

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**Communications Division  
Carrier Oversight and Programs Branch**

**RESOLUTION T-17640  
January 31, 2019**

**R E S O L U T I O N**

**RESOLUTION T-17640. This Resolution grants the request of Cal.net, Inc., a competitive local exchange carrier, to be designated as an Eligible Telecommunications Carrier to obtain federal high-cost and federal Lifeline support as approved by the Federal Communications Commission in the Connect America Fund Phase II Auction 903.**

**S U M M A R Y**

By this Resolution, the California Public Utilities Commission (CPUC or Commission) conditionally grants the request of Cal.net, Inc., (Cal.net) (U-7309-C), a competitive local exchange carrier (CLC), to be designated as an Eligible Telecommunications Carrier (ETC) to provide high-speed broadband Internet access and Voice over Internet Protocol (VoIP) telephony services using fixed wireless technology. These services will be supported by the federal high-cost and federal Lifeline funds, in the census blocks as approved by the Connect America Fund Phase II Auction 903. (*See Attachment A.*) Cal.net's request complies with the Federal Communications Commission's (FCC) high-cost and Lifeline requirements, the Commission's ETC requirements established in Resolution T-17002, FCC's Connect America Fund Phase II Auction 903, and the CPUC General Order (GO) 153 LifeLine requirements. The Connect America Phase II awards will allow Cal.net to serve 20,859 eligible service locations in 26 counties of California. Staff finds that the request is reasonable and consistent with the public interest and should be granted to the extent allowed by this Resolution.

**Cal.net's Advice Letter**

On October 10, 2018, Cal.net submitted Tier 3 Advice Letter (AL) 4 to the CPUC requesting ETC designation. Cal.net has received an award from the FCC's Connect

America Fund Phase II (CAF II) Auction 903. Cal.net does not seek California LifeLine fund support.

On October 29, 2018, Cal.net filed supplement AL 4A at Staff's request to include information on Cal.net's leadership team, improvement plans and financial statements.

On December 6, 2018, Cal.net filed supplement AL 4B at Staff's request to include leadership resumes, additional information on broadband plan pricing and how the carrier handles customer service and service quality issues.

On December 17, 2018, Cal.net filed supplement AL 4C at Staff's request to include information on generators, back-up batteries, portable towers and VoIP pricing.

## **BACKGROUND**

### **Connect America Fund Phase II Auction (Auction 903)**

The FCC created the Connect America Fund with an annual budget of \$1.8 billion to be spent on projects to build out broadband infrastructure to as many unserved locations as possible within the areas served by price cap carriers.<sup>1</sup> On April 29, 2015, the FCC offered the price-cap carriers<sup>2</sup> model-based support to offer voice and broadband service in unserved high-cost areas. As a result, 10 carriers accepted over \$1.5 billion in annual support, however nearly \$175 million of annual support was declined by the price-cap carriers.<sup>3</sup>

Due to the remaining amount of annual support that was declined by the price cap carriers, on May 25, 2016 (May 2016 Order), the FCC adopted new rules to implement a competitive bidding process, in the CAF II Auction. The program requires the winning bidders to obtain ETC designation and to commit to constructing broadband infrastructure and providing both federal high-cost and Lifeline services to the eligible unserved areas for which it received an award. The May 2016 Order also established, among other things, a four-tier technology-neutral performance requirement with

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<sup>1</sup> See *In the Matter of Connect America Fund, ETC Annual Reports and Certifications, and Rural Broadband Experiments*, Report and Order and FNPRM, WC Dkts. 10-90, 14-58 and 14-259, (FCC 16-64), released May 26, 2016, para. 4.

<sup>2</sup> "Price-cap carriers" – Bell Operating Companies and other large and mid-sized carriers.

<sup>3</sup> See *In the Matter of Connect America Fund, ETC Annual Reports and Certifications, and Rural Broadband Experiments*, Report and Order and FNPRM, WC Dkts. 10-90, 14-58 and 14-259, (FCC 16-64), released May 26, 2016, para. 7.

higher and lower latency available for bidding.<sup>4</sup> The FCC also required bidders to offer at least one plan that meets or exceeds any of the performance tiers.

