

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

**Communications Division  
Broadband, Policy and Analysis Branch**

**RESOLUTION T-17477  
January 14, 2016**

**REVISED RESOLUTION**

**Resolution T- 17477: Approval of Funding for the Grant Application of Race Telecommunications Inc. (U-7060-C), from the California Advanced Services Fund (CASF) in the Amount of \$6,580,007 for the Gigafy Mono Underserved Broadband Project for a Fiber-to-the-premise project in Mono County and Rescinds funding for the Crowley Lake and Swall Meadows project in Resolution T-17350.**

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**I. Summary**

This Resolution approves funding in the amount of \$6,580,007 from the California Advanced Services Fund (CASF) in response to the grant application of Race Telecommunications Inc., (Race), which proposes to install a fiber-to-the-premises (FTTP) system for its Gigafy Mono County Underserved Broadband Project (Gigafy Mono Project). The Gigafy Mono Project will extend high-speed Internet service to 399 households spread amongst 5.6 square miles covering South Chalfant, Benton, Benton Hot Springs, Swall Meadows and Mono City, in Mono County, California, at an average cost of \$13,889 per household.<sup>1</sup> This resolution approves the proposed project area grant except for the Lee Vining area. The Eastern Sierra Connect Regional Broadband Consortium has identified the southern portion of the Swall Meadows section of this project as a priority area. Further, this project will provide communications facilities and voice services that meet battery backup, E911 data standards, and provide access to local Public Safety Answering Points (PSAPs). This resolution further rescinds the grant of funds for the Verizon Crowley Lake and Swall Meadows project authorized in Resolution T-17350 for which it has not sought payment request.<sup>2</sup>

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<sup>1</sup> Cost does not include Contribution of In Aid of Construction (CIAC), an uncertain cost that may not occur. CIAC represents potential funding in the event that the CASF grant award is subject to federal and/or state income taxes. If this occurs, the cost is \$16,491 per household.

<sup>2</sup> Resolution T-17350, dated August 23, 2012.

## II. Background

On December 20, 2007, the California Public Utilities Commission (Commission) in Decision (D.) 07-12-054 established the CASF program as a two-year program to provide funds for the deployment of broadband infrastructure in unserved and underserved areas in California.

On September 25, 2010, Governor Schwarzenegger signed Senate Bill (SB) 1040,<sup>3</sup> which codified the CASF program and expanded it to include three accounts: (1) the Infrastructure Grant Account; (2) the Consortia Grant Account; and (3) the Revolving Loan Account. The latter two accounts are intended to address the needs that were unmet under the original CASF program. Specifically, the purpose of the Revolving Loan Account is “to finance capital costs of broadband facilities not funded by a grant from the Broadband Infrastructure Grant Account.”<sup>4</sup> SB 1040 also expanded the CASF fund from \$100 million to \$225 million with the addition of \$100 million to the Infrastructure Grant Account, and allocation of \$10 million and \$15 million to the Consortia Grant Account and the Revolving Loan Account, respectively.<sup>5</sup>

On February 1, 2012, the Commission approved D.12-02-015 to implement new guidelines for the Infrastructure Grant and Revolving Loan Accounts. Key provisions of the Decision include:

- A maximum CASF grant award of 70 percent of project costs for unserved areas and 60 percent for underserved areas; and,
- A definition of an underserved area, “where broadband is available, but no wireline or wireless facilities-based provider offers service at advertised speeds of at least 6 megabits per second (Mbps) downstream and 1.5 Mbps upstream (6 Mbps /1.5 Mbps).”

Subsequently, on June 26, 2014, the Commission approved Resolution T-17443, which (relevant to this resolution) opened the CASF Broadband Infrastructure Grant Account to new applications as of December 1, 2014, and offered existing providers a “right of first refusal” to upgrade service in unserved and underserved areas.

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<sup>3</sup> Stats. 2010, c. 317, codified at Public Utilities (Pub. Util.) Code § 281.

<sup>4</sup> Pub. Util. Code § 281(e).

<sup>5</sup> Pub. Util. Code § 281(b)(1).

On December 29, 2014, Race, a California Local Exchange Carrier (CLEC), submitted an application for CASF funding in the underserved areas of Mono County, covering South Chalfant, Benton, Benton Hot Springs, Swall Meadows, Lee Vining, and Mono City, California. No existing provider made a commitment to upgrade service in the project areas within the timeframe required by Resolution T-17443<sup>6</sup>, and the Communications Division (CD) staff determined that the Mono area is “underserved.” Therefore, CD determined the Mono area eligible for new applications.

### **III. Notice/Protests**

On January 5, 2015, CD posted the proposed area project map, census block groups (CBGs) and zip codes lists by county for the Gigafy Mono Project on the Commission’s CASF website page under “CASF Application Project Summaries” and also sent notice regarding the project to its electronic service list. CD received no challenges to the proposed project area.

### **IV. Discussion**

This Resolution adopts CD’s recommended award of \$ 6,580,007 in a CASF grant for the Gigafy Mono Project. This grant amount includes \$1,036,614 for Contribution In Aid of Construction (CIAC). The non-CIAC grant amount of \$5,543,392 represents 60% of the total underserved project cost of \$9,238,987. Key project information and maps are shown in Appendix A.

