

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Broadband, Video and Market Branch**

**RESOLUTION T-17614
DATE July 12, 2018**

RESOLUTION

Resolution T-17614: Approval of Funding for the Grant Application of Frontier California, Inc. (U-1002-C) from the California Advanced Services Fund (CASF) for up to \$1,262,567 for the Desert Shores Project, to build last mile fiber cable to deliver broadband services to the unserved communities of Desert Shores and Salton Sea Beach, in Imperial County to serve 596 unserved households.

I. Summary

This Resolution approves funding 90 percent of projected project costs in the amount of \$1,262,567 from the California Advanced Service Fund (CASF) for the grant application of Frontier California, Inc. (“Frontier”) a wholly owned subsidiary of Frontier Communications Corporation, to construct the Desert Shores Project. The Desert Shores Project will deploy fiber-to-the-home (“FTTH”) facilities to provide broadband Internet service to the unserved communities of Desert Shores and Salton Sea Beach in Imperial County.

The Desert Shores Project fiber optic network will enable access to gigabit-capable Internet service to 596 eligible households, at the relatively low cost of \$2,118 per household; spread over 2.63 square miles in the unincorporated communities of Desert Shores and Salton Sea Beach. The Desert Shores Project area was previously identified in the CASF Staff’s White Paper¹ analysis as a “High Impact area” for CASF funding. The Desert Shores project area includes a disadvantaged rural community in need of critical broadband infrastructure. The proposed project will also provide improved broadband access to employment, education, health care, public safety and other governmental services.

II. Applicant Request

On February 21, 2018, Frontier submitted a CASF Infrastructure Account grant application requesting 100-percent grant level funding to recover costs of \$1,478,902 to deploy a broadband network in the unserved communities of Desert Shores and Salton Sea Beach in Imperial County. Frontier states that its deployed fiber network will bring for the first time, broadband services to 791 homes and local businesses providing maximum speeds of 1 Gbps download and

¹ High Impact Areas for Broadband Availability, February 2017 CPUC is available on the CPUC website; www.cpuc.ca.gov/General.aspx?id=6442455975

1 Gbps upload. Utilizing the new infrastructure, Frontier will provide high speed internet, Ethernet, and VoIP services. Existing telephone services will continue to be offered.

Geography and Topography: The proposed project area is in Desert Shores, an unincorporated census-designated place in Imperial County. The area is located in the Imperial Valley region, within the Colorado Desert ecoregion along the western shore of the Salton Sea. The nearest incorporated town is Westmoreland, 39 miles to the south. The topography is a desert that is flat, wide-open and geographically isolated due to the surrounding desert, the Santa Rosa Mountains Wilderness and the Salton Sea and sits at an elevation of minus-200 feet below sea level. Project information and maps are shown in Appendices A and B.

Applicant: Frontier is a publicly-traded corporation and the fourth largest incumbent local exchange carrier (ILEC) in the United States and the second largest in California. Frontier is the Carrier-of-Last-Resort in the proposed project areas and currently only provides voice service via facilities acquired from Verizon in 2016 and does not provide broadband Internet service. Frontier and its affiliates (e.g., Citizens) combined have been awarded eight CASF grants, successfully completing seven of them thus far.

Project: The proposed Desert Shores project will extend access of gigabit-capable Internet service to 596 eligible households, along with businesses, and at least one community anchor institution, the local Veterans of Foreign War (VFW) hall, and the Community Church by the Sea within a 2.63 square mile area. Frontier is the carrier of last resort for Desert Shores and Salton Sea Beach and will continue to offer voice services over copper wire. In addition, Frontier intends to offer VoIP services and a hotspot at the VFW hall as a result of this project. Frontier proposes a FTTH build from two Central offices in Desert Shores to four remote terminals, leveraging existing facilities and operations, with roughly two-thirds of the project being an aerial build using existing poles owned either by Frontier or jointly owned with Southern California Edison. Frontier anticipates only needing a permit to cross Highway 86, along with a few other permits.

III. Notice and Challenges

Challenge(s): On February 15, 2018, Staff posted the proposed project area map, census block groups (CBGs) and zip codes for the Desert Shores Project on the Commission's CASF webpage under "CASF Application Project Summaries" and also sent notice regarding the project to its electronic service list. Staff received no challenges to the proposed project area.

IV. Project Review

There are two main topics of review; determination of project area eligibility and project criteria evaluation.

A. Project Area Eligibility

AB 1665, signed into law by the Governor in October 2017, prohibits the Commission from

awarding CASF funding to a project applicant if the existing facility-based broadband provider demonstrates, in response to the Commission's annual offer, that it will deploy broadband or upgrade existing broadband service throughout the proposed project area within 180 days.² Additionally, until July 1, 2020, the Commission cannot award funds for projects located in census blocks where an existing facility-based broadband provider has accepted federal funds for broadband deployment from the Federal Communications Commission's Connect America Fund Phase II program (unless the existing facility-based broadband provider has notified the Commission before July 1, 2020, that it has completed its Connect America Fund deployment in the census blocks in question).³

In addition to the requirements outlined above, the CASF program requires an applicant to submit proof that the area is unserved, which is now defined as where no provider offers access at speeds of at least 6 Mbps downstream and 1 Mbps upstream.⁴ The applicant does this by submitting a shapefile of the proposed project area, which Staff compares with United States Census 2010 data and the California Interactive Broadband Availability map (a.k.a., eligibility map).⁵ Once Staff determines that the area is eligible as an unserved area, Staff evaluates all other information submitted by the applicant to determine if the project meets the requirements outlined in D.12-02-015.

The proposed project area does contain census blocks with Connect America Fund Phase II accepted locations. However, Frontier informed the Commission on February 6, 2018, that it would not be offering service to this community using CAF support. Finally, no other provider challenged or offered to build in this area, nor expressed a commitment to serve the areas in question before the January 15, 2018 "right-of-first-refusal" deadline.

Frontier filed their application relying on the eligibility map and data showing wireline and fixed-wireless service availability. That map indicated, and Staff confirmed that the submitted census blocks and project area were unserved by wireline and fixed wireless services. Subsequent to receipt of the Frontier application, Staff published the latest mobile availability map which showed portions of the project area as served by Verizon's mobile facilities.⁶ As a result, staff performed speed tests in the project area using the CalSPEED mobile app. Test results indicated unserved mobile speeds in Salton Sea Beach area and mobile served speeds in the Desert Shores area. Although some census block groups in the Desert Shores project area are served by mobile service, in this resolution we consider mobile service to be an inadequate

² See Pub. Util. Code section 281(f)(4)(A)(i) - 281 (f)(4)(A)(ii). The Commission adopted a "right of first refusal" process in T-17443, June 27, 2014, and T-17590, December 20, 2017.