Table 1 Summarizes the Tiers:

<b>Tier Type</b>	<b>Broadband Speed</b>	<b>Monthly Usage</b>	<b>Latency Requirement</b>
Minimum performance tier	10 Mbps down/1 Mbps up	At least 150 GB	Low or High Latency and MOS of $\geq 4$
Baseline performance tier	25 Mbps down/3 Mbps up	At least 150 GB	Low or High Latency and MOS of $\geq 4$
Above-baseline performance tier	100 Mbps down/20 Mbps up	Unlimited data	Low or High Latency and MOS of $\geq 4$
Gigabit performance tier	1 Gbps down/500 Mbps up	Unlimited data	Low or High Latency and MOS of $\geq 4$

The May 2016 Order established service milestones with annual reporting requirements for the 10-year term for Phase II Auction support, and the FCC requires deployment to be completed within six-years of funding authorization.<sup>5</sup> Recipients that fail to meet the service milestones will be subject to support reductions and/or sanctions for non-compliance to the terms and conditions of high-cost funding.<sup>6</sup>

On August 28, 2018, the FCC issued a Public Notice announcing the winning bidders for the CAF II Auction. There were 103 winning bidders nationwide in Auction 903, in areas that the price cap carriers declined the offer of model-based support. The award amount totals \$1.488 billion dollars, over a 10-year term. Over 99.7% of the services areas in Auction 903 will receive at least 25 Mbps download speed.<sup>7</sup> Additionally, winning applicants must certify their financial and technical capabilities to provide the required services within the specified timeframe in the geographic area for which they seek support.<sup>8</sup>

Cal.net is a winning bidder that won an award amount of \$50.5 million of assigned support over the 10-year term to serve 20,859 eligible service locations within 598 Census Block Groups (CBGs) in 26 counties in California.<sup>9</sup>

<sup>4</sup>Ibid, para. 2. Each tier must meet the low latency or high latency requirement. Low latency  $\leq 100$  millisecond, high latency  $\leq 750$  millisecond and with a respect to voice performance, bidders need to demonstrate a score of four or higher using the Mean Opinion Score (MOS).

<sup>5</sup> See *In the Matter of Connect America Fund, ETC Annual Reports and Certifications, and Rural Broadband Experiments*, Report and Order and FNPRM, WC Dkts. 10-90, 14-58 and 14-259, (FCC 16-64), released May 26, 2016, paras. 40-41.

<sup>6</sup> Ibid, para. 171.

<sup>7</sup> See FCC Public Notice, *Connect America Fund Phase II Auction (Auction 903) Closes, Winning Bidders Announced*, FCC Form 683 Due October 15, 2018, AU Docket No. 17-182, WC Docket No. 10-90, (DA 18-887), released August 28, 2018.

<sup>8</sup> See *In the Matter of Connect America Fund, Universal Service Reform-Mobility Fund, ETC Annual Reports and Certifications, Establishing Just and Reasonable Rates for Local Exchange Carriers, Developing an Unified Intercarrier Compensation Regime*, Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, WC Dkts. 10-90, 10-208, 14-58, and 07-135, CC Dkt. 01-92, (FCC 14-54), released June 10, 2014, para. 47.

<sup>9</sup> Cal.net AL 4, page 3.

### **Federal ETC Designation Requirements**

In order to receive federal universal service support, an applicant must be designated as an ETC. Section 254(e) of the Communications Act (the Act), as amended, states that “only an eligible telecommunications carrier under section 214(e) shall be eligible to receive specific federal universal service support.”<sup>10</sup>

State commissions are given the primary responsibility for designating ETCs in their states. This section states that, “[u]pon request and consistent with the public interest, convenience, and necessity, the state commission may, in the case of an area served by a rural telephone company, and shall, in the case of all other areas, designate more than one common carrier as an eligible telecommunications carrier for a service area designated by the state commission” so long as the requesting carrier meets the requirements of Section 214(e)(1).

Section 214(e)(1) provides that, a common carrier designated as an ETC must offer services supported by the federal Universal Service Fund (USF) throughout the designated service area either by using its own facilities, resale, or by a combination of its own facilities and resale of another carrier’s services, and must advertise the services and the related charges using advertising media of general distribution throughout the designated service area. Advertising must include the availability of federal Lifeline services in a manner reasonably designed to reach those likely to qualify for those services.

The FCC rules require that a carrier requesting ETC designation must:

1. Certify that it will comply with the service requirements applicable to the support that it receives;
2. Submit a five-year plan that describes proposed improvements or upgrades to the applicant’s network throughout its proposed service area;
3. Demonstrate its ability to remain functional in emergency situations;
4. Demonstrate that it will satisfy applicable consumer and service quality standards;
5. Demonstrate that it is financially and technically capable of providing the federal Lifeline service; and

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<sup>10</sup> 47 C.F.R. §§ 54.400 *et seq.* contains the Federal Communications Commission’s (FCC) Lifeline rules issued to implement § 254 of the Act. Section 54.401 defines Lifeline as a non-transferrable retail service offering for which qualifying low-income consumers pay a reduced charge for voice telephony service after applying the federal Lifeline support amount.

6. Submit information describing the terms and conditions of any voice telephone service plans offered to federal Lifeline participants.<sup>11</sup>

Before granting an ETC designation to a carrier, state commissions must determine that it is in the public interest to do so.