#### **A. Project Application Overview**

The proposed Gigafy Mono project is comprised of several discontinuous areas in Mono County including Benton, Benton Hot Springs, Lee Vining, Mono City, and South Chalfant. The Gigafy Mono Project will extend high-speed internet service over a 6.33 square mile area by deploying aerial FTTP last mile network. This expansion would bring high speed internet access to households in the Mono County. The Census Block Groups (CBGs) impacted by the project are: 60510001011, 60510001013, and 60510001024, with median income of \$47,083, \$96,662, and \$43,359 respectively.<sup>7</sup> The proposed project would provide broadband access to households at speeds of 1 Gigabits per second (Gbps) download and 1 Gbps upload. Race filed its application with the knowledge of the

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<sup>6</sup> See Resolution T-17443, Appendix 1, p. 18.

<sup>7</sup> From the Interactive California Broadband Availability Map. Information is from the Census data as of 6/30/2014 at: <http://www.broadbandmap.ca.gov/map/>.

broadband availability map indicating mobile served speeds in some of the project areas. In its application, Race maintains that despite the map, mobile service does not meet the needs of the community, and disputes the likelihood of quality mobile availability at served speeds.

Race's CASF grant request includes CIAC, which is intended to fund any federal and/or state income taxes that may apply on the CASF grant award. The applicant would not receive the CIAC if the CASF grant is not taxed.

Race holds a Certificate of Public Convenience and Necessity (CPCN) (U-7060-C) and has been a fiber-based CLEC provider of next generation Voice Over Internet Protocol (VoIP)/Digital telephone and video via Internet Protocol television (IPTV) and traditional cable/satellite television for the past 12 years.

Race's current infrastructure in California consists of an end-to-end fiber optic network from the internet source at One Wilshire in Los Angeles to the end-user premises. Race currently has no broadband infrastructure within five miles of the proposed project areas. The Race network is designed according to Open Systems Interconnection (OSI) standards, providing access to anyone who can comply with IEEE 802.3 Ethernet, IEEE 802.3u fast Ethernet, or IEEE 802.3z Gigabit Ethernet as well as dark fiber services on a non-discriminatory basis. Race currently provides digital voice service that meets all Federal Communications Commission (FCC) E-911 service and battery requirements.

Race proposes to build an all new fiber network by deploying a complete FTTP network to 541 homes in Mono County. The proposed fiber optic network is designed using 100-Gigabit backbone infrastructure that will enable Race to offer IP-based products and services to residential and enterprise customers. According to Race, the Gigafy Mono Project would connect to its fiber network in multiple places: South Chalfant will utilize Digital 395 fiber from existing Chalfant to New South Chalfant; Benton will utilize Digital 395 fiber from existing Chalfant to Benton; Swall Meadows will connect to the existing Race node in Tom's Place;<sup>8</sup> and Lee Vining will utilize Digital 395 fiber and connect back to Boron. The use of fiber optics as the standard transmission medium would allow Race to accommodate the pace of new technology and innovation by upgrading the electronic equipment installed on each end. An FTTP network would substantially expand the reach of broadband in the region and improve existing communication capabilities.

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<sup>8</sup> Tom's Place is a Resort located on Hwy 395, 25 miles North of Bishop, 8180 Crowley Lake Dr. Crowley Lake, California 93546. (See Appendix A-5 for second mile connection from Swall Meadows to the existing Race's node in Tom's Place.)

In terms of its broadband pricing, the proposal contains a two-year commitment starting from the initial date of service under the following terms:

| <b>Race Mono Project<br/>Monthly Recurring Rates</b> |   |       |
|--|---|-------|
| Residential  | Entry Level Speed 25 Mbps Down and 25 Mbps Up           | \$25  |
|  | Mid-Level Speed 100 Mbps Down and 100 Mbps Up           | \$65  |
|  | Other Optional Tier Speed 250 Mbps Down and 250 Mbps Up | \$85  |
|  | Max Level Speed 1000 Mbps Down and 1000 Mbps Up         | \$100 |
| Business   | Entry Level Speed 25 Mbps Down and 25 Mbps Up           | \$60  |
|  | Max Level Speed 1000 Mbps Down and 1000 Mbps Up         | \$200 |
| Setup Fees   |   | \$0   |
| Wireless Router (Optional) per month                 |   | \$10  |

According to Race, the pricing for business broadband service is more expensive than residential broadband service which accounts for a greater level of customer service support to businesses. Race maintains that an account executive is assigned to assist in identifying the needs of business customers and is responsible for supplying the correct service form as well as providing solutions and customer service at all times. Business customers may call the 24/7 customer service line to report issues or outages and the customer service group will take care of the problem. Business customers are flagged differently from residential customers in the system based on a Service Level Agreement, and issues may be escalated so that technicians will be dispatched immediately to resolve issues. These service rates are very close to previous rates for four other Race projects that the Commission awarded CASF funding to in 2013 and 2014.<sup>9</sup>

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<sup>9</sup> The four previously approved resolutions for Race Telecommunications are: High Desert, T-17415, City of Boron, T-17416, Mono T-17433, and Gigafy Backus, T-17480.