³ See Pub. Util. Code section 281(f)(5)(C)(i) - 281 (f)(5)(C)(ii)

⁴ See Pub. Util. Code section 281(f)(5)(A)

⁵ The latest version of the California Interactive Broadband Availability Map uses wireline data as of December 31, 2016. This map was published with fixed-broadband data on December 22, 2017 and published complete with mobile availability data on March 15, 2018.

⁶ The wireline and fixed-wireless eligibility map was published on December 20th, 2017 and the mobile eligibility map was published in March 2018.

substitute for tertiary broadband service. This consideration is informed by the Commission's finding in Decision (D.) 16-12-025⁷, which states:

“We are persuaded that mobile data service, at present, is not a reasonable substitute for home broadband service. Data caps and higher data usage charges for phone-based Internet access limit the ability of Californians to use their mobile data subscription to meet all of their data needs. Likewise, the non-mobile nature of home broadband makes it a poor fit for Californians' need for mobile data.

Further, the cord cutting trends evident in the voice market are not present in the broadband market (i.e., the abandonment of wireline service for wireless), as both residential and wireless subscriptions continue to increase (more slowly in the case of wireline).”⁸

Further, as noted in the decision, the Federal Communications Commission (FCC) states in its 2016 Broadband Progress Report⁹ that wireless mobile service is not a substitute for home broadband service.

Based on review of all of the factors above, Staff determined that the entire proposed project area is eligible for CASF funds.

B. Project Criteria Evaluation

Staff 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. Staff also conducted a qualitative evaluation of the project area, existing infrastructure, and community needs.

Funds per household: Frontier's application states it will serve 791 households. According to census data contained on the Broadband Map, there are 596 designated occupied households, consisting of 242 in Salton Sea Beach and 354 in Desert Shores. Because the CASF program is for occupied households, Staff reduced by 195 the number of Optical Network Terminals (ONTs) that would serve each location, eliminating \$76,050 of ONT costs, thereby reducing the total eligible project cost to \$1,402,852.

⁷ D. 16-12-025 was issued from Order Instituting Investigation (OII)15-11-007.

⁸ D.16-12-025, page 50, OII 15-11-007.

⁹ 2016 Broadband Progress Report, *supra* at ¶ 58. Additionally, the FCC stated in its 2015 Broadband Progress Report, that “fixed and mobile broadband are not functional substitutes.” The FCC reasoned that data caps and higher data usage charges for phone-based services limit usage to meet data needs. The report also noted that screen size is a factor as there are many activities such as editing documents and viewing video content, for which the mobile phone is ill-suited and that “many households subscribe to both fixed and mobile services because they use fixed and mobile services in fundamentally different ways and fixed and mobile services as distinct product offerings” and that “fixed and mobile broadband might be complementary, rather than substitutes, and might warrant different speed and non-speed benchmarks.”

Although Frontier’s application requests 100 percent grant level funding for its proposed project budget of \$1,478,902, Staff recommends 90 percent funding of the reduced eligible project cost, which results in \$1,262,567, and a per-household project subsidy of \$2,118. This is 74 percent lower than the \$8,131 median cost of previously approved CASF fiber-to-the-home projects.

Speed: Frontier proposes to offer Internet service at speeds of up to 1 Gbps download and 1 Gbps upload, which exceed the statutory requirement that all CASF funded projects offer access to speeds of 10/1 or higher. The proposed speeds are equal to what is obtained in typical fiber to the home projects.

Financial Viability: Based on Frontier’s forecasted Earnings Before Interest and Taxes (EBIT) of \$4.03 billion, Staff believes the applicant is capable of funding its \$216,335 share of the project investment costs and that the projected revenues will exceed the projected 5 years of ongoing costs to operate the project area facilities. Based on the pro forma financial statements submitted by Frontier, and review of its U.S. Securities and Exchange Commission Form 10-K for 2017 for the parent company, Frontier Communications, shows assets of \$24.88 billion, revenue of \$9.128 billion, and net income shows a loss of \$1.80 billion. Net loss for the parent company as a whole in its Form 10-K, is attributed to acquisition costs from Verizon in 2016 and AT&T in 2014; pre-tax impacts of retirement of debt, acquisition and integration costs, and pension settlement costs.

Despite the reported net loss conditions of the parent corporation Frontier Communications Corp., and that of Frontier California, Inc., Staff considers the risk of the project not being completed and operated for at least five years as low because the project area is projected to be profitable to operate. Further, project expenses are remunerated at most in 25 percent project completion increments.

Guaranteed Pricing Period: Frontier has committed to a pricing plan of two years, starting from the beginning date of the customer’s service.

Pricing: Frontier will offer broadband service at various speeds and prices, shown below, as monthly recurring charges (MRC) without requiring a long-term commitment from the consumer. Frontier’s application included a non-recurring \$9.99 fee for equipment and handling. Because the CASF program does not permit installation fees, Staff considers the proposed non-recurring fee as impermissible. Consumers can also receive a \$15/month discount (to a minimum price of \$24.99) if they bundle their Internet service with voice service. Compared to other CASF gigabit-speed fiber-to-the-home approved projects, these prices (measured as \$/Mbps) are 86 percent above the median. Compared to all CASF projects, however, these prices are 63 percent below the median.

Product	Down Speed	Up Speed	MRC**
Simply Frontier Fiber	30 Mbps	30 Mbps	\$39.99
Simply Frontier Fiber	50 Mbps	50 Mbps	\$64.99
Simply Frontier Fiber	75 Mbps	75 Mbps	\$74.99
Simply Frontier Fiber	100 Mbps	100 Mbps	\$84.99

Simply Frontier Fiber	150 Mbps	150 Mbps	\$124.99
Simply Frontier Fiber	500 Mbps	500 Mbps	\$169.99
Simply Frontier Fiber	1 Gbps	1 Gbps	\$219.99

*\$15.00 Discount is available when broadband is purchased with voice service.

** Monthly Recurring Charge

Households in Project Area: Based on the latest US Census data, there are 596 occupied households in the proposed project area.

Timeliness of Completion: The applicant has submitted detailed planning documents, including a schedule with clear milestones to indicate it will be completed within the proposed 10-month construction timeline, which is less than the 24-month allowance. By comparison, the average approved project has required over 22 months to be completed.

Low-Income Areas: Based on the latest available data, the median household income (MHI) by for Salton Sea Beach is \$38,272 and Desert Shores is \$28,960,¹⁰ well below the state MHI of \$63,783. The project area is located in a region having a poverty rate of 16.4%¹¹.

C. Safety and Community Support Considerations

The CASF Program encourages the deployment of broadband throughout the State to enable the public to access important information in the event of an emergency, improve access to emergency services, and allow first responders to communicate with each other and collaborate during emergencies.