### **CPUC ETC Designation Requirements**

A carrier seeking an ETC designation also must comply with CPUC's ETC rules. In Resolution T-17002 (May 25, 2006), the CPUC adopted *The Comprehensive Procedures and Guidelines for ETC Designation and Requirements for ETCs* that are consistent with FCC Universal Service Order 97-157<sup>12</sup> regarding designation of a telephone carrier as a qualified ETC. Pursuant to this Resolution, applicants seeking ETC designation in California are required to provide the following:

1. A description of the proposed service offerings and attached service area maps;
2. A description of the advertising plan(s);
3. A statement of commitment to provide service;
4. Submission of the 2-year service quality improvement plan;
5. A showing of the ability to remain functional;
6. A statement of commitment to consumer protection;
7. Demonstration that a carrier's usage plan is comparable to that of the incumbent LEC in the proposed service area; and
8. A public interest determination.

A carrier seeking Federal high-cost support must also comply with Resolution T-17002, Appendix B, Section I and II, and file an advice letter with the CPUC on an annual basis.

In addition to Resolution T-17002 ETC designation rules, carriers requesting ETC designation must also comply with General Order (GO) 153, and CPUC User Fee and surcharge obligations. The CPUC User Fee is levied on all telecommunications carriers providing services directly to customers and the amount of fees is a percentage calculation based on all intrastate customer billings for telecommunications services. All telecommunications carriers and Voice over Internet Protocol providers are also required to collect and remit public purpose program surcharges from end-users. These surcharges fund the CPUC's universal service programs.

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<sup>11</sup> 47 C.F.R. § 54.202(a).

<sup>12</sup> See *In the Matter of Federal-State Joint Board on Universal Service*, Report and Order, CC Dkt. 96-45 (FCC 97-157), released May 8, 1997.

### Notice/Protests

Cal.net served its AL 4 filing via email to all parties on the ETC service list and the AL 4 appeared in the Commission's Daily Calendar on October 17, 2018. No protests were filed.

### DISCUSSION

This Resolution adopts Staff's recommendation of approving Cal.net's request for ETC designation to obtain federal high-cost and Lifeline support in the service areas designated by the CAF II Auction 903.

#### Company Overview

Cal.net is a Delaware corporation with its principal office located at 4101 Wild Chaparral Drive, Shingle Springs, CA 95682. On February 9, 2017, Cal.net received its Certificate of Public Convenience and Necessity ("CPCN") to provide facilities-based and resold competitive local exchange and interexchange service. As a registered competitive local exchange carrier and VoIP provider in California, Cal.net is required to report/pay public purpose program surcharges and user fees on its California intrastate revenues. The company currently provides broadband Internet access and Voice over Internet Protocol (VoIP) telephony services in California. Cal.net received its VoIP registration on March 10, 2015.

Cal.net has previously been awarded four California Advanced Services Fund (CASF) grants totaling \$8.867 million by the CPUC<sup>13</sup>, to expand broadband to underserved and unserved areas in six rural counties in California.<sup>14</sup>

#### Compliance with Federal ETC Requirements

A carrier must satisfy all federal ETC requirements in order to receive an ETC designation. Cal.net has met the following federal ETC requirements:

**Demonstration that the services intended to be offered comply with the voice telephony definition** - Pursuant to 47 U.S.C. § 214(e)(1) and (6), Cal.net submits that it is a common carrier and is able to provide telephone exchange and exchange access through its own facilities-based network/infrastructure. Cal.net will offer standard residential VoIP telephony services with unlimited local and

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<sup>13</sup> See CPUC Resolutions T-17497, T-17498, T-17501, and T-17502.

<sup>14</sup> Cal.net AL 4, pg. 3.

domestic long-distance calling, E911 service, call forwarding, and conference calling. Cal.net meets the basic service elements.

**Advertise using media of general distribution** – Cal.net intends to advertise using media of general distribution pursuant to federal requirements.<sup>15</sup>

**Commitment to provide supported service throughout the designated service area** – Cal.net asserts that it commits to provide service to all requesting customers within the areas that it is designated an ETC based on its own network facilities. Cal.net agrees to offer service using various methods. If Cal.net is not able to serve the customer due to incomplete construction, it will submit an unfulfilled request to the CPUC within 30 days.

**Demonstration of ability to remain functional** – Cal.net asserts that the company has the ability to remain functional in emergency situations. Cal.net deploys generators at all major hub locations and batteries with long-duration capacity at minor sites. In the event of extended outages, crews are on standby to refill generator fuel tanks and replenish batteries. Cal.net is able to reroute traffic around damaged facilities automatically through a variety of IP routing protocols. Finally, Cal.net can also quickly deploy temporary towers to restore service in situations where facilities are damaged.<sup>16</sup>

**Demonstration of financial and technical capability** – Cal.net is financially capable of providing its proposed broadband Internet access and VoIP telephony services. Staff reviewed submitted financial statements, including balance sheets, income statements, cash flow statements and a project funding description report. Staff concluded that Cal.net has the existing capital resources for the six-year build construction plan. Staff also reviewed the project overview report, which outlines Cal.net's six-year improvement plan for the network. Staff concluded that Cal.net has demonstrated its technical capability to manage a fixed wireless network.

Cal.net is a privately-held company that recently acquired another company, Central Valley Broadband. Central Valley Broadband currently does not participate in the CASF program. Cal.net has never filed for bankruptcy protection and has never been the subject of a state enforcement or ETC revocation.

**Commitment to meet public interest requirements for the proposed service areas** – Cal.net asserts that receiving the ETC designation will serve the public interest by enabling it to receive CAF II funds. These funds will enable Cal.net to expand its

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<sup>15</sup> Cal.net AL 4, pgs 6-7 and AL 4C, pg.2.

<sup>16</sup> Cal.net AL 4, pg. 9.

network into areas that have been traditionally underserved due to the high cost of service, thereby increasing consumer choices.

Cal.net will use fixed wireless technology to offer all eligible locations access to broadband services at speeds up to 100 Mbps/20 Mbps.

**Commitment to satisfy all applicable consumer protection and service quality standards** –Cal.net asserts that it operates a call center 12 hours a day, 7 days a week and a Network Operations Center (NOC) 7 days a week. Cal.net will gradually increase staffing that will enable both centers to operate 7 days a week, 24 hours a day. Cal.net will comply with all applicable state and federal consumer protection and service quality standards.

#### Compliance with Annual FCC Reporting Requirements for CAF II Auction Recipients

The CPUC is responsible only for designating service providers ETC. The FCC will have oversight of the CAF II projects by requiring recipients to comply with reporting requirements to insure project completion. Accordingly, the May 2016 *Connect America Fund Report and Order* adopted a framework for reporting and support reductions for all recipients that fail to meet the service milestones.<sup>17</sup> Non-compliant recipients are subject to penalties or forfeiture.

Recipients must report the following to the FCC:

- The number and list of geocoded locations where recipients are offering broadband service that meets the CAF II supported requirements;
- The type of technology used to offer service to each location;
- Certifications that they are meeting the interim service milestones. The Universal Service Administrative Company (USAC) will verify once build-out of facilities are completed;
- Certification that the network operated in the prior year meet the FCC's performance requirements;
- Certification of network testing for compliance and speed metrics; and
- File section 54.313<sup>18</sup> report, with a copy to CPUC.

Cal.net has committed to comply with these reporting requirements.

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<sup>17</sup> See *In the Matter of Connect America Fund, ETC Annual Reports and Certifications, Petition of USTelecom for Forbearance Pursuant to 47 U.S.C. § 160(c) from Obsolete ILEC Regulatory Obligations that Inhibit Deployment of Next-Generation Networks*, Report and Order, WC Dkts. 10-90, 14-58, and 14-192, (FCC 14-190), released December 18, 2014, paras. 142-152.

<sup>18</sup> 47 C.F.R. §54.313 Annual reporting requirements for high-cost recipients.



### Compliance with Commission User Fee and Surcharge Obligations

Staff has verified that Cal.net is current with payments of CPUC User Fees and public purpose program surcharges. As these are existing Commission licensing obligations, Cal.net must continue to remain current with its payments. Failure to comply may lead to citations and enforcement action including, but not limited to, revocation of Cal.net's CPCN operating authority, and/or authority to operate as an ETC in California.

### Compliance with the California LifeLine Administrator's Requirements

The California LifeLine Administrator is the sole entity responsible for determining eligibility and administering the enrollment process for both the California LifeLine Program and the federal Lifeline program. Service providers that participate in the federal program must comply with the eligibility requirements and the Administrator's enrollment process.

Currently, Cal.net lacks experience with the California LifeLine Program Administrator's enrollment process, protocols, transmission requirements, etc., and is in the preliminary stages of becoming and operating as a federal Lifeline provider. Staff recommends that the Commission direct Cal.net to work with the Administrator and Staff to finalize its provisioning process and solidify its understanding of the program's processes prior to the company launching its federal Lifeline services.

### Connect America Fund Phase II Auction 903

Staff found that Cal.net's request is consistent with FCC's CAF II Auction 903 requirements.

Cal.net has submitted its application form to the FCC and is seeking ETC designation from the CPUC. The CAF II awards will enable Cal.net to serve 20,859 eligible service locations within 598 Census Block Groups (CBGs) in 26 counties.<sup>19</sup> Cal.net will receive an award amount of \$50.5 million of assigned support over the 10-year term.

### California Advance Services Fund (CASF) Grants

On January 14, 2016, Cal.net received its first CASF grant of \$1.140 million to build last-mile fixed wireless infrastructure to provide broadband Internet and VoIP

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<sup>19</sup> Cal.net AL 4, page 3.

telephony services to the northern regions of El Dorado County.<sup>20</sup> Subsequently, Cal.net received three additional CASF grants: \$1.257 million for the southern and east regions of El Dorado County<sup>21</sup>; \$2.862 million for the rural communities of Amador Calaveras and Alpine Counties<sup>22</sup>; and \$3.608 million for the rural communities of Tuolumne and Mariposa Counties<sup>23</sup>, respectively. Maps of CASF funding are shown in Attachment B.

Staff has verified that funds received from the CASF program were used to build the infrastructure projects approved by the Commission. Cal.net has submitted timely quarterly reports that provide updates on CASF projects. As of September 12, 2018, Cal.net has completed approximately 63% of the El Dorado North project and is serving 10 households and 1 business client.<sup>24</sup> The three remaining projects are still in progress. To date, Staff found no issues with Cal.net's compliance with the CASF program.

#### Providing Lifeline Voice Service to Customers/Future Changes to Designated Service Areas

Cal.net requests designation as an ETC to provide broadband Internet access and voice telephony services to high-cost unserved areas and qualifying low-income households in the areas approved by CAF II Auction 903.

As a federal high-cost and Lifeline provider, Cal.net is authorized to provide fixed wireless broadband services and federal Lifeline voice telephony services in the service areas as approved by the CAF II Auction 903. Any changes to Cal.net's service areas in California, must be presented by filing Tier 2 advice letter that includes supporting FCC/CAF documents; a description of the areas to be served; a list of the geographic service areas; and a map in Shapefile format of the proposed area(s).

#### Public Interest Determination

Before recommending designation of a carrier as an ETC, Staff must determine that doing so would be in the public interest for California consumers.<sup>25</sup> Designating Cal.net as an ETC will serve the public interest by providing unserved/underserved customers

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<sup>20</sup> See CPUC Resolution T-17497.

<sup>21</sup> See Resolution T-17498.

<sup>22</sup> See Resolution T-17501.

<sup>23</sup> See Resolution T-17502.

<sup>24</sup> Cal.net El Dorado North, 9<sup>th</sup> Quarterly Report, dated September 12, 2018.

<sup>25</sup> *In the Matter of Federal-State Joint Board on Universal Service*, Report and Order, CC Dkt 96-45 (FCC 05-46), released Mar 17, 2005 ¶ 40 and CPUC Resolution T-17002, *Appendix A, Section II-G: Public Interest Determination*.

and low-income households in California with access to high-speed broadband and voice telephony services. Staff finds that Cal.net meets the criteria for public interest determination including providing the benefits of high-speed broadband and deployment of communications services to all Californians in unserved/underserved areas to promote economic growth and job creation.

### Price Analysis

After comparing plan pricing with the FCC's criteria,<sup>26</sup> Staff finds that the pricing plans offered by Cal.net are reasonable and within the FCC's comparability benchmark for fixed voice and broadband services. Prices for broadband internet access and voice telephony services may change subject to the FCC's annual publication of the "Urban Rate Survey for Fixed Voice and Broadband Services" report. All broadband plans offer unlimited data, with no data caps.<sup>27</sup>

Table 2 Summarizes Cal.net's Service Offerings.

Cal.net's Pricing for CAF II			FCC's benchmark pricing (2018)		
Speed (Down/Up)	Capacity Allowance (GB)	Price (Monthly)	Speed (Down/Up)	Capacity Allowance (GB)	Price (Monthly)
6 Mbps/2 Mbps	Unlimited	\$69.95	4 Mbps/1 Mbps*	Unlimited	\$86.00
10 Mbps/3 Mbps	Unlimited	\$84.95	10 Mbps/1 Mbps*	Unlimited	\$88.13
15 Mbps/3 Mbps	Unlimited	\$89.95	N/A	Unlimited	N/A
25 Mbps/4 Mbps	Unlimited	\$94.49	25 Mbps/5 Mbps	Unlimited	\$94.67
50 Mbps/5 Mbps	Unlimited	\$106.49	50 Mbps/5 Mbps	Unlimited	\$106.52
100 Mbps/20 Mbps	Unlimited	\$127.89	100 Mbps/20 Mbps	Unlimited	\$127.89
<b>and/or stand-alone voice:</b>					
Standard Residential Voice service for \$19.95 per month, with unlimited local and domestic long-distance calling, E911 service, call forwarding, and conference calling. (Eligible Lifeline participants will receive a federal discount of \$9.25 per month)					

\* In some cases, Staff had to use similar FCC plans for comparisons due to unavailable information.

Staff finds that Cal.net's broadband Internet access plans and VoIP telephony plan are comparable to the FCC's benchmark rates and recommends approval.

### Due Diligence Review

An integral part of Staff's processing of an ETC designation request is a due diligence review to determine if the applicant has engaged in behavior that may call into question its fitness to be granted ETC designation to serve California consumers. The due diligence review includes, but is not limited to, conducting independent research about the applicant's past operations to provide the Commission with information that may be pertinent in deciding whether or not to grant the ETC request. Typical research methods include performing Lexis/Nexis legal resource searches, internet searches,

<sup>26</sup> See <https://docs.fcc.gov/public/attachments/DA-17-1093A1.pdf>

<sup>27</sup> Cal.net AL 4 at pg. 5.

reviewing industry and trade publications, querying other governmental agencies, contacting the FCC and the Universal Service Administrative Company (USAC), reviewing a company's history of operations, and consulting with the Commission's Consumer Protection and Enforcement Division and Consumer Affairs Branch.

Cal.net has not been subject to any enforcement sanctions or ETC revocation proceedings in any state nor has it received a Notice of Apparent Liability from the FCC. Staff did not discover any issues that would lead to a denial of Cal.net's request for authority to operate as an ETC service provider in the state of California. If substantive issues emerge after the ETC service provider authorization is approved which raise public interest questions about Cal.net's ability to offer subsidized program services in compliance with the authorities granted in this resolution, the Commission has authority to pursue an enforcement action which may include fines, penalties, and the revocation of ETC designation in California.

### Safety Considerations

Given that safety and emergency communications are common concerns for all of California's telephone customers, Staff recommends that the Commission require Cal.net to fully and clearly inform prospective federal Lifeline participants that access to Enhanced 911 (E-911) and/or 911 may be limited or unavailable in the event of an emergency or power outage. Such disclosures include, but are not limited to, clear statements on marketing materials and conspicuous placement on the public website in the form of information content on webpages, footnotes, and/or listings on a frequently asked questions (FAQ) webpage.

Cal.net complies with the FCC's E-911 system requirements for provisioning E-911/911 services.<sup>28</sup> Cal.net uses the E-911 system standards. When a customer places a 911 call, the call is assigned to the closest PSAP based on the E911 address assigned to the caller's Direct Inward Dialing (DID) telephone number. This address is then sent to the PSAP.<sup>29</sup>

### COMMENTS

In compliance with P.U. Code § 311(g), the Commission emailed a notice letter on December 24, 2018, informing all parties on the Eligible Telecommunications Carrier service list of the availability of this resolution for public comments at the Commission's

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<sup>28</sup> See <https://www.fcc.gov/consumers/guides/voip-and-911-service>

<sup>29</sup> Cal.net AL 4B, pg.1.

website [www.cpuc.ca.gov](http://www.cpuc.ca.gov). The notice letter also informed parties that the final confirmed resolution adopted by the Commission will be posted and available at the same website. No comments were filed.

## **CONCLUSIONS**

Staff recommends that the Commission:

- 1) Approve Cal.net's request to be authorized as an ETC service provider to provide federal high cost and Lifeline services to areas approved by the CAF II Auction 903.
- 2) Require Cal.net to work with the California LifeLine Administrator and Staff to finalize its provisioning process and solidify its understanding of the program's processes prior to the company launching its VoIP telephony services.
- 3) Require Cal.net to comply with all of the following:
  - a) File required annual reports and compliance reports with the Commission, such as, but not limited to, FCC's CAF II annual reporting requirements and G.O. 133 D service outage reports;
  - b) Continue to comply with CPUC User Fee and surcharge remittance and reporting requirements. Failure to do so may result in enforcement action including penalties, fines, denial, suspension, and/or revocation of its authority to operate as an ETC in California;
  - c) Post safety related information about VoIP telephone service limitations on distributed terms and conditions, disclosures, marketing materials, including scripts used by customer service representatives, and on its company website; and
  - d) Abide by all applicable state and federal consumer protection, including CPUC General Order 168, which is the Consumer Bill of Rights Governing Telecommunications Services; and
- 4) Require Cal.net to adhere to the process as explained in the AL 4 and supplements filing on how to remain functional in emergency situations, customer service calls and service outages.

## **FINDINGS**

1. Cal.net is a Delaware corporation with principal office located at 4101 Wild Chaparral Drive, Shingles Springs, CA 95682. Cal.net received its CPCN as a CLC (U-7309-C) on February 9, 2017.

2. Cal.net offers broadband Internet access service and VoIP telephony services using fixed wireless technology.
3. On October 10, 2018, Cal.net submitted Tier 3 AL 4 to the CPUC requesting ETC designation to obtain federal high-cost and federal Lifeline support in service areas approved in CAF II Auction 903.
4. On October 29, 2018, Cal.net filed supplement AL 4A to modify its filing to include information on Cal.net's leadership team, improvement plans and financial statements.
5. On December 6, 2018, Cal.net filed supplement AL 4B to include leadership resumes, additional information on broadband plan pricing and how the carrier handles customer service and service quality issues.
6. On December 17, 2018, Cal.net filed supplement AL 4C at Staff's request to include information on generators, back-up batteries, portable towers and VoIP pricing.
7. Cal.net previously received four CASF grants by the CPUC, totaling \$8.867 million.
8. Staff recommends that Cal.net's request to operate as an ETC supported by the federal high-cost and federal Lifeline programs be approved contingent on the following:
  - a) File required annual reports and compliance reports with the Commission, such as, but not limited to, FCC's CAF II annual reporting requirements and G.O. 133 D service outage reports;
  - b) Continue to comply with CPUC User Fee and surcharge remittance and reporting requirements. Failure to do so may result in enforcement action including penalties, fines, denial, suspension, and/or revocation of its ETC designation;
  - c) Post safety related information about VoIP telephone service limitations on distributed terms and conditions, disclosures, marketing materials, including scripts used by customer service representatives, and on its company website; and
  - d) Abide by all applicable state and federal consumer protection, including CPUC General Order 168, which is the Consumer Bill of Rights Governing Telecommunications Services.
9. Cal.net commits to comply with the CPUC's enrollment process, including all eligibility rules and validation checks, and to provide the Administrator all required information for the Administrator to determine eligibility.

10. Cal.net commits to offer stand-alone standard residential VoIP service for \$19.95 per month, with unlimited local and domestic long-distance calling, E911 service, call forwarding, and conference calling. Eligible Lifeline participants will receive a federal discount of \$9.25 per month.
11. Cal.net commits to offer broadband Internet access service, for the following prices:
  - 6 Mbps Down/2 Mbps Up, with unlimited data for \$69.95 per month
  - 10 Mbps Down/3 Mbps Up, with unlimited data for \$84.95 per month
  - 15 Mbps Down/3 Mbps Up, with unlimited data for \$89.95 per month
  - 25 Mbps Down/4 Mbps Up, with unlimited data for \$94.95 per month
12. Staff conducted due diligence review to determine Cal.net's fitness as it relates to business practice behavior and customer protection that may call into question its fitness to be granted ETC designation to serve California consumers. Staff found no fitness issues.
13. Cal.net complies with the FCC's E-911 system requirements for provisioning E-911 services.
14. The Commission may pursue an enforcement action which may include fines, penalties, denial, suspension, and/or revocation of its ETC designation should substantive issues emerge after Cal.net is approved which raise public interest questions about Cal.net's operations.
15. As an ETC provider, Cal.net is authorized to provide broadband Internet access and VoIP services using fixed wireless technology in the designated areas as approved by CAF II Auction 903.
16. On December 24, 2018, the Commission emailed a draft of this Resolution to the Eligible Telecommunications Carrier service list for public comments.
17. No comments were filed.

**THEREFORE, IT IS ORDERED** that:

1. The Commission approves Cal.net, Inc. (Cal.net) (U-7309-C) as an eligible telecommunications carrier to obtain federal high-cost and federal Lifeline support in the designated areas as approved by the Connect American Fund Phase II Auction 903.

2. Cal.net's eligible telecommunications carrier designation approval for federal high-cost and Lifeline support shall be contingent upon the following:
  - a) Submission of annual compliance reports with the Commission, such as, but not limited to, the Federal Communications Commission's Connect America Fund II annual reporting requirements and the California Public Utilities Commission's General Order 133 D service outage reports;
  - b) Compliance with the California Public Utilities Commission's User Fee and surcharge remittance and reporting requirements. Failure to do so may result in enforcement action including penalties, fines, denial, suspension, and/or revocation of its eligible telecommunications carrier designation;
  - c) Posting of safety related information about Voice over Internet Protocol telephone service limitations on distributed terms and conditions, disclosures, marketing materials, including scripts used by customer service representatives, and on its company website; and
  - d) Abiding by all applicable state and federal consumer protection, including the California Public Utilities Commission's General Order 168, which is the Consumer Bill of Rights Governing Telecommunications Services.
3. Cal.net shall comply with the California Public Utilities Commission's General Order 153 and the California LifeLine Administrator's enrollment process including, but not limited to, validation checks, transmission requirements, and efforts to prevent waste, fraud, and abuse.
4. Cal.net shall work with the California LifeLine Administrator and Staff to finalize its provisioning process and solidify its understanding of the program's processes prior to the company launching its federal Lifeline VoIP services.
5. Cal.net shall adhere to the process as explained in Advice Letter 4 and supplements to remain functional in emergency situations, customer service calls and service outages.
6. Cal.net shall comply with all applicable California Public Utilities Commission's rules, orders, decisions, and resolutions, the California Public Utilities Code, and federal Lifeline rules. Failure to do so may result in fines, penalties, denial, suspension, and/or revocation of its eligible telecommunications carrier designation in California.
7. Cal.net shall inform Lifeline customers that limitations may affect Voice over Internet Protocol telephony service including E-911/911 may be limited or unavailable in the event of an emergency or power outage. Disclosures will include, but are not limited to, clear statements on all marketing materials and the company's website.



8. Cal.net shall file a Tier 2 Advice Letter to request approval for any future changes to its approved designated service areas. This request shall include supporting Federal Communications Commission's Connect America Fund Phase II documents; a description of the areas to be served; a list of the geographic areas; and a map(s) in Shapefile format of the proposed service area.

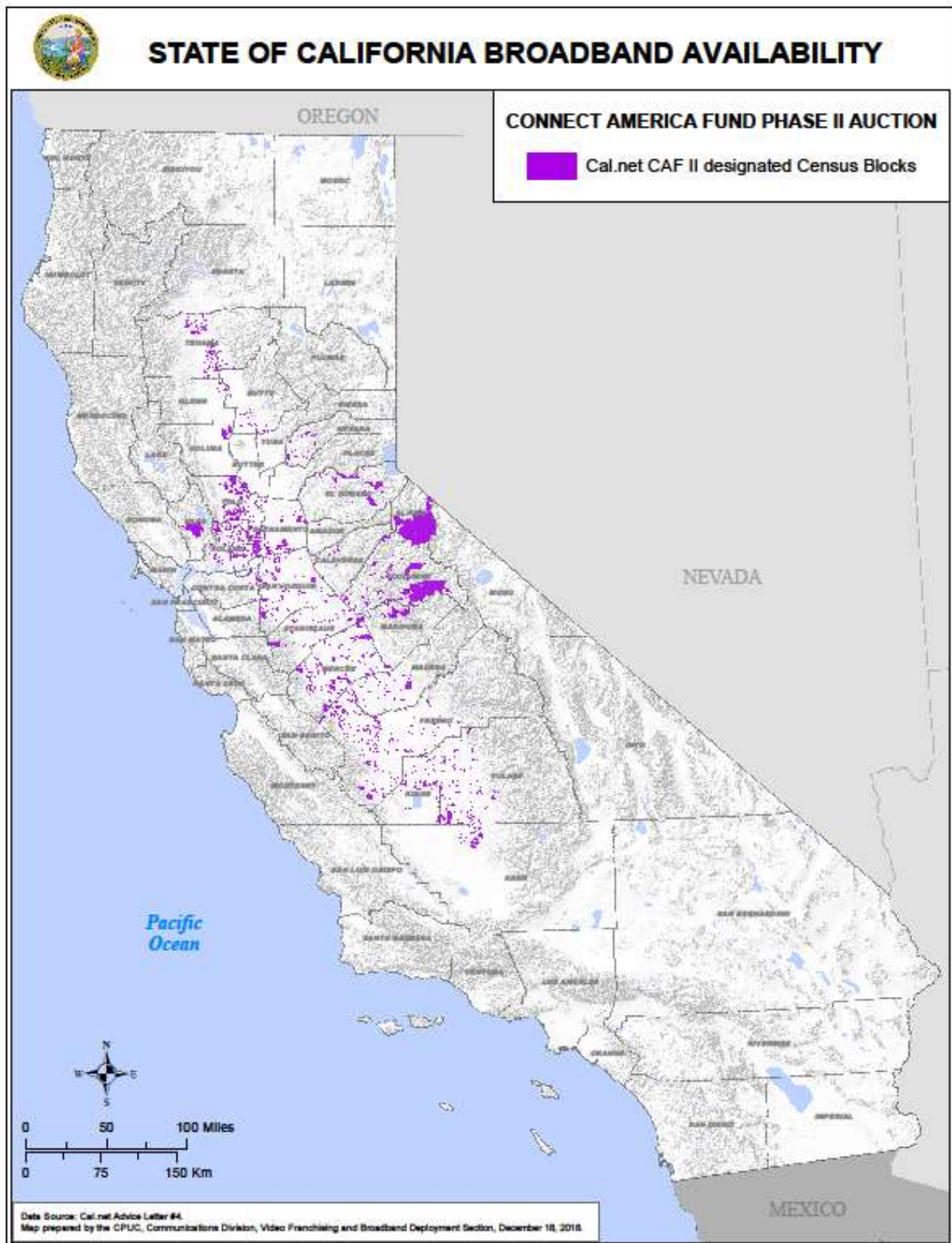
This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on \_\_\_\_\_ the following Commissioners voting favorable thereon:

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Alice Stebbins  
Executive Director

# **ATTACHMENT A**



# **ATTACHMENT B**