## **B. Project Qualification**

To qualify for the CASF program, an applicant is required to submit proof that the area is unserved or underserved by submitting shapefiles of the proposed project. CD reviews the submitted shapefiles and compares them with the United States 2010 Census data and the California Interactive Broadband Availability Map.<sup>10</sup> Once CD determines that the area is eligible either as an unserved or underserved area, CD evaluates all other information the applicant has submitted to determine if the project meets the requirements outlined in D.12-02-015. CD reviews other information including: proof that the applicant has a CPCN from the Commission (if applicable); descriptions of current and proposed broadband infrastructure; number of potential subscriber households and average income; project construction schedule; project budget; proposed pricing and commitment period for new subscribers; financial viability of the applicant; and speed test data provided by the applicant. CD also analyses the application in light of any challenges the CPUC receives.

According to the California Interactive Broadband Availability Map, the proposed Gigafly Mono project areas have underserved wireline and wireless broadband availability status at speeds less than 6 Mbps download and 1.5 Mbps upload. However, the Mono City and Lee Vining areas of the project show wireless broadband availability at served speed.<sup>11</sup>

CD review of the project area CBG data confirmed that the project areas are not served by wireline facilities at served speeds (See Appendix A-3), and that the majority of the project and surrounding areas are “served” by the mobile provider Verizon Wireless.<sup>12</sup> (See Appendix A-4) Subsequently, CD gave Race the opportunity to dispute the availability map by conducting additional speed tests. On March 5, 2015, Race conducted tests on the availability of Verizon Wireless service in the proposed project areas where there are homes using the Commission’s CalSpeed App. These test results both confirmed and

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<sup>10</sup> California Interactive Broadband Availability data as of June 30, 2014.

<sup>11</sup> Mobile availability depicted on the Commission’s broadband availability map is determined by the CalSPEED test project funded by the CASF program. The project contract utilizes teams to test at nearly 2,000 identified points around the state to measure mobile broadband service availability using smartphones and tablets. The data are interpolated and subject to quality verification measures before depicting availability throughout California on the map. More information is available at; [http://www.cpuc.ca.gov/PUC/Telco/bb\\_drivetest.htm](http://www.cpuc.ca.gov/PUC/Telco/bb_drivetest.htm)

<sup>12</sup> CD also found broadband availability at served speeds by ViaSat Satellite provider. However, non-CASF satellite service is excluded from eligibility determinations for CASF per D.12-02-015, based on the limited speed capabilities of satellite services, the cost to the consumer, high latency, and the service unreliability known at the time of the decision. (D.12-02-015 at pp. 13-15.)

contradicted the availability map. Tests results showed the Mono City project area as being underserved, with two of the three speed tests below 6 Mbps down/1.5 Mbps up. However, the two mobile wireless tests conducted for Lee Vining confirmed mobile broadband availability at served speeds in this area. (See Appendix A-6 and A-7)

The interactive map also shows Suddenlink using Cable Modem delivering Internet service to Swall Meadows at speed 10-25 Mbps down and 1.5-3 Mbps up, however, Suddenlink informed staff that it does not serve the area. The map also shows Verizon delivering aDSL Internet service to Swall Meadows at speed of 3-6 Mbps down and 768 Kbps-1.5 Mbps up and AT&T Mobility providing Mobile Wireless Internet at underserved speed to all areas except to Swall Meadows where AT&T does not provide service.

Additionally, the Swall Meadows section of the Gigafy Mono project overlaps a prior CASF grant to Verizon to partially serve the Crowley Lake/Swall Meadows area with 3 Mbps down and 1 Mbps up service. Race submitted a transcript of a conversation with a Verizon salesperson who said that additional service was currently not available at a location within this area. Further, although Verizon provided limited broadband service according to its CASF grant, Verizon has not sought project reimbursement. Because Verizon has not sought payment request, CD recommends rescinding the grant of funds for the Verizon Crowley Lake and Swall Meadows Project which would release these monies for other projects.<sup>13</sup>

### *Discussion of Existing Broadband Service Sufficiency*

This resolution presents an opportunity to address the adequacy of mobile broadband service in general, and whether its purported presence in a particular location should disqualify an area from CASF funding. In particular, CASF eligibility maps published in January 2015 identified that nearly 96% of California households were ineligible due to purported availability of mobile broadband.<sup>14</sup> These maps identified many of the “priority

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<sup>13</sup> In Resolution T-17350, dated August 23, 2012, the Commission awarded Verizon \$286,398 CASF funding for the Crowley Lake and Swall Meadows Project in the Mono County which required Verizon to provide broadband speed of 3 Mbps down and 1 Mbps up. On April 2, 2013, CD sent a letter to Verizon regarding its lack of timely provision of service in compliance with Resolutions T-17330 and T-17350, and explained that the Commission staff would reduce Verizon’s CASF grant award by \$2,000 each day after January 28, 2013 that it did not provide broadband service to both communities, and \$3,000 each day after April 5, 2013. The total grant amount expired before Verizon provided service and Verizon did not seek grant reimbursement following infrastructure deployment.