The unincorporated cities of Desert Shores and Salton Sea Beach are located outside of the main population centers in Imperial County. They are located next to the Salton Sea, which is evaporating and decreasing in size and causing air quality problems from dust particles in the air. The California Air Resources Board and other agencies have designated Desert Shores and Salton Sea Beach as having unhealthy air quality, high incidences of asthma and other critical health conditions. The nearest fire station and schools are in Thermal approximately 20 miles north of Desert Shores. Completion of this project will improve the community's telehealth capabilities, which is especially important since the nearest hospital is 49 miles away in Rancho Mirage to the north or 50 miles south in Salton City.

Site Visit: Staff members toured the area with the assigned Commissioner Martha Guzman Aceves in March 2018 while participating in the Summit in nearby El Centro for the Rulemaking 12-10-012. Staff conducted a tour with representative from Frontier who showed where the fiber project will be connecting with Frontier's central office, cabinet, and DSLAM in Salton City and Desert Shores.

¹⁰ Median household income is from the Broadband map 2010 census data calculated by census block group.

¹¹ According to American Fact Finder, the poverty rate was determined for 83% of the total population.

Community Support: Four support letters were received; 1) California State Senator Ben Hueso; 2) Assemblymember Eduardo Garcia; 3) The Oregon Community Health Information Network (OCHIN) together with the California Telehealth Network; 4) Luis Olmedo, Executive Director, of Comite Civico Del Valle, Inc. (Comite Civico). All strongly support the Desert Shores project, citing that it is a low-income, disadvantaged community having poor air quality that is in need of high speed internet in order to improve access to healthcare. Comite Civico's Executive Director, Luis Olmedo, came to the El Centro Forum presented by the Commission on March 28, 2018. He states in his letter that high speed internet is needed for residents to access the air quality data portal in order for residents to provide crowd sourced data about conditions and to receive data alerts on high pollution days so they can take protective measures when the air quality is unhealthy.

D. Grant Funding Level

Pub. Util. Code section 281(f)(13), amended in 2017 by AB 1665, allows the Commission to award grants to fund all or a portion of the project and requires that it determine, on a case-by-case basis, the level of funding to be provided. Further, the Scoping Memo in CASF Rulemaking 12-10-012 stated that “(u)ntil new program rules are in place, the Commission will continue funding of applications in the interim from the remaining funds.”¹² Given that AB 1665 took effect immediately and that CASF rules not in opposition to the new law remain operative for staff, it is appropriate for Staff to review this project application relative to the new Section 281 statutory language and all operative rules and recommend an appropriate funding level for this project.

Frontier's Request: In its application Frontier argues that its project deserves 100 percent funding because: Desert Shores is eligible for a CASF grant; Desert Shores is unserved; Frontier can “leverage its existing facilities and operations” in Desert Shores with less public investment than a competitor can initiate operations in the area; Desert Shores and Salton Sea Beach are low income disadvantaged communities that do not have a Fire Station, hospital, school, or library and that the area has been recognized by the California Air Resource Board for having unhealthy air quality. Finally, Frontier has stated that this project only presents a business case for the company at 100 percent funding.

Staff Analysis: In making a determination of the appropriate level of funding for this grant, Staff considered the statutes amended by AB 1665,¹³ and the legislative committee's assessment that it may be necessary to offer in excess of 70 percent grant funding level, potentially up to 100 percent when warranted, to achieve the goals of the program.¹⁴

¹² See, Scoping Memo Ruling, dated February 18, 2018, page 13.

¹³ Pub. Util. Code section 281(f)(13).

¹⁴ See Bill Analysis prepared by California Assembly Committee on Conveyance, April 26, 2017, p.4. “Arguably since the creation of CASF, most areas that have been served by CASF funds are projects in which applicants feel that their cost, combined with CASF funds, warrant an investment in deploying broadband in such areas. However, this leaves most of the remaining unserved areas of state, mostly in rural and small communities, still without broadband connectivity due to the lack of investment by providers who feel that the difficulties associated with deploying and maintaining such a network in the area for a limited amount of potential customers, even combined with CASF funds, would not result in a positive return on investment. Arguably, the remaining unserved households potentially are households in which even a 70% total cost CASF grant still does not provide enough

Staff used the statutory factors for consideration of the grant funding level contained in Pub. Util. Code sections 281(f)(13) and 281(b)(2)(B)(i), and existing CASF rules, in the following manner to determine the grant funding level for the Desert Shores Project:

1. Eligible Project – 60 Percent Funding

Pursuant to CASF rules adopted in D.12-02-015, and carried over in D.14-02-018 and T-17443, a project in an area that is not served by any form of wireline or wireless facilities-based broadband is eligible for 70 percent funding, whereas a project in an area where broadband is available, but no wireline or wireless facilities-based provider offers service at speeds that meet CASF standards, is eligible for 60 percent funding. AB 1665 changes the terminology for describing these projects, and changes the upload speed standard, but it does not eliminate the statutory requirement to “give preference to projects in areas... that are not served by any form of wireline or wireless facility-based broadband service.” Thus, in order to implement AB 1665 immediately, while continuing to apply all CASF rules not in opposition to the new law, it is appropriate for Staff to continue to award 60 percent funding to eligible projects in areas having broadband service at below CASF standard speeds.

Assessment: Desert Shores is an eligible project, and receives 60 percentage point funding.

2. Service Level Preference – 10 Percent Funding

Section 281(b)(2)(B)(i), states: “Give preference to projects in areas where Internet connectivity is available only through dial-up service that are not served by any form of wireline or wireless facility-based broadband service or areas with no Internet connectivity.” This is consistent with D.14-02-018 which identifies 70 percent funding for areas having no available service, at any speed.¹⁵

Assessment: According to the Eligibility Map, the Desert Shores Project areas do not have any publicly available wireline or fixed wireless broadband service, but nearly all of the households located within the project area have some mobile data service which precludes the project from receiving the additional 10 percent funding.

3. Funding Level Factor Consideration – 30 Percentage Points

Section 281(f)(13) requires that “the Commission shall... consider factors that include but are not limited to, the location and accessibility of the area, the existence of communication facilities that may be upgraded to deploy broadband, and whether the

incentive for a provider to build. Hence, CPUC should consider awarding grants that offer funding for 100% of total costs when warranted.”

¹⁵ An area is considered “unserved” if it offers no form of facilities-based broadband, such that Internet connectivity is available only through dial-up service or satellite. (D.12-02-015, p.7).

project makes a significant contribution to achievement of the program goal.” Staff proposes that each of these three factors receive an additional 10 percent funding.

