

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Carrier Oversight and Programs Branch**

**RESOLUTION T- 17224
September 24, 2009**

R E S O L U T I O N

Resolution T-17224 Funding Approval from the California Advanced Services Fund (CASF) for Citizens Telecommunications Company of California's (U-1024-C) Lookout Project Amounting to \$50,707.

Summary

This Resolution adopts contingent funding for the Lookout broadband project of Citizens Telecommunications Company of California dba Frontier Communications of California (Frontier) amounting to \$50,707 from the California Advanced Services Fund (CASF). The amount granted represents 10% of the total project costs to provide broadband service to an unserved area in accordance with Commission Resolution T-17143 and Decision (D.) 09-07-020.

Background

On December 20, 2007, the Commission approved Decision (D.) 07-12-054 which established the two-year CASF program to provide matching funds of up to 40% of the total project costs for the deployment of broadband infrastructure in unserved and underserved areas in California.¹ Resolution T-17143, approved on June 12, 2008, adopts the CASF application requirements, scoring criteria for the award of funds, and a prescribed timeline for other filings and notifications including a projected Commission Meeting date for final approval of award(s). This same Resolution directs interested applicants, seeking funding for unserved and underserved projects, to file their project proposals and funding requests on July 24, 2008 and August 25, 2008, respectively. As of September 10, 2009, of the 54 projects submitted for CASF funding, \$12.6 M has been granted for 27 projects covering 4,251 square miles and benefiting 32,777 potential households as follows:

- Unserved - \$11.6 M, 15 projects, 4,217 sq. mi. and 32,118 households
- Underserved - \$1 M, 12 projects, 34 sq. mi. and 659 households

¹ SB 1193 (Chapter 393, Statutes of 2008) established the California Advanced Services Fund as a new public purpose program.

On July 9, 2009, the Commission adopted D.09-07-020 establishing new schedules and plans for filing, review and approval of an additional round of broadband project requests. This decision also provides the potential for the applicants to seek CASF program funding while pursuing funding for broadband deployment grants issued under the American Recovery and Reinvestment Act (ARRA).² Because the federal grants under ARRA can fund up to 80% of the project, the Commission provided applicants in D.09-07-020 the opportunity to seek an additional 10% funding coverage from the CASF leaving only 10% for the applicant to provide.

Notice/Protests

The Census Block Group (CBG) list appeared by county on the Commission's CASF website page under "UNSERVED areas proposed to be served as of July 17, 2009: Census Block Groups (CBGs)". No challenges were received on the proposed area to be served.

Discussion

This Resolution adopts a contingent funding of \$50,707 from the CASF for Frontier's Lookout broadband project in Modoc County.

Frontier submitted a project proposal for the unserved Lookout area of Modoc County. The proposed project area surrounds an underserved area of 81 households with broadband service at speeds of 1 mbps download and 256 kbps upload. This project will be able to extend service to an additional 166 households covering an adjacent unserved area of 67 square miles in one CBG. Frontier plans to offer high speed internet access service, where technically feasible, using existing DSL technology and where it has wire line facilities. The total project cost is \$507,066 with \$120,916 being materials and equipment and \$386,150 comprising the fully loaded installation and labor costs. CASF funds will be used to fund 10% of the total project or \$50,707. Frontier estimates that the project would be completed within 6.25 months from the beginning of construction expected to start in mid-2010.

A map of Frontier's Lookout project can be found on page A-2 of Appendix A.

At the current time, due to limitations on backbone and backhaul, the estimated speed would be 1 mbps download and 256 kbps upload. Although the proposed unserved project does not currently meet the 3 mbps download and 1 mbps upload speed established as a goal in D.07-12-054, the proposed area does not have any broadband service at this time.

² The American Recovery and Reinvestment Act appropriates \$7.2 billion for grants and loans to support broadband deployment on a national level. ARRA offers a unique and ground breaking opportunity for California to partner with the federal government and other state agencies in advancing the goal of bridging the digital divide.

Frontier has proposed a one-year commitment at the following rates:

	No contract	One year contract
Installation (one-time)	\$134.99	\$34.99
DSL monthly charge	50.99	44.99
Monthly Modem charge	5.99	4.50
Monthly Security Software Charge	4.99	0.00
Early termination charge	N/A	200.00

For qualification purposes under the CASF program, unserved areas are defined as areas not served by any form of facilities-based broadband, or where Internet connectivity is available only through dial-up service or satellite. CD reviewed the project's eligibility by analyzing the required data submitted. These data include, but are not limited to: proof of CPCN registration; descriptions of current and proposed broadband infrastructure; Geographic Information System (GIS) formatted Shapefiles mapping the subject areas; assertion that the area is unserved; potential subscriber size and household incomes; project construction schedule; project budget; proposed pricing and commitment period for new subscribers; and, financial qualifications of the applicant. In addition, CD reviewed the Shapefiles submitted which mapped the proposed broadband deployment using data from the United States 2000 Census and the revised July 9, 2009 California broadband availability maps among others. The Communications Division (CD) conducted its independent review and analysis of this Frontier project to verify that the areas proposed to be served by Frontier did not coincide with areas shown as served on the updated broadband availability maps.

When necessary, CD performed further verification with the applicant which included requests for additional data and/or other communication with the applicants in order to clarify their project proposals. CD has determined that the Lookout project is an unserved broadband area and eligible to receive CASF funding.

Frontier has an established track record with the Commission and, therefore, no performance bond should be required.

Frontier should be required to comply with all the guidelines, requirements and conditions associated with the granting of CASF funds as specified in Resolution T-17143 including the submission of Form 477 and compliance with the California Environmental Quality Act.

Frontier indicated that the extension of broadband into unserved areas around the Lookout area will be adjacent to existing facilities and between existing remote terminals. Frontier will utilize existing rights of way and encroachment permits from Modoc County. Frontier will comply with the provisions of CEQA and will provide a Proponent's Environmental Assessment report pursuant to the requirements of Resolution T-17143.

The receipt of the CASF grant should be contingent on Frontier receiving the 80% ARRA grant on its Lookout project. If the applicant is not successful in its request for ARRA grant or if of the funds granted are less than 80%, then Frontier may request additional CASF funds in accordance with Ordering Paragraph No. 7 of D.09-07-020. The granting of additional funds would be contingent on funds still being available in the CASF program.

Payments to CASF Recipients

Submission of invoices and payments to CASF recipients shall be made in accordance with Section IX of Appendix A of Resolution T-17143 and according to the guidelines and supporting documentation required in Resolution T-17143.

Payment to Frontier for its Lookout project shall essentially follow the process adopted for funds created under Public Utilities Code §270. The following table describes the timeline for processing CASF payments.

Event	Payment Cycle 1 (Day/Month)	Payment Cycle 2 (Day/Month)
Invoices due from CASF recipients to CD	5 th of Month 1	20 th of Month 1
Payment letters from CD to Information and Management Services Division (IMSD) ³	On 19 th of Month 1	On 4 th of Month 2
Invoices submitted from IMSD to State Controller’s Office (SCO) for payments	20 th through 26 th of Month 1	5 th through 13 th of Month 2

If any date in this payment schedule falls on a weekend or holiday, that date will be advanced to the next business day but the remaining dates in the payment schedule will remain unchanged. SCO requires 14 to 21 days to issue payment from the day that requests are received by SCO. Frontier may submit their invoices under Payment Cycle 1 or 2.

Comments on Draft Resolution

In compliance with PU Code § 311(g), a notice letter was emailed on August 25, 2009 informing a) all applicants filing for unserved areas and b) parties the service list of R.09-06-019 of the availability of the draft of this Resolution for public comments at the Commission's website <http://www.cpuc.ca.gov/static/documents/index.htm>. This letter

³ The above schedule is contingent on the CASF recipient submitting clear, complete and error free invoices to CD. Additionally time to process payments may be necessary if CD finds problems with the submitted invoices.

also informed parties that the final conformed Resolution adopted by the Commission will be posted and will be available at this same website.

CD received comments from the Division of Ratepayer Advocates (DRA) on the resolution. DRA commented that the project description was incomplete and that the estimated costs per customer was too expensive while the promised speeds were too low.

Frontier responded to DRA's comments on September 12, 2009. Frontier stated it has experience in providing broadband service and that three previous CASF applications it submitted have been approved. Frontier responded that the cost is higher because the installation involved over 100,000 feet of fiber and that the project meets the purpose of the ARRA and CASF programs to provide service to areas that would not be feasible to serve in the ordinary course of business. Although the speed is lower than those speeds set as the Commission goal, it is a significant improvement over the current situation where no broadband is available in the proposed areas. Moreover, Frontier indicates that its proposed Alturas middle mile project, if approved, would increase the speeds to 3 mbps download and 1 mbps upload in the Lookout area.

DRA's reference citing a lower cost per customer begins with: "The cost to provide DSL is usually between \$70 and \$400, unless new fiber needs to be run or the local exchange does not have ordinary backhaul connections." In the case of the Lookout Project, CD notes that there is a substantial amount of fiber installation necessary and the rural nature of the area supports a higher cost per customer. The area has a low customer density so the cost per customer is higher.

The purpose of the CASF and ARRA programs to provide funds to unserved areas that are not economic to serve. It is precisely these very high cost areas that the program targets. Because the projects would not be built without a grant, Frontier should notify the Director of the CD of the disposition of the ARRA grant application as well as whether Frontier will pursue the project without ARRA funding.

Conclusion

The Commission finds CD's recommended contingent CASF award for unserved areas for the Lookout project as discussed in this resolution and summarized in Appendix A to be reasonable and consistent with Commission orders and, therefore, should be adopted.

Findings

1. The California Advanced Services Fund (CASF) was implemented by Decision (D.) 07-12-054. The CASF was established as a two-year program that will provide matching funds of up to 40% of the total project costs for the deployment of broadband infrastructure in unserved and underserved areas in California.

2. Resolution T-17143, approved on June 12, 2008, adopts the application requirements and scoring criteria for the award of funds, a prescribed timeline for other filings and notifications including a projected Commission Meeting date for final approval of award(s). T-17143 directed interested applicants seeking funding for unserved projects to file their project proposals and funding requests on July 24, 2008.
3. Resolution T-17143 defines unserved areas as areas which are not served by any form of facilities-based broadband, or where Internet connectivity is available only through dial-up or satellite service.
4. D.09-07-020 allows coordination of CASF grants with federal grants under ARRA. ARRA is anticipated to fund 80% of the total project cost with the applicant funding 10% and the CASF awarding the remaining 10%.
5. If the ARRA grant is not received or if it is of a lesser percentage of the project then Frontier should be authorized to reapply for funds under the CASF grant program.
6. A list of census block groups (CBGs) appeared by county on the Commission's CASF website page under "UNSERVED areas proposed to be served as of July 17, 2009: Census Block Groups (CBGs)". The Communications Division (CD) conducted its independent review and analysis of this Frontier project to verify that the areas proposed to be served by Frontier did not coincide with areas shown as served on the updated broadband availability maps.
7. CD reviewed the application's eligibility in the unserved review phase through the analysis of required data submitted. These data include, but are not limited to: proof of CPCN registration; descriptions of current and proposed broadband infrastructure; geographic information system (GIS) formatted Shapefiles mapping the subject areas; assertion that the area is unserved; potential subscriber size and household incomes; project construction schedule; project budget; proposed pricing and commitment period for new subscribers; and, financial qualifications of the applicant.
8. CD reviewed the Shapefiles submitted with the application which mapped the proposed broadband deployment and compared these to maps prepared with data from the United States 2000 Census and the revised July 9, 2009 California broadband availability maps among others. The Communications Division (CD) used these maps to verify that the areas proposed to be served by Frontier did not coincide with areas shown as served on the updated broadband availability maps.
9. CD reviewed Frontier's project and, when necessary, requested additional information to clarify its project proposal.
10. After its review, CD determined that the Frontier Lookout application is an unserved broadband area and is eligible to receive funding under CASF.
11. The total project cost is \$507,066 with \$120,916 being materials and equipment and \$386,150 comprising the fully loaded installation and labor costs. CASF funds will be used to fund 10% of the total project or \$50,707.

12. CD recommends that Frontier should not be required to post a performance bond as Frontier has a proven track record with the Commission. Further, Frontier will provide the matching funds of 10% of the total project cost through Frontier's capital budget.
13. If the ARRA grant is not received or if the grant is for less than 80% then Frontier could request additional funds in accordance with Ordering Paragraph No. 7 of D.09-07-020. The granting of further funding would be contingent on funds being available in the CASF program.
14. Frontier should comply with all guidelines, requirements and conditions associated with the granting of CASF funds as specified in Resolution T-17143 including the submission of Form 477 and compliance with the California Environmental Quality Act, among others and requirements imposed by D.09-07-020.
15. A notice letter was emailed on August 25, 2009 informing: a) all applicants filing for unserved areas and, b) parties on the service list of R.09-06-019 of the availability of the draft of this Resolution for public comments at the Commission's website <http://www.cpuc.ca.gov/static/documents/index.htm>. This letter also informed parties that the final conformed Resolution adopted by the Commission will be posted and will be available at this same website.
16. DRA filed comments on the proposed resolution on September 9, 2009 raising concerns about the project description and that the estimated costs per customer. Frontier replied to DRA's comments on September 12, 2009 addressing the concerns raised.
17. CD recommends that the Lookout project, contingent on receiving ARRA funding, be approved as it meets the requirements of CASF and the ARRA programs for funding for providing service to high cost areas that otherwise would not receive broadband service.
18. If Frontier is unable to obtain ARRA funding and will not build the Lookout project, then Frontier should notify the Director of the CD that the project will not be built so that CASF funds may be reallocated to other grants.
19. The Commission finds CD's recommended contingent CASF award for unserved areas for the Lookout project as discussed in this resolution and summarized in Appendix A to be reasonable and consistent with Commission orders and should be adopted.

THEREFORE, IT IS ORDERED that:

1. The Commission shall award contingent funding of \$50,707 from the California Advanced Services Fund to the Frontier Lookout project to provide service in an unserved area, as described in the Discussion portion and summarized in Appendix A of this Resolution. The award is contingent on Frontier receiving an ARRA grant for 80% of the total estimated project cost.
2. Frontier shall not be required to post a performance bond.

3. Frontier shall comply with all guidelines, requirements and conditions associated with the CASF funds award as specified in Resolution T-17143 and D.09-07-020 and the California Environmental Quality Act.
4. Frontier shall notify the Director of the Communications Division of the disposition of its ARRA application for the Lookout project.
5. If the Lookout project will not be completed then Frontier shall notify the Director of the Communications Division so that the committed CASF funds may be reallocated for other grants.
6. The program fund payment of \$50,707 for the Commission-approved unserved project shall be paid out of the CASF fund in accordance with the guidelines adopted in Resolution T-17143 and D.09-07-020.

7. Payments to Frontier shall be in accordance with Section IX of Appendix A of Resolution T-17143 and in accordance with the process defined in the "Payments to CASF Recipients" section of this Resolution.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 24, 2009. The following Commissioners approved it:

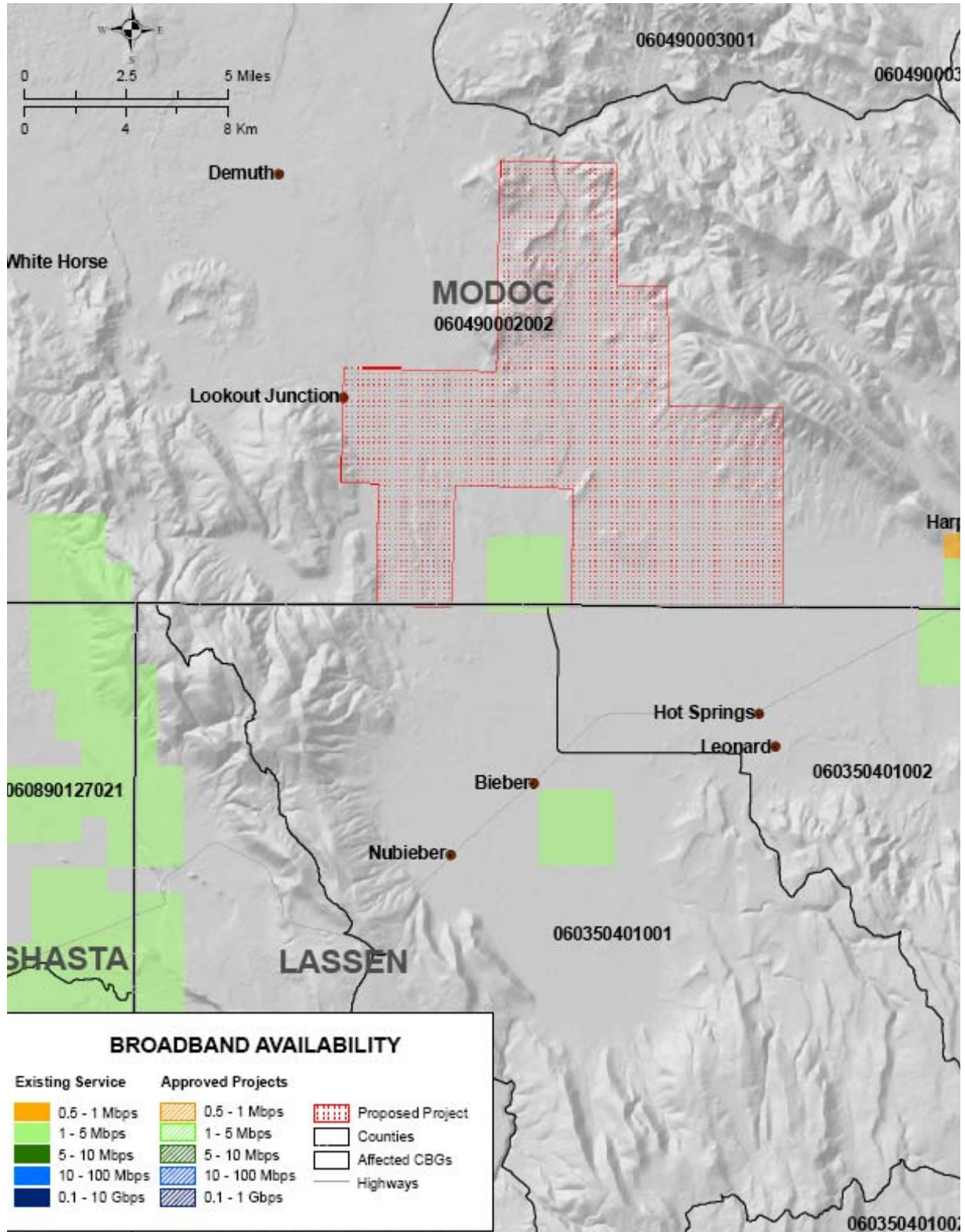
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Executive Director

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President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners

APPENDIX A
Resolution T- 17224
Lookout Project Key Information

1	<i>Project ID</i>		
2	<i>Project Name</i>	Lookout	
3	<i>Project Plan</i>	High speed, internet access service, , where technically feasible using existing DSL technology and where Frontier-CA has wire line facilities	Customer is required to take dial tone service in conjunction with DSL.
4	<i>Project Size (in square miles)</i>	67	
5	<i>Download speed</i>	up to 1 mbps	
6	<i>Upload speed</i>	up to 256 kbps	
7	<i>Location</i>	Modoc County	
a)	<i>Community Name</i>	Lookout	
b)	<i>CBGs/Household Income</i>	060490002004	\$27,692
c)	<i>ZIP Codes</i>	96054	
8	<i>Estimated Potential Subscriber Size</i>		
a)	<i>Households</i>	166	
9	<i>Deployment Schedule (from Commission approval)</i>	6-7 months	
10	<i>Proposed Project Budget</i>		
	<i>CASF (10%)</i>	\$50,707	
	<i>CIAC</i>	\$0	
	<i>Amount of CASF Funds Requested</i>	\$50,707	

APPENDIX A Resolution T- 17224 Lookout Project Shapefile



APPENDIX A
Resolution T- 17224
Statewide Proposed Project Map



End of Appendix A