<sup>14</sup> In January 2015, staff had published mobile availability maps based on criteria that served speeds be available at least 84% of the time during the test. At the time, this criterion was established by CD using the

areas” previously identified by consortia and community members as having a need for broadband<sup>15</sup> as ineligible. Questions were raised about the adequacy in which the published maps accurately identified available service. In particular, at issue was whether mobile service measured at 84% availability was sufficient.

CD brings forward in this resolution the acknowledgement that an area served only by wireless broadband should not be automatically disqualified from CASF participation if that wireless broadband does not meet the community’s needs whether through limited service quality, unfeasible data caps and costs, limited reliability, or other factors.<sup>16</sup> CD notes that, while the CASF rules require that 6 Mbps downstream and 1.5 Mbps upstream availability is considered served, the rules do not describe other qualities that may affect broadband service use, such as latency, jitter, or whether community needs exceed the capacity of the service offered. Strict interpretation of broadband availability shown on the California Broadband Availability map may dissuade interest from potential project applicants to challenge map representations.<sup>17</sup>

Further, should the applicant take the position that available broadband does not adequately meet the needs of the community and another solution is needed, the applicant must present a clear argument and evidence proving that the current high speed broadband service provided does not satisfy the community’s needs. Community members and other supporters of the applicant’s proposed project could assist in providing this evidence. However, there is no guarantee that staff will proceed with recommending approval of such a project or that the Commission will grant adoption of the application.

On November 12, 2015, staff published new maps that used a stricter service quality of 98% availability.<sup>18</sup> As a result, most areas previously ineligible were now eligible.

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methodology of one standard deviation below the mean to reflect whether an area is designated served. However, this resulted in almost 96% of California households having broadband.

<sup>15</sup> Priority Areas for CASF funding were established by regional stakeholders to identify communities with a high priority need of broadband infrastructure. These priority areas were recognized by the Commission in Resolution T-17443, adopted June 26, 2014, p. 10-14 and Appendix 4.

<sup>16</sup> Link to memo: <http://www.cpuc.ca.gov/NR/rdonlyres/78A4C9A1-B22D-4BD2-B0B9-9A01E45906DE/0/Memotoconsortiaofapplicationjustification.pdf>

<sup>17</sup> Ibid

<sup>18</sup> On November 12, 2015, following CPUC comments to the FCC proposing a reliability standard for mobile availability, staff published new maps using criteria that required service to pass the “98%” availability test (i.e a consumer would receive service at least that fast 98% of the time). Based on this 98% reliability standard, now only 15% of California households are “served” by mobile. This criterion was established by



However, on the new map, Lee Vining and Mono City both are in areas that appear served at 98% reliability and are indicated as ineligible.<sup>19</sup>

In the case of the Mono Project, Race contends that available broadband is insufficient and the communities and consortium members supporting the Gigafy Mono Project have voiced dissatisfaction with mobile broadband as a substitute for wired broadband. Reasons cited include: cost, data caps, lack of bandwidth and reliability for functional use for education, healthcare, economic competitiveness and public safety.

Race provided ten letters of support for the Gigafy Mono project. A support letter from the Board of Supervisors of Mono County expressed concern that students in rural communities need reliable high speed Internet to receive access to equal educational opportunities and access healthcare services. Their letter also indicates a recent wildfire event that caused loss of Verizon Wireless service and three days of communication collapse for the communities in Mono County. However, the network and internet service that were on Digital 395 remained functional and first responders were able to use the network for relief communication. The letter also expressed the need for redundant and independent communication services as a matter of vital importance for potential similar situations that may occur in the region. In addition, a petition signed by eighty-six Mono County, Sierra Paradise Estates residents requests that the Commission ensure that the community "receives the same reliable, quality phone/internet service as other rural California communities."<sup>20</sup>

A support letter from the Mono Basin Regional Planning Advisory Committee (RPAC) expressed similar support for the project stating that they lack high speed internet access. Similarly, the Commission received letters from individuals from rural area of Benton, and the Swall Meadows area who complain that the internet service is slow during the peak hours. They also complain that there are no other internet providers that provide fast internet access.

The Commission also received letters of complaint about the Verizon service in the Swall Meadows area. Specifically, one letter states that "this service daily slows to an unusable speed during peak traffic hours."<sup>21</sup> Other letters make general complaints about slowness

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CD using the methodology of two standard deviations below the mean to reflect whether an area is designated served.

<sup>19</sup> Eligibility map relied on interpolated test points outside these areas. Further, tests were conducted to confirm eligibility/ineligibility.

<sup>20</sup> "SPE/PUC/Verizon Service Petition" e-mail sent to CD and Office of Senator Tom Berryhill, dated June 6, 2014.

<sup>21</sup> Support letter dated January 29, 2015, sent to the California Public Utilities Commission.

or lack of service in Swall Meadows and Benton. One letter requests that "PUC not interpret mobile and wireless broadband as a substitution for physical connections but, instead, as a form of utilities infrastructure redundancy which make communications in small, dispersed, and isolated communities secure, reliable, and affordable."<sup>22</sup>

Lastly, the Commission received seven letters of support from the residents of Lee Vining urging the Commission to not exclude Lee Vining from the proposed project area.<sup>23</sup> These letters indicate the residential and business needs of the community and states that the current high price and limited bandwidth hampers the operation of the businesses.