Assessment: Due to the proposed project’s location in an unincorporated, geographically isolated desert location, Staff considers the project area to be relatively inaccessible to advanced broadband communications infrastructure and eligible for an additional 10 percent funding. Due to Frontier’s use of existing infrastructure to upgrade and deploy broadband, Staff considers the project eligible for an additional 10 percent funding. Regarding whether a project makes a significant contribution to achievement of the program goal, the Commission has established priority areas for broadband infrastructure deployment in Resolution T-17443. Further, at the Commission’s request, Staff published a High-Impact Analysis in February 2017 identifying eligible areas having both unserved households (dial-up) and a relatively high population density.¹⁶ Desert Shores was identified as one of the areas that would make a high-impact towards the program goal, justifying an additional 10 percent funding. Therefore, in total this project receives an additional 30 percentage points funding in consideration of meeting all of the three described factors.

Grant Funding Level Recommendation: Upon weighing the considerations listed above, Staff recommends awarding 90 percent funding for this project using the existing CASF program rules and the new Section 281 statutory criteria to evaluate each project on a case-by-case basis.

V. Compliance Requirements

Frontier 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, D.14-02-018 and Resolution T-17443. Such compliance includes, but is not limited to:

A. California Environmental Quality Act (CEQA)

All CASF grants are subject to California Environmental Quality Act (CEQA) requirements unless the project is statutorily or categorically exempt pursuant to the CEQA Guidelines. Prior to any construction activity, Frontier 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 CEQA (California Public Resources Code § 21000 et seq.). Frontier must provide the PEA prior to the first 25% payment.

Frontier has provided the Commission with basic construction plans for the proposed project area. All fiber placements would be within Imperial County and Caltrans rights-of-way previously disturbed by multiple underground placements and would result only in minor trenching and backfilling where the surface is restored. As a result, the company believes the

¹⁶ The Resolution T-17443 and the Staff High-Impact Analysis are available on the CPUC website; www.cpuc.ca.gov/General.aspx?id=6442455975

project should qualify for the following categorical exemption from CEQA: CEQA Guidelines Section 15304 – Minor Alterations to land.

Commission Energy Division (ED) staff will make the ultimate ruling on whether the project needs a full CEQA analysis after submission of a Proponent's Environmental Assessment (PEA), but before construction begins. Should ED recommend that a full CEQA analysis is required, the applicant may either pay for the analysis itself or seek a supplemental CASF grant to recover the cost.

B. Deployment Schedule

The Commission expects Frontier to complete the project within 24 months from start date (as determined by the procedure below). If the applicant is unable to complete the proposed project within the 24-month timeframe requirement, it must notify the Director of CD as soon as Frontier becomes aware of this possibility. If such notice is not provided, the Commission may reduce payment for failure to satisfy this requirement of timely notifying CD's Director.

C. Execution and Performance

Staff and Frontier shall determine a project start date after the CASF grant recipient has obtained all approvals. Should Frontier or any contractor it retains fail to commence work by the designated date, upon five days' written notice to Frontier, the Commission may terminate the grant. In the event that Frontier fails to complete the project in accordance with the terms of the Commission's approval as set forth in this resolution, Frontier shall reimburse some or all of the CASF funds that it has received. Frontier must complete all construction covered by the grant on or before the grant's termination date.

D. Performance Bond

CASF rules do not require a performance bond if the applicant certifies that the percentage of the total project cost it is providing comes from its capital budget and is not obtained from outside financing. In its application, Frontier requested 100 percent funding. Given that this Resolution awards a grant covering less than 100 percent of project cost, Frontier will need to certify the remaining costs will be covered out of its capital budget or the company will need to obtain a performance bond.

E. Price Commitment Period

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

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. Frontier'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

Frontier has certified that its basic analog telephone service meets the Federal Communications Commission (FCC) standards for E-911 service and battery backup.

H. Reporting

Frontier must submit quarterly progress reports on the status of the project irrespective of whether grantees request reimbursement or payment. 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. Frontier must certify that each progress report is true and correct under penalty of perjury.

Before full payment of the project, Frontier must submit a project completion report. Frontier shall also include test results on the download and upload speeds on a CBG and zip code basis in the final completion report.

I. Submission of Form 477

The FCC currently requires broadband providers to biannually submit 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, the Form 477 data will be useful in documenting CASF deployment for the

service provider's new service. Pursuant to General Order 66-D, service providers in California must submit a copy of their Form 477 data directly to the CPUC, concurrent with their submission of the same data to the FCC for a five-year period after completion of the project.¹⁷

J. Prevailing Wage

Section 1720 of the California Labor Code specifies that CASF-subsidized projects are subject to prevailing wage requirements. Frontier has committed to follow state prevailing wage requirements with respect to this project.

K. Payments to CASF Recipients

Submission of invoices from and payments to Frontier 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 Frontier shall follow the process adopted for funds created under Pub. Util. Code section 270. The Commission generally processes payments within 20-25 business days, including CD and Administrative Services review time. The State Controller's Office (SCO) requires an additional 14- 21 days to issue payment from the day that requests are received by SCO from Administrative Services.

¹⁷ *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.

VI. Comments on Draft Resolution

In compliance with Public Utilities Code § 311(g), a notice letter was e-mailed on June 12, 2018, informing all parties on the CASF Distribution List of the availability of the draft of this resolution for public comments at the Commission's 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. Staff received two formal comments on the draft resolution, and one reply comment.

On July 2, 2018, Frontier and the California Emerging Technology Fund (CETF) each submitted comments to the Draft Resolution.

Frontier asserts that the proposed project will increase access to telehealth services, along with a number of other public benefits, that the project is a low-cost project and makes a significant contribution to the CASF program goal, among other items. Frontier disagrees with the 90 percent funding determination proposed by Staff and interprets AB 1665 as requiring Staff to consider each project according to the unique combination of factors that will justify full funding for that project. Frontier implies that 90 percent financing may not be sufficient to build the proposed Desert Shores Project, and states that more projects will be presented if the program covers 100 percent of the costs for this and similar projects. Frontier also requests that the Resolution be modified to state that 791 households will be provided access to Internet service, instead of the 596 household count used by Staff and to eliminate the reduction of \$76,050 proposed by Staff – the household number reduction of 195 times the cost of an Optical Network Terminal.

CETF supports the proposed project and considers the recommended 90 percent grant funding to be a “responsible use of scarce CASF resources.” Additionally, CETF recommends that the Commission convene all stakeholders to develop a preferred scenario (or scenarios) to meet its 98 percent goal in a cost-effective manner.

On July 3, 2018, CETF also submitted replying comments to Frontier’s request for additional funding. CETF states that Frontier misrepresents AB 1665, and that the new statute gives the Commission discretion to fund “*all or a portion of the project*” (emphasis added). CETF further states that the law “properly gives the Commission discretion” to consider factors such as the financial ability of the applicant, the applicant’s “skin in the game,” or the profitability of the project. CETF asserts that 90 percent funding is already unprecedented and concludes that if the Commission provides 100 percent subsidies to Frontier without Frontier demonstrating good faith efforts to achieve the goal of the program, then the integrity of the CASF program is jeopardized. Additionally, CETF is quick to point out that Frontier is choosing to not use FCC Connect America funding for eligible locations in this proposed project area. Given the disagreement over the number of households in the proposed Desert Shores project area, Staff should “ground-truth” the data to ensure a correct determination.

On July 9, 2018, Frontier also submitted replying comments to CETF's reply. Frontier reiterated its support for an interpretation of AB 1665 whereby each project is evaluated according to a unique set of criteria chosen by the applicant to justify full funding. Frontier replies to CETF's statement that there are no objective or quantitative criteria that support full funding, by stating that, "the most objective and relevant data point" is the number of providers competing to serve the area, using the following criteria:

"For both Lytle Creek and Desert Shores, for example, the analysis would be as follows:

- How many providers previously filed for a CASF grant to serve the project area?
 - Zero
- How many providers have invested private funds to deploy broadband in the area?
 - Zero
- How many providers filed a competing CASF application?
 - Zero
- How many providers filed a challenge to Frontier's application?
 - Zero"

Finally, Frontier reiterates its arguments in support of the proposed project and its doubts about whether it will complete the project if required to invest any of its own funds.

After reviewing comments, the Commission makes the determinations outlined below.

Regarding Frontier's request that the CASF finance 100 percent of its proposed project, the Commission agrees with CETF that the Staff recommendation of 90 percent funding is appropriate and is not misinterpreting or misapplying the law, as Frontier asserts. Frontier has offered an interpretation of AB 1665 whereby every project is evaluated according to the unique set of criteria, chosen by the applicant, that will justify full funding for that project. It has responded to CETF's insistence that the CPUC use objective and quantitative criteria with the suggestion that if there is not a competing proposal for a project area, it should receive full funding. Frontier has presented a list of public interest reasons to fund this project, but they are a list of factors that have already been considered throughout this Resolution, in the eligibility criteria, the scoring criteria, and the funding criteria.

The section entitled "Grant Funding Level" on page 7 through page 9 discusses the rationale for Staff's 90 percent funding recommendation to follow several requirements in statute:

- The Commission give "preference to projects in areas where Internet connectivity is available only through dial-up service that are not served by any form of wireline or wireless facility-based broadband service or areas with no Internet connectivity."¹⁸
- The Commission consult with regional consortia, stakeholders, local governments, existing facility-based broadband providers, and consumers regarding unserved areas and cost-effective strategies to achieve the broadband access goal."¹⁹

¹⁸ Pub. Util. Code Section 281 (b)(2)(B)(ii)

¹⁹ Pub. Util. Code Section 281(f)(2)

- The Commission also “may award grants to fund all or a portion of the project” and “shall determine, on a case-by-case basis, the level of funding to be provided for a project and shall consider factors that include, but are not limited to, the location and accessibility of the area, the existence of communication facilities that may be upgraded to deploy broadband, and whether the project makes a significant contribution to achievement of the program goal.”²⁰

Staff proposed a consistent manner to evaluate the two Frontier applications seeking 100 percent funding. Frontier’s proposed Desert Shores Project met the 60 percent baseline for all eligible projects, as well as three criteria in the case-by-case evaluation, increasing the funding request to 90 percent.

However, mobile broadband Internet service is available in the proposed project area, which contravenes the statutory requirement for a preference to areas having, “only dial-up service that are not served by any form of wireline or wireless facility-based broadband service or areas with no Internet connectivity.” Frontier has neither argued that such broadband service does not exist, nor that the Commission should not consider mobile service. Further, Frontier did not consider the statutory preference or offer an alternative consistent with the statute. Therefore, the Commission finds it reasonable to not give 10 percentage points for this project for lack of the preference criteria being met.

Relying on previous practice and more current data, the Commission denies Frontier’s request. In considering Frontier’s request to modify the number of households in the proposed project area, the Commission notes that the differences in the household estimates used by Staff and Frontier are due to the date of the data used. Frontier claims it used US Census data from 2016, likely using revisions made by the California Department of Finance, while Staff’s estimate relies on US Census data and the revised estimate prepared by the Department of Finance in 2017. It is reasonable to rely on the more current data, especially because this area of the State (unincorporated Imperial County) has a very high vacancy rate (24.5 percent) and, even recently, has experienced a significant decline in population. Data USA, a collaborative of Deloitte, Datawheel and the Massachusetts Institute of Technology, notes on its website that between 2015 and 2016 the population of Desert Shores declined by 15.2 percent.²¹ Accurately depicting the number of households is important because the goal of the CASF Infrastructure Grant Account is to ensure that 98 percent of *households* in each CASF Consortia Region have access to broadband Internet service at served speeds. The Commission previously has reduced grant requests when it determined that the applicant did not provide an accurate estimate of households within in the proposed project area, including, in response to an inquiry from Frontier, in Resolution T- 17525, where it reduced the grant amount for Race Telecommunications’ Gigafy Phelan Project:

“Race revised its application and requested 60 percent grant funding of \$28,572,819 (based on an estimated total project cost of \$47,621,364) for the

²⁰ Pub. Util. Code Section 281(f)(13)

²¹ See <https://datausa.io/profile/geo/desert-shores-ca/>

Gigafy Phelan Project, which proposes to cover 98 square miles and serve an estimated 8,361 housing units. Upon further review after comments were submitted, CD determined the project would actually serve 7,606 households, not housing units, and the grant was revised downward to \$27,629,599 (60 percent of an eligible \$46,049,332).”²²

VII. Findings

1. Frontier filed an application for CASF funding for its Desert Shores Project on February 21, 2018. The proposed project will deploy last-mile facilities by installing fiber optic cable that will enable provision of high speed internet service with speeds of up to 1 Gbps download and 1 Gbps upload to 596 households in the unserved communities of Desert Shores and Salton Sea Beach in Imperial County. The CBGs impacted by the project are 060250123011, 060250123021, and 060250123022.
2. Staff posted the proposed project area map, CBG and zip code for the Frontier Desert Shores Project on the Commission’s CASF webpage under “CASF Application Project Summaries” on February 21, 2018. Staff received no challenges to this project.
3. Staff reviewed and analyzed data submitted for Frontier’s Desert Shores Project’s CASF grant application to determine the project’s eligibility for CASF funding. This data included, but was 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 unserved; 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.
4. Staff reviewed the submitted shapefiles, which mapped the proposed broadband deployment using United States 2010 Census data and the California Interactive Broadband Availability Maps, with availability data current as of December 31, 2016. According to these maps, no wireline or fixed wireless service is available within the project area. Following Frontier’s application submission, the Commission’s published mobile map and CalSPEED tests showed served mobile speeds within the project area.
5. Staff reduced the project cost by \$76,050 to reflect the reduction in Optical Network Terminals necessary to serve each household within the project, determined that the project qualifies for funding under D.12-02-015, D.14-02-018, and Resolution T-17443 and Pub. Util. Code section 281, and recommends Commission approval of 90 percent funding for the Frontiers’ Desert Shores Project in the amount of \$1,262,567.
6. The Commission finds the funding level recommendation prepared by Staff to be a reasonable interim interpretation of the statute for Staff to use on CASF Infrastructure Grant applications received prior to the Commission approving updated rules.

²² Resolution T-17525 p. 2.

7. The project must undergo CEQA review prior to construction.
8. A notice letter was e-mailed on June 8, 2018, 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 \$1,262,567 to Frontier for the Desert Shores Project as described herein and summarized in Appendix A of this Resolution.
2. The program fund payment of \$1,262,567 for this project in underserved areas shall be paid out of the CASF Infrastructure Grant Account in accordance with the guidelines adopted in D.12-02-015, D.14-02-018, and Resolution T-17443 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. Frontier shall comply with all guidelines, requirements and conditions associated with the CASF funds award as specified in D.12-02-015, D.14-02-018, Resolution T-17443 and this Resolution and must submit the FCC Form 477 to the Commission, as specified in Resolution T-17143.
5. By receiving a CASF grant, Frontier agrees to comply with the terms, conditions, and requirements of the grant and thus submit to the jurisdiction of the Commission with regard to disbursement and administration of the grant.
6. Frontier must complete all construction covered by the grant on or before the grants termination date. If the project will not be completed within the 24-month timeframe, Frontier must notify the Director of Communications Division as soon as it becomes aware of this possibility. If such notice is not provided, the Commission may reduce payment for failure to satisfy this requirement.
7. If Frontier fails to complete the project in accordance with the terms outlined in D.12-02-015, D.14-02-018, Resolution T-17443 and this Resolution, Frontier must reimburse some or all of the CASF funds that it has received.
8. Frontier must sign and return a consent form agreeing to the conditions set forth in this Resolution.

9. Frontier must certify that the percentage of the total project costs it is providing comes from their capital budget and is not obtained from outside financing, or submit a performance bond within five business days after the completion of the CEQA review.
10. Frontier must submit a project completion report prior to receiving final payment.
11. The Commission cannot release funds for construction activities until CEQA review is complete. Frontier is required to comply with the requirements set forth in D.12-02-015, D.14-02-018, Resolution T-17443 and the CEQA Section of the Resolution. Frontier must provide the PEA prior to the first payment. CASF will reimburse Energy Division for all costs related to the PEA.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on July 12, 2018. The following Commissioners approved it:

/s/ Alice Stebbins

ALICE STEBBINS

Executive Director

MICHAEL PICKER

President

CARLA J. PETERMAN

MARTHA GUZMAN ACEVES

LIANE M. RANDOLPH

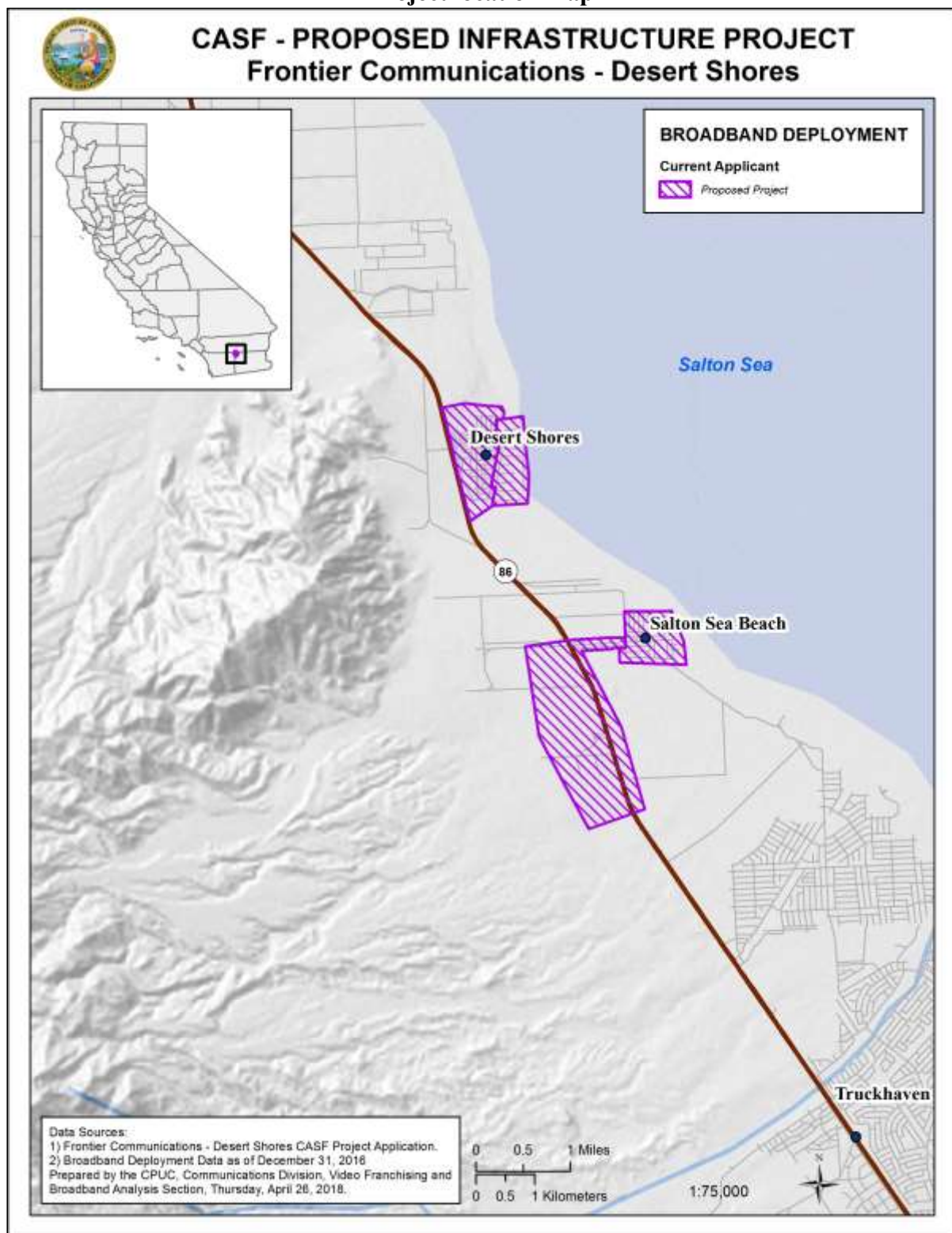
CLIFFORD RECHTSCHAFFEN

Commissioners

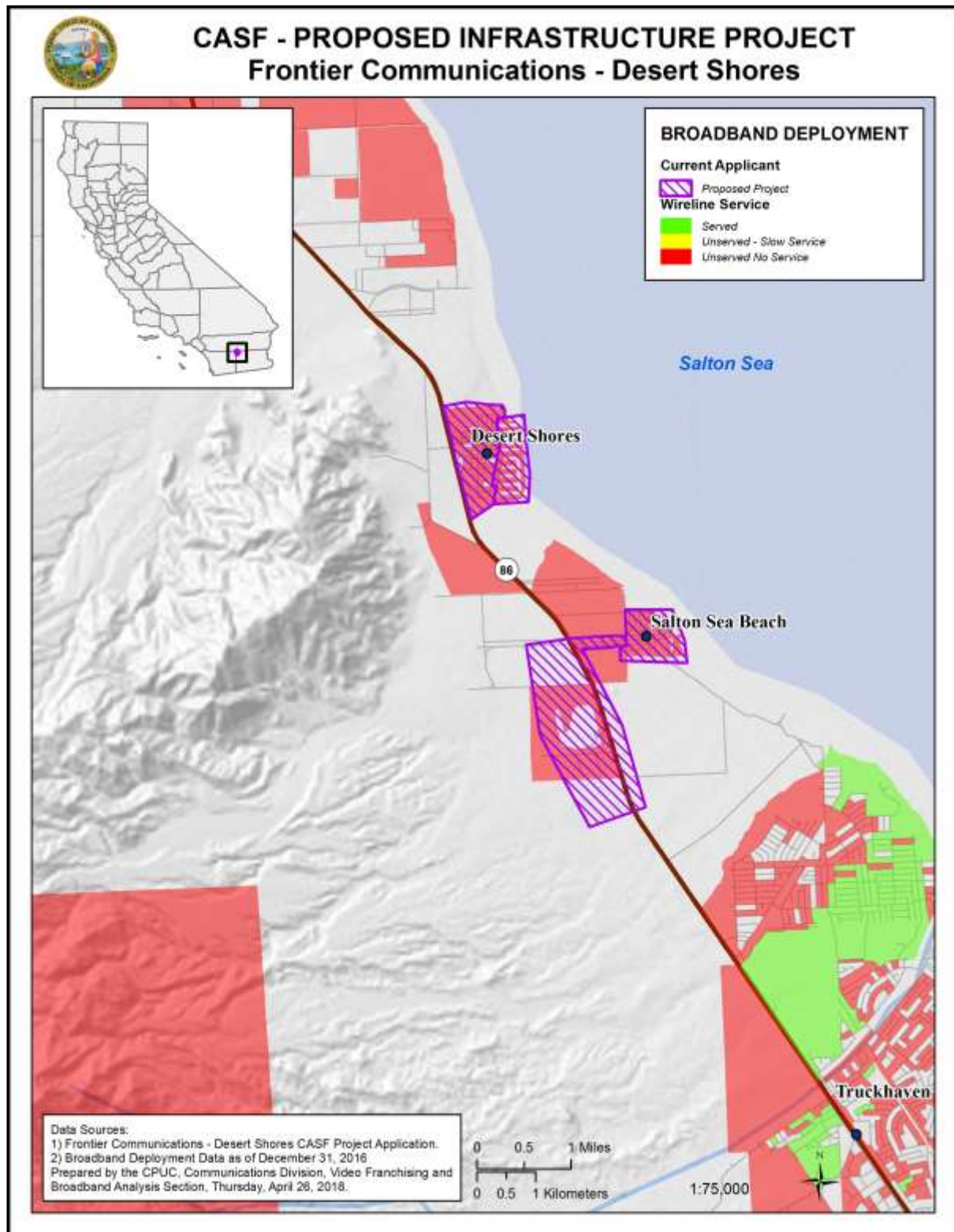
APPENDIX A
Resolution T-17614
Frontier, Desert Shores Project
CASF Applicant Key Information

