



California Public Utilities Commission

505 Van Ness Avenue, San Francisco, CA 94102

News Release

FOR IMMEDIATE RELEASE

Docket #: R.06-06-028

Media Contact: Terrie Prosper, 415.703.1366, news@cpuc.ca.gov

CPUC PROMOTES BROADBAND SERVICE IN UNSERVED AREAS OF CALIFORNIA TO BRIDGE DIGITAL DIVIDE

SAN FRANCISCO, December 20, 2007 - The California Public Utilities Commission (CPUC) today allocated \$100 million over two years to the new California Advanced Services Fund (CASF), which will provide incentives to companies to bring broadband service to unserved and underserved areas of California, many of which are rural, remote, or socio-economically disadvantaged communities.

“Today’s decision signals that this state is not content to sit around waiting for federal action to bring broadband to every part of our state,” said CPUC President Michael R. Peevey. “We encourage every broadband provider in California to be a part of the solution for ending the digital divide in our state and participate in the CASF process.”

“The CASF will focus on the unserved and underserved regions of California, enabling us to reach out to the state’s low income rural communities,” said CPUC Commissioner Dian M. Grueneich. “By leveraging the program with 60 percent or more matching funds, we will be able to provide more of these communities with 21st century broadband technology as well as 21st century opportunities.”

Added CPUC Commissioner John Bohn, “This decision represents a critical element in the modernization of California’s infrastructure by creating the capacity in the unserved sector to participate in the new California economy.”

“Without a broadband pipe to provide access to the Internet, these unserved communities will become ‘digital have-nots’,” said CPUC Commissioner Rachelle Chong, the assigned Commissioner of the proceeding. “Policymakers and corporate leaders across the nation have been

talking about the importance of deploying broadband infrastructure for years, yet this critical infrastructure is not available throughout the state. It is time to stop talking and finish the job.”

Among the findings of today’s decision:

- Broadband infrastructure is critical to the economic health and welfare of the state and its citizens. Ubiquitous deployment of broadband holds tremendous opportunities for consumers, technology providers, and content providers, and is important to the continued health and economic development in California – home to the leading centers for entertainment and high technology.
- California Advanced Services Fund recipients will be subject to specific audit or related verification requirements to verify that funds are spent in accordance with CPUC requirements.

The California Advanced Services Fund will be a new universal service program, beginning on January 1, 2008. It is limited to \$100 million over a two year period.

Workshops will be held in February 2008 at the CPUC to determine the criteria and application process for assessing applications for unserved and underserved areas of California. After it approves the final criteria in a resolution, the CPUC will focus first on funding for areas where no facilities-based provider offers broadband service with the ultimate goal of making available a level of broadband service that provides a reasonable balance of technology, engineering, and cost. A 3 megabits per second (Mbps) download and a 1 Mbps upload speed is adopted as the benchmark for evaluating applications. To further the CPUC’s universal service goals, approved providers will also provide voice service as one of the applications available over the broadband service.

A deadline of June 2, 2008 is set for submission of CASF funding requests. The CPUC will review, rank, and select qualifying projects for CASF funding based on how well they satisfy the final criteria. Such consideration will be done in a technology neutral fashion. The CPUC will require applicants to provide a minimum of 60 percent matching funds as a prerequisite for consideration of their applications. CASF funds are for authorized capital projects on approved broadband deployment projects and may not be used for general operating and maintenance expenses.

Funding for the CASF will be collected using a surcharge on telephone customer bills. The CASF surcharge is set at 0.25 percent, and will be collected beginning with the January 1, 2008 billing cycle for two years. It is estimated the new surcharge will be a nickel a month for an average

phone user. CASF funding will not increase customers' total surcharges, however, because the CASF surcharge will be offset by an equal reduction in the California High Cost Fund-B surcharge to reflect the full effect of changes to that program approved by the CPUC in August 2007. The CASF surcharge may appear as a separate line item on a customer's bill or because it will be in place for a limited period it may be combined with the California High Cost Fund-B surcharge, if the line item is renamed to reflect both funds.

The CPUC's action runs parallel with efforts by the California Emerging Technology Fund (CETF), a separate, nonprofit organization created by the CPUC to bridge the digital divide with a grant of \$60 million from AT&T and Verizon. Building a broadband pipe to these unserved and underserved communities is only the first step to digital literacy for these communities. In early 2008, the CETF is expected to make grants to California nonprofit organizations that will address not only access issues, but also affordability, application, and accessibility issues relating to broadband adoption in three target communities: rural and remote, low income and disadvantaged, and people with disabilities.

For more information on communications issues, please visit www.CalPhoneInfo.com.

For more information on the CPUC, please visit www.cpuc.ca.gov.

###