The CASF rules does not permit disbursement of grants to areas that are currently served irrespective of the technology. As discussed above, the Lee Vining areas of the proposed project show wireless broadband availability at served speed. As such, CD cannot recommend a CASF grant for the entire project area, and instead removes the Lee Vining section of this project.

The Commission has the discretion to provide funding for the entire project if it finds other compelling reasons. Specifically, the Commission could find CD's investigation compelling that wireless service may not be adequate to serve the educational and other needs of the community as it has a usage cap and the prices for the service are generally higher than wireline broadband prices.<sup>24 25</sup> Further compelling reasons could include the fact that letters from the community express dissatisfaction with current services described above and the fact that that the project has not been challenged by any third party, nor have any other carriers have come forward claiming to serve this area.

### C. Project Evaluative Criteria and Recommendation for Funding

CD evaluated the application with respect to the scoring criteria defined in D.12-02-015, Appendix 1, Section VIII (Scoring Criteria). The Scoring Criteria includes: (i) Funds Requested per Potential Customer; (ii) Speed; (iii) Financial Viability; (iv) Pricing; (v) Total

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<sup>22</sup> Support letter dated May 9, 2015, sent to CD Director, Ryan Dulin.

<sup>23</sup> Support letters dated December 8, 2015, sent to CD Director, Ryan Dulin.

<sup>24</sup> Verizon Wireless had offered service for Lee Vining at speed of 12 Mbps down and 5 Mbps up for \$60, including 10 GB of data. Recent offers of service are more expensive which require a \$20 per line charge in addition to data cap pricing of 1GB for \$30, 3GB for \$45, 6GB for \$60, 12GB for \$80, and 18GB for \$100.

<sup>25</sup> CD also found broadband availability at served speeds by ViaSat Satellite provider. However, non-CASF satellite service is excluded from eligibility determinations for CASF per D.12-02-015, based on the limited speed capabilities of satellite services, the cost to the consumer, high latency, and the service unreliability known at the time of the decision. (D.12-02-015 at 13-15.)

Number of Households in the Proposed Area (vi) Timeliness of Completion of Project; (vii) Guaranteed Pricing Period; and (viii) Low-Income Areas. In addition, five bonus points are added to the score of an applicant that is able to submit local government and community endorsements or letters of support.

### *Key Characteristics*

CD found that the Gigafy Mono Project meets CASF funding requirements with respect to the following factors:

- *Speed* – the proposed speed offering of 25 mbps up to 1 Gbps download and 25 mbps up to 1 Gbps upload exceeds the benchmark set by the Commission;
- *Service Area* – covers 5.6 square miles and with the exception of Lee Vining having mobile wireless service at served speeds, the project area is underserved. However, based on community input about the insufficiency of mobile wireless as a broadband solution for the communities, staff recommends the project area excluding Lee Vining to be considered underserved;
- *Matching Funds (40% of project cost)* – the applicant has certified that the matching funds will come from their capital budget; the submitted balance sheet, income and cash flow statements show that the applicant is financially viable and has the financial capability to match the funds;
- *Price Commitment Period* - the applicant has committed to a pricing plan of two years as required;
- *Deployment Schedule* – the project will be completed within 22 months, within the 24 month period construction timeline required.

This project ranks favorably as compared to previously funded CASF projects with regard to financial viability and low prices for the high speed of service. Race is ranked well financially compared to other applicants and since CASF funds are awarded on a reimbursement basis and Race will be funding 40% of the project costs from its existing capital up front, CD determines there is little risk of the applicant not completing the project. Race is offering maximum advertised speeds of 1 Gigabits per second (Gbps) download and 1 Gbps upload, which is one of the highest service speed compared to other applicants. Most importantly, the project will bring wireline services to areas where it largely does not exist.

The Eastern Sierra Connect Regional Broadband Consortium identified the southern portion of the Swall Meadows section of this project as a priority area.<sup>26</sup> There is also a consortia priority area 2.6 miles north of the South Chalfant section of this project.

Race explains that combining Benton, Benton Hot Springs, Lee Vining, Mono City, and South Chalfant areas into one application is based on the fact that it will use shared resources to complete the project which will help it drive benefit from economic scalability. Race informed staff that the main interconnection to Digital 395 point of presence is in Lee Vining, which enables Race to deliver services to Mono City. Removal of Lee Vining from the project area would reduce project scalability and increase the average per household cost from \$11,887 to \$13,893.<sup>27</sup> Additionally, the incremental cost to serve the 142 households residing in Lee Vining is \$1.176 million.<sup>28</sup> The cost per household for serving Lee Vining is \$8,282, which is relatively low compared to the average per household cost for the project without Lee Vining. Race recognizes that the cost per home for building this project is significantly higher than Races' other applications in the past. Race has explained that to connect Swall Meadows to the existing Race node in Tom's Place, a second mile fiber connection must be constructed which adds to capital cost. (See Appendix A-5) This second mile construction with difficult terrain is the main driver of the increased cost per home. There are four anchor institutions in the project areas which include two schools in the Lee Vining and a school and a library in Benton. CD concludes that connecting these areas to each other will be beneficial to the population as a whole and it will enable them to share limited anchor institutions and resources such as school, library and emergency services that are present in these areas.

Based on its review, CD determined that Race's grant application excluding Lee Vining qualifies for funding as an underserved area and meets the requirements of D.12-02-015. CD recommends Commission approval of CASF funding for Race's Gigafy Mono Project.

CD staff finds that funding the Race's Gigafy Mono Project aligns with CASF's goal to encourage the deployment of high-quality advanced information and communications technologies to all Californians to promote economic growth, job creation, and substantial social benefits.

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<sup>26</sup> Priority Areas for CASF funding were established by regional stakeholders to identify communities with a high priority need of broadband infrastructure. These priority areas were recognized by the Commission in Resolution T-17443, adopted June 26, 2014, p. 10-14 and Appendix 4.

<sup>27</sup> Inclusive of CIAC, removal of Lee Vining from project area increases cost per household from \$14,110 to \$16,491.

<sup>28</sup> Inclusive of CIAC, it is \$1.446 million.

The total CASF program grant inclusive of Lee Vining in the final approved project would be up to \$7,633,459, and exclusive of Lee Vining it would be up to \$6,580,007. If the CASF grant award is not subject to federal and/or state income taxes the Contribution in Aid to Construction amounts would be removed from the total CASF grant in the amount up to \$1,202,575 inclusive of Lee Vining and by \$1,036,614 exclusive of Lee Vining.

**D. Safety Impact**

The proposed project will improve connectivity within and to the surrounding areas and to a number of anchor institutions in the project area. In their letter of support for the Gigafy Mono project, the Board of Supervisors of Mono County indicated a recent wildfire event that caused loss of Verizon Wireless service which caused three days of communication collapse for the communities in Mono County. Adding redundant communication services are of vital importance for ensuring safety. High speed Internet connections facilitate the transmission of data and communications amongst first responders and to the public. The anchor institutions in the proposed project area, such as the California Highway Patrol, sheriff's office and fire department can benefit from the broadband project. In addition, any voice service provided as a part of this project would be required to meet all applicable safety standards, including battery backup, E911 data and access to local PSAPs.

**V. Compliance Requirements**

Race should comply with all the guidelines, requirements, and conditions associated with the granting of CASF funds as specified in D.12-02-015. Such compliance includes, but is not limited to:

**A. California Environmental Quality Act (CEQA)**

All CASF grants are subject to CEQA requirements unless the project is statutorily or categorically exempt pursuant to the CEQA Guidelines.

Race has provided the Commission with construction plans for the Gigafy Mono Project. In order to deliver last mile service to households in the area, Race intends to connect to its existing fiber network in multiple places. South Chalfant will utilize Digital 395 fiber to get from Race's existing Chalfant to New South Chalfant. Benton will utilize Digital 395 fiber to get from Race's existing Chalfant to Benton. Swall Meadows will connect to the

existing Race node in Tom's Place. Lee Vining will utilize Digital 395 fiber and connect back to Race's current facilities in Boron.

Race proposes to conduct all work in already disturbed land avoiding cultural resources during project implementation and to focus network design around utilizing existing rights of way, above ground and aerial construction, dark fiber leasing where available, and utilizing easements to lessen the environmental impact. The Gigafy Mono project is a last mile project intended to bring fiber to the homes in already disturbed areas using a proven aerial design. This aerial design is based on using existing utility poles in existing roadways and will comply with the pole loading requirements of General Order 95. Utilizing K&B Engineering, an engineering firm, Race has stated that it will apply and exercise the process to determine whether pole loading requirements pass or fail. All fiber will be placed in the appropriate space on the existing utility pole in compliance with the pole owner specifications.

Based on the above information, the project qualifies for the following categorical exemptions from CEQA: CEQA Guidelines Section 15301 – Existing Facilities, involving minor alterations to existing utility facilities, and CEQA Guidelines Section 15304 – Minor Alterations to Land, involving minor trenching and backfilling where the surface is restored.

### **B. Deployment Schedule**

The Commission expects Race to complete the project in 22 months from the start date. If the applicant is unable to complete the proposed project within the 22-month timeframe identified in its application, Race must notify CD's Director as soon as it becomes aware of this prospect. If such notice is not provided, the Commission may reduce payment for failure to satisfy this requirement by timely notifying CD's Director.

### **C. Execution and Performance**

CD staff and Race shall determine a project start date after Race has obtained all approvals. Should Race or any contractor it retains fail to commence work by the designated date, upon five days written notice to Race, the Commission may terminate the grant.

In the event that Race fails to complete the project, in accordance with the terms of approval granted by the Commission, Race must reimburse some or all of the CASF funds that it has received.

Race must complete all performance under the award on or before the termination date of the award.

**D. Performance Bond**

The Commission does not require a Performance Bond if the applicant certifies that the percentage of the total project costs it is providing comes from their capital budget and is not obtained from outside financing. In its application, Race certified that the percentage of the total project costs it is providing will come from its existing capital budget. Therefore, a performance bond is not required for this project.

**E. Price Commitment Period**

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

**F. Project Audit**

The Commission has the right to conduct any necessary audit, verification, and discovery during project implementation and construction to ensure that CASF funds are spent in accordance with Commission approval.<sup>29</sup>

The recipient'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**

If the grantee is providing voice service in the project area, it must meet the Federal Communications Commission (FCC) standards for E-911 service and utilize battery backup Power.

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<sup>29</sup> Pub. Util. Code §§ 270 and 281.

## **H. Reporting**

All grantees must submit quarterly progress reports on the status of the project irrespective of whether grantees request reimbursement or payment. Before full payment of the project, Race must submit a project completion report. Progress reports shall use both the schedule for deployment; major construction milestones and costs submitted in the proposals, 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. Race shall also include test results on the download speed and upload speed per CBG and per ZIP Code basis in the final completion report. Race must certify that each progress report is true and correct under penalty of perjury.

## **I. Submission of Form 477**

The FCC currently requires broadband providers to submit Form 477 biannually and include speed data. While there is an imperfect match between the current reporting areas for the Form 477 and CASF, Form 477 information will be useful in documenting CASF deployment for the specific new service area(s) of the carrier. CASF recipients shall submit a copy of their Form 477 data directly to the Commission, under General Order 66-C, when they submit this data to the FCC for a five year period after completion of the project.<sup>30</sup>

## **VI. Payments to CASF Recipients**

Submission of invoices from and payments to Race 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 Race shall follow the process adopted for funds created under Pub. Util. Code § 270. The Commission generally processes 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.

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<sup>30</sup> *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.*



## **VII. Comments on Draft Resolution**

In compliance with P.U. Code § 311(g), a notice letter was emailed on December 11, 2015, 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 <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 will be available at this same website.

## **VIII. Findings**

1. Race filed an application for CASF funding for its Gigafy Mono Project on December 29, 2014. The Gigafy Mono Project is intended to extend high-speed internet service over a 6.33 square mile area through the expansion of fiber-to-the-premises (FTTP) Last Mile network deployment into the remote area of Race rural exchanges. This expansion will bring high speed internet access to 541 households in the area covering South Chalfant, Benton, Benton Hot Springs, Swall Meadows, Lee Vining, and Mono City in Mono County. The CBGs impacted by the project are: 60510001011, 60510001013, and 60510001024.
2. CD posted the map, CBGs and zip codes lists by county for the Gigafy Mono Project on the Commission's CASF website page under "Pending New CASF Applications to Offer Broadband as of January 5, 2015." Communications Division did not receive any challenges.
3. CD reviewed and analyzed data submitted for the Race Gigafy Mono Project CASF grant application to determine the project's eligibility for CASF funding. This data includes, but is 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 subject areas; assertion that the area is underserved; 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. CD reviewed the submitted shapefiles which mapped the proposed broadband deployment using United States 2010, Census data and the California Broadband Availability Map, which contains broadband availability data as of June 30, 2014. The map indicated mobile availability at served speeds. CD staff asked Race to

perform mobile tests to validated Verizon Wireless' advertised speed in the project area and the tests showed Mono City as underserved and Lee Vining as served by mobile wireless.

5. Community letters present that existing broadband internet services are not sufficient to meet the needs of the communities.
6. Despite the availability of mobile broadband service above "served" speeds in Lee Vining, the Commission has at its discretion the option to consider an exception to the CASF program rules in this case, because; (i) facilities would transit Lee Vining from its point of presence to Mono City regardless of whether Lee Vining households are included in the last mile project funding, (ii) the incremental cost to serve households in Lee Vining is reasonable, and (iii) removal of Lee Vining increases total project average cost per household.
7. Based on its review, CD determined that the project excluding Lee Vining qualifies for funding under D.12-02-015 and recommends Commission approval of CASF funding for Race Gigafy Mono Project.
8. The total CASF program grant inclusive of Lee Vining in the final approved project would be up to \$7,633,459, and exclusive of Lee Vining it would be up to \$6,580,007.
9. Race is not required to post a performance bond because 40% of the total project cost will be financed through Race's existing capital budget.
10. Race is required to comply with all guidelines, requirements, and conditions associated with the granting of CASF funds as specified in D.12-02-015 and must submit the FCC Form 477, as specified in Resolution T-17143.
11. This project is categorically exempt from CEQA review pursuant to CEQA Guidelines Sections 15301 -Existing Facilities and 15304 - Minor Alterations to Land.
12. Race included funds for Contribution in Aid of Construction (CIAC) in its CASF grant request to pay for federal and/or state income taxes that may apply on the CASF grant award. The applicant will not receive the CIAC, if the CASF grant is not taxed.

13. The Commission in Resolution T-17350, dated August 23, 2012, awarded Verizon \$286,398 CASF funding for the Crowley Lake and Swall Meadows Project in the Mono County which would provide broadband speed of 3 Mbps down and 1 Mbps up. Pursuant to CD staff's grant reduction enforcement letter the grant amount expired before Verizon provided service, and Verizon has not sought reimbursement. Rescinding the grant of funds as authorized in Resolution T-175350 for the Verizon Crowley Lake and Swall Meadows Project would release these monies for other projects.
14. A notice letter was emailed on December 11, 2015, informing all parties in 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 conformed Resolution adopted by the Commission will be posted and available at this same website.
15. The Commission finds CD's recommendation to fund the Gigafy Mono Project exclusive of Lee Vining as summarized in Appendix A to be reasonable and consistent with Commission orders and, therefore, adopts such recommendation.

**THEREFORE, IT IS ORDERED that:**

1. The Commission shall award from the CASF to Race up to \$6,580,007 for the Race Gigafy Mono underserved area broadband project as described herein and summarized in Appendix A of this Resolution.
2. The program fund payment of up to \$6,580,007 for this underserved project shall be paid out of the CASF fund in accordance with the guidelines adopted in D.12-02-015 and in accordance with the compliance of avoidance measures described in this Resolution. This total CASF grant amount will be reduced by up to \$1,036,614 of Contribution in Aid to Construction if the CASF grant award is not subject to federal and/or state income taxes.
3. The Commission rescinds the grant of funds as authorized in Resolution T-17350, dated August 23, 2012. The amount of \$286,398.45 allocated pursuant to that resolution is no longer obligated.

4. 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.
5. The CASF fund recipient, Race, shall comply with all guidelines, requirements and conditions associated with the CASF funds award as specified in D.12-02-015 and must submit the FCC Form 477, as specified in Resolution T-17143.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on January 14, 2016. The following Commissioners approved it:

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TIMOTHY J. SULLIVAN  
Executive Director

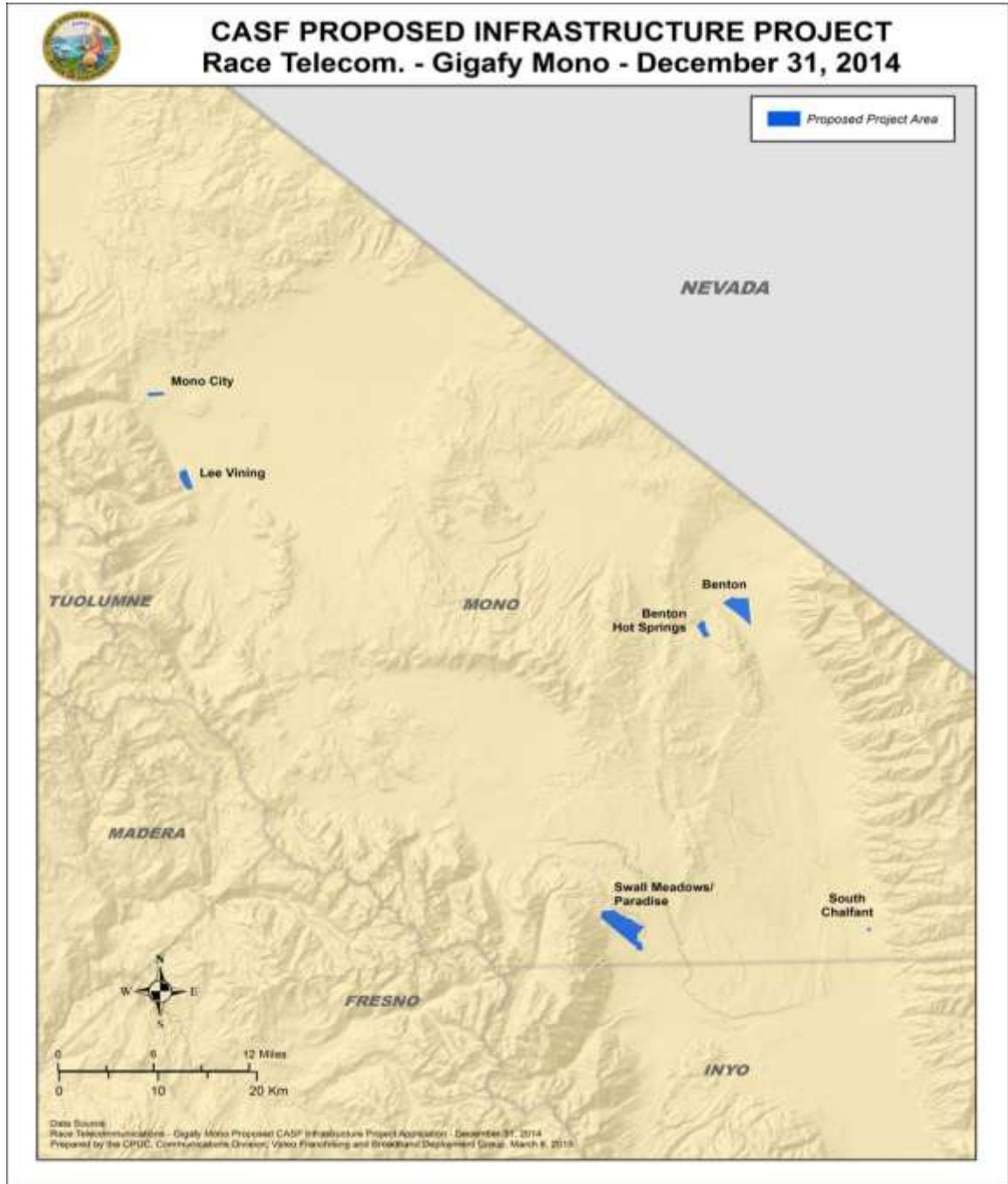
Resolution T-17477  
CD/SIM

## **APPENDIX**