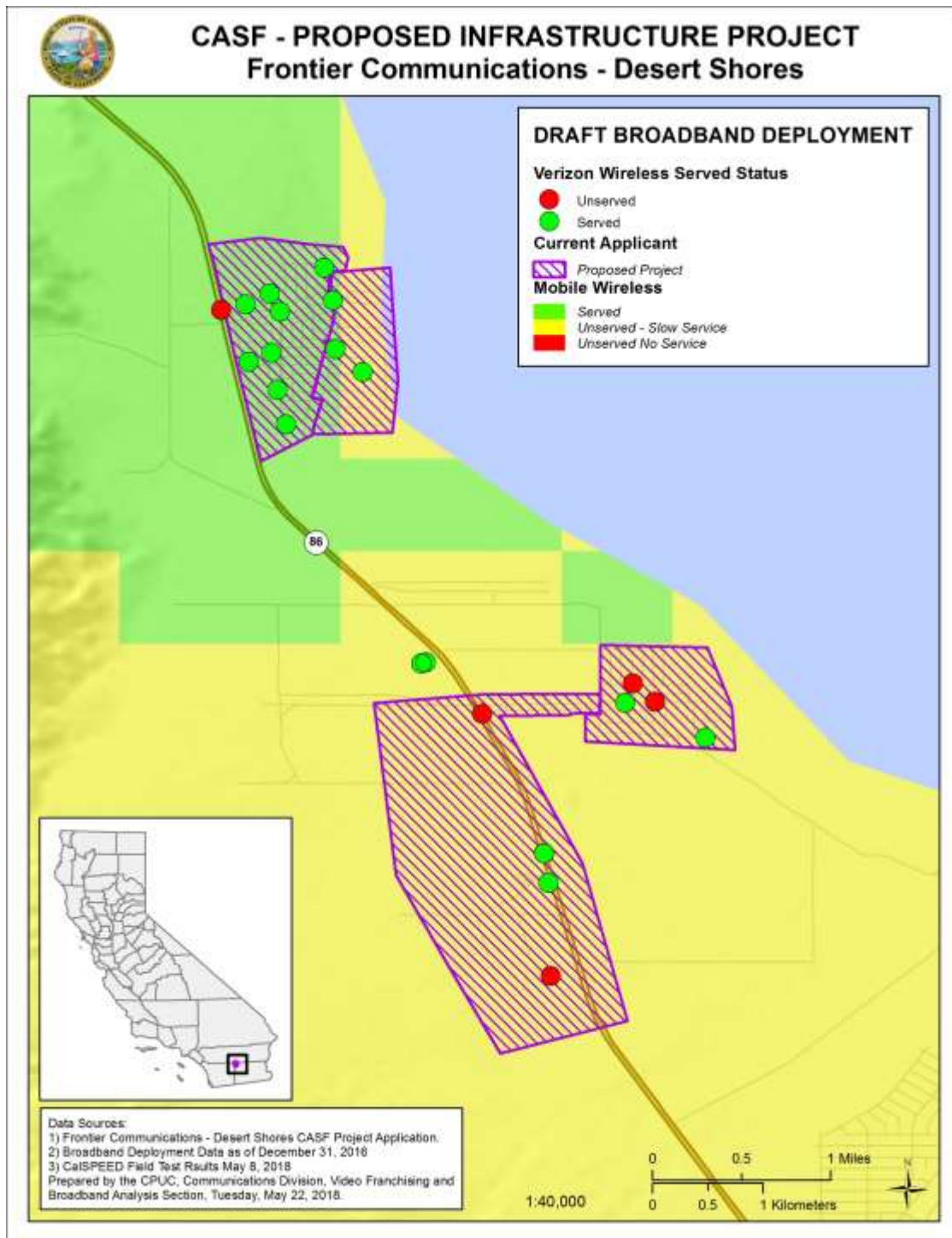
<i>Project Name</i>	Frontier Desert Shores Project
<i>Project Plan</i>	The project proposal is to build fiber facilities that will utilize existing poles and rights of way to deploy fiber-to-the-home (FTTH) providing High Speed Internet, Ethernet, and VoIP services. Hence, it is a last mile project. There is no broadband infrastructure currently in existence. The bulk of the proposed infrastructure is aerial and will use existing telephone poles. The remaining portion of the infrastructure will consist of underground fiber cable. Fiber optic cable will consist of various sizes.
<i>Project Size (in square miles)</i>	2.63
<i>Download/Upload speed</i>	Maximum 1 Gbps / 1 Gbps
<i>Location</i>	Imperial County
<i>Community Names</i>	Desert Shores
<i>Census Block Groups</i>	060250123011, 060250123021, 060250123022
<i>Median Household Income (by Census Block Group)</i>	\$28,960
<i>Zip Codes</i>	92274
<i>Estimated potential subscriber size</i>	596 households / 1,104 population
<i>Applicant expectations</i>	633 households
<i>Pricing Plan (Monthly)</i>	For Fiber Stand-alone: 30/30.5 - \$39.99; 50/50 - \$64.99; 75/75 - \$74.99; 100/100 - \$84.99; 150/150 - \$129.99 For Fiber bundle: 15/5 - \$24.99; 30/30 - \$24.99; 50/50 - \$49.99; 75/75 - \$59.99; 100/100 - \$69.99; 150/150 - \$109.99 (no installation fee)
<i>Deployment Schedule (from Commission approval date)</i>	10 months
<i>Amount of CASF funds requested (100%)</i>	\$ 1,478,902
<i>Adjusted Project Budget (Total)</i>	\$ 1,402,852
<i>CASF Grant Amount (90%)</i>	\$ 1,262,567
<i>Applicant funded (10% of adjusted eligible project cost)</i>	\$ 140,285
<i>Applicant funded compared to request</i>	\$ 216,335

Appendix B
Resolution T-17614 Frontier Desert Shores Project
Project location map



Appendix C
Resolution T-17614 Frontier Desert Shores Project
Existing wireline service level





**Resolution T-17614 Frontier Desert Shores Project
Existing wireless mobile service level**

ID	Operator	Network	Latitude (GPS)	Longitude (GPS)	Upstream Mean -2StDev (Mbps)	Downstream Mean -2StDev (Mbps)
1	Verizon Wireless	LTE	33.35995569000	-116.01977820000	1,089	8,603
2	Verizon Wireless	LTE	33.35239000000	-116.01962170000	0	0
3	Verizon Wireless	LTE	33.37456497000	-116.01357790000	1,204	9,529
4	Verizon Wireless	LTE	33.37369920000	-116.02519730000	3,232	11,212
5	Verizon Wireless	LTE	33.37174415000	-116.00707110000	1,170	9,656
6	Verizon Wireless	LTE	33.37465815000	-116.01113470000	0	0
7	Verizon Wireless	LTE	33.37465168000	-116.01115270000	4,920	7,376
8	Verizon Wireless	LTE	33.37785770000	-116.02975180000	2,449	6,566
9	Verizon Wireless	LTE	33.36237240000	-116.02014620000	4,667	9,008
10	Verizon Wireless	LTE	33.36237240000	-116.02014620000	2,531	9,794
11	Verizon Wireless	LTE	33.37616710000	-116.01293650000	0	0
12	Verizon Wireless	LTE	33.37369920000	-116.02519730000	391	7,743
13	Verizon Wireless	LTE	33.40297330000	-116.04230090000	4,311	8,744
14	Verizon Wireless	LTE	33.39998020000	-116.04181600000	6,704	6,154
15	Verizon Wireless	LTE	33.39717640000	-116.04112330000	5,508	8,703
16	Verizon Wireless	LTE	33.37777480000	-116.03012120000	5,450	7,333
17	Verizon Wireless	LTE	33.37777480000	-116.03012120000	6,732	9,069
18	Verizon Wireless	LTE	33.40143340000	-116.03488930000	4,854	8,351
19	Verizon Wireless	LTE	33.40328710000	-116.03709800000	5,119	7,411
20	Verizon Wireless	LTE	33.40224720000	-116.04417110000	4,760	7,900
21	Verizon Wireless	LTE	33.37777480000	-116.03012120000	6,095	6,557
22	Verizon Wireless	LTE	33.40725470000	-116.03730610000	5,055	8,336
23	Verizon Wireless	LTE	33.36237240000	-116.02014620000	5,049	6,896
24	Verizon Wireless	LTE	33.40989670000	-116.03800630000	5,877	11,324
25	Verizon Wireless	LTE	33.36237240000	-116.02014620000	4,741	8,356
26	Verizon Wireless	LTE	33.40634759000	-116.04159330000	4,288	7,878
27	Verizon Wireless	LTE	33.40645570000	-116.04637590000	0	8,954
28	Verizon Wireless	LTE	33.40781440000	-116.04246250000	4,626	9,150
29	Verizon Wireless	LTE	33.40692204000	-116.04438940000	4,769	7,771
30	Verizon Wireless	LTE	33.36237240000	-116.02014620000	5,399	6,202

End of Appendix C