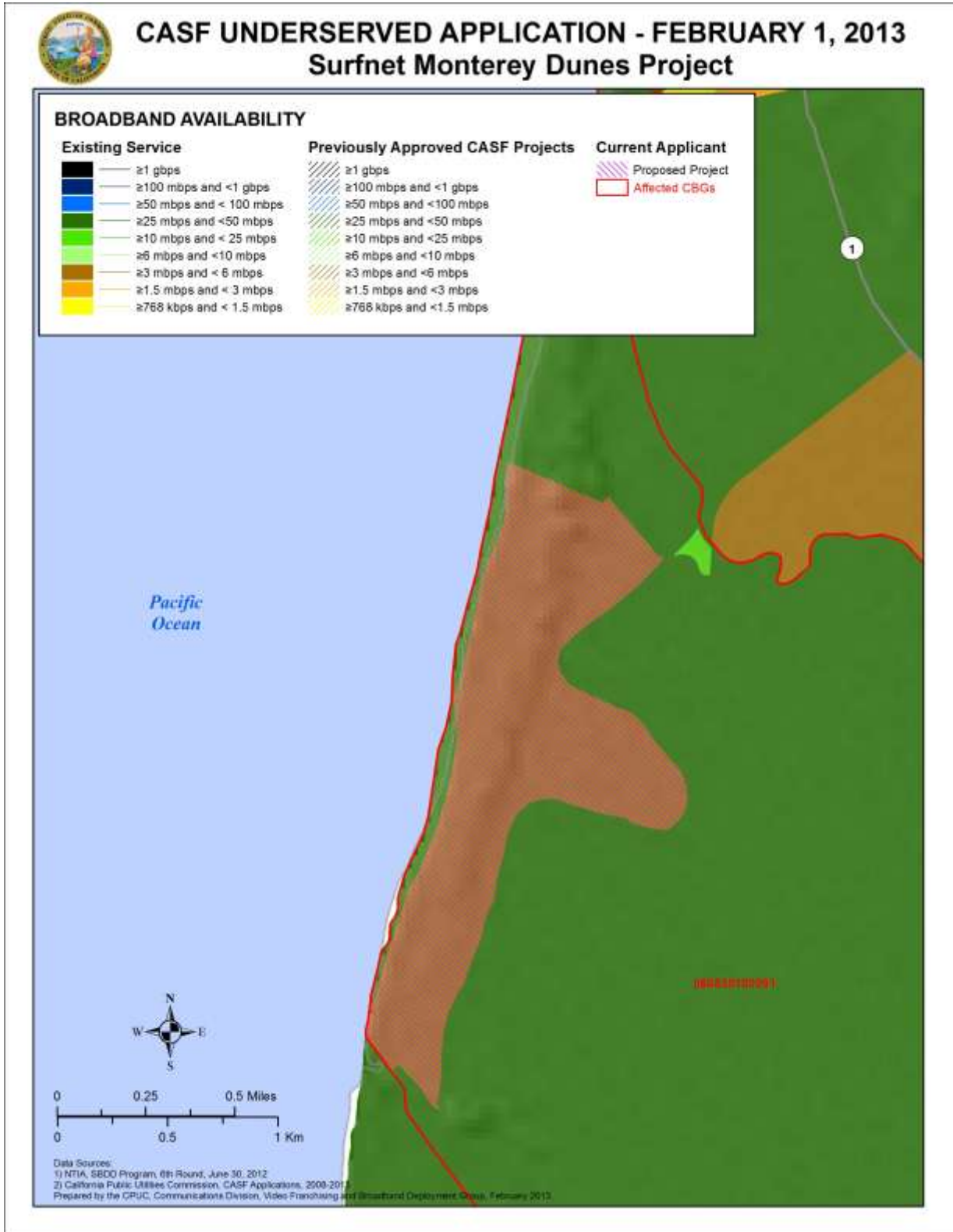
APPENDIX A
Resolution T – 17431
Surfnet Monterey Dunes Project
Key Information

| <i>Project Name</i> | Monterey Dunes |
|--|--|
| <i>Project Plan</i> | Deployment of high speed fiber that connects to copper wire infrastructure and upgrades broadband facilities in the proposed area. Middle mile service will be provided by Sunesys. Broadband connectivity will be provided via a connection at a Cruzio Internet data Center in Santa Cruz. The last mile component is proposed to use Point to Point Gigabit/s Ethernet. |
| <i>Project Size (in square miles)</i> | 0.58 |
| <i>Download/ upload speed (in Mbps)</i> | 100 Mbps down / 100 Mbps up |
| <i>Location</i> | Monterey Dunes, Monterey County |
| <i>Community Name</i> | Monterey Dunes |
| <i>CBGs/ Household Income</i> | 060530103061/\$68,243 |
| <i>Zip Codes</i> | 95012 |
| <i>Estimated Potential Subscriber Size Households/ Subscribers</i> | 120 |
| <i>Deployment Schedule (from Commission approval date)</i> | 6 months |
| <i>Total Proposed Project Budget</i> | \$131,797 |
| <i>Amount of CASF Funds Requested (60% grant; 20% loan)</i> | Grant: \$79,078 Loan: \$26,359 |
| <i>Internally funded (20%)</i> | \$26,359 |

Resolution T – 17431

Surfnet Monterey Dunes Project Maps





(End of Appendix A)