

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

Order Instituting Rulemaking to Consider  
Modifications to the California Advanced  
Services Fund.

Rulemaking 12-10-012  
(Filed October 25, 2012)

**REPLY COMMENTS OF VERIZON CALIFORNIA INC. (U 1002 C)  
ON ORDER INSTITUTING INVESTIGATION REQUESTING COMMENTS ON  
MODIFICATIONS TO THE CASF**

Verizon California Inc. (Verizon) respectfully submits these reply comments in response to the Order instituting Rulemaking (OIR) to revise the eligibility requirements to permit an entity which is not a telephone corporation to apply for California Advanced Service Fund (CASF) infrastructure grants and loans.

**INTRODUCTION**

The Commission should not permit an entity which is not a “telephone corporation” to apply for CASF infrastructure grants and loans without determining that doing so will significantly improve the broadband availability in unserved areas. If the Commission determines that doing so is in the public interest, such authority should not be expanded to underserved areas where publically funded projects would compete against privately funded broadband offerings.

## DISCUSSION

Although the OIR sought comment in three areas<sup>1</sup>, opening comments submitted were primarily limited to supporting the change<sup>2</sup> or urging caution.<sup>3</sup> In addition, several parties inappropriately argued that other aspects of the program should be modified, and these proposals should be rejected.<sup>4</sup>

Parties' comments generally failed to address the underlying issues if such a change were implemented regarding Commission's concerns about its ability to properly oversee CASF program participants that were not regulated by the Commission. The OIR acknowledged that D.12-02-015 raised the percentage of a project's total cost that could be funded by the CASF, but only received five applications in the unserved October 2012 window.<sup>5</sup> DRA's opening comments noted that not all the recommendations proposed in January 2012 were adopted in D.12-02-015.<sup>6</sup> DRA reiterated earlier proposals that additional enforcement mechanisms be added to the program requirements.<sup>7</sup> But the lack of applications suggests that the additional layer of regulations

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<sup>1</sup> The three areas of comment sought by the OIR included from 1) commercial providers of broadband services who do not currently hold a CPCN or WIR; 2) government entities, anchor institutions, other nonprofit entities, and American Indian Tribes; and 3) necessary safeguards that would be necessary if the eligibility requirements were modified. (OIR at 21-22)

<sup>2</sup> California State University, Monterey Bay, Valley Vision, Regional Council of Rural Counties, Tulare County Office of Education, City and County of San Francisco, The Utility Reform Network, Sierra Economic Development Corporation, San Diego Imperial Regional Broadband Consortium, California Partnership for the San Joaquin Valley, Fire2Wire

<sup>3</sup> Division of Ratepayer Advocates (DRA), Small LECs, Frontier, and California Cable & Telecommunications Association (CCTA)

<sup>4</sup> See City and County of San Francisco at 2 ("still significant digital divide concerns. While high-speed Internet service may be available, the cost is prohibitive for many low-income urban residents."); Tulare County Office of Education (TCOE) at 3 ("consider an additional benchmark which will be applied to schools and that is a minimum 100 meg connection to each school site and infrastructure which is capable of expanding to gigabit connectivity as the need arises.")

<sup>5</sup> OIR at 14.

<sup>6</sup> DRA Opening at 3.

<sup>7</sup> ID at 4.

adopted in D.12-02-015 may have contributed to the decrease in applications. The Commission should reject the addition of further regulations and seek comment on modifying the existing program regulations to increase program participation.

CCTA proposed in opening that expansion of authority to broadband service providers that do not hold a CPCN or Wireless registrations should be limited to unserved areas.<sup>8</sup> California has 279,494 households that remain unserved by 6/1.5mbps broadband availability and 276,705 households under the older 3/1mbps threshold.<sup>9</sup> If the Commission determines that doing so is in the public interest, Verizon agrees that such authority should not be expanded to underserved areas where publically funded projects would compete against privately funded broadband offerings. Underserved areas have 1,099,883 households, but only 62,887 of these households do not have broadband available under the 3/1mbps standard.<sup>10</sup>

Parties' comments that supported the elimination of the CPCN/WIR requirement generally pointed to Wireless Internet Service providers (WISPs) that use unlicensed and unregulated spectrum, and municipalities as being the most likely candidates to reach these areas.<sup>11</sup> The ability to address unserved areas by non-telephone corporations, however, remains in question. Despite the

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<sup>8</sup> CCTA Opening at 2.

<sup>9</sup> See D.12-02-015 at 18.

<sup>10</sup> Id.

<sup>11</sup> See California State University, Monterey Bay, Regional Council of Rural Counties, Sierra Economic Development Corporation, and Fire2Wire. (Note – two parties served comments on this issue but are not on CPUC's proceeding documents list: San Diego Imperial Regional Broadband Consortium and California Partnership for the San Joaquin Valley)

existence in California of 133 WISPs in the WISP Directory,<sup>12</sup> it is unknown how many of the existing providers are even near unserved areas. The potential participation of municipalities is also unknown and may be overstated because, in Verizon's experience, unserved areas are generally not within the boundaries of incorporated municipalities as many towns are not incorporated.<sup>13</sup> Thus, because the majority of households reside in underserved areas, it is unclear whether either WISPs or municipalities will be significant participants in unserved areas; these WISPs will likely focus on underserved areas, much of which already is offered 3/1mbps by existing providers. If the CPUC allows CASF grants and loans for non-telephone corporations in underserved areas, it will draw attention away from unserved areas and compete against existing broadband offerings.

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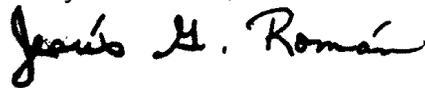
<sup>12</sup> See [www.wispdirectory.com/index.php?option=com\\_mtree&task=listcats&cat\\_id=4&Itemid=53](http://www.wispdirectory.com/index.php?option=com_mtree&task=listcats&cat_id=4&Itemid=53)

<sup>13</sup> For example, the Counties of Del Norte, Modoc, Lassen, Plumas, Sierra, Mono and Inyo each have only a single incorporated town or city, and Trinity and Alpine Counties have no incorporated town or city. In addition, at least in the case of Inyo and Mono Counties, both incorporated towns are within Verizon's operating territory and already have broadband available. See [www.dof.ca.gov/research/demographic/state\\_census\\_data\\_center/historical\\_census\\_1850-2010/view.php](http://www.dof.ca.gov/research/demographic/state_census_data_center/historical_census_1850-2010/view.php)

## CONCLUSION

For the reasons discussed, Verizon respectfully requests that if the Commission determines that doing so is in the public interest, such authority should not be expanded to underserved areas where publically funded projects would compete against privately funded broadband offerings.

Respectfully submitted,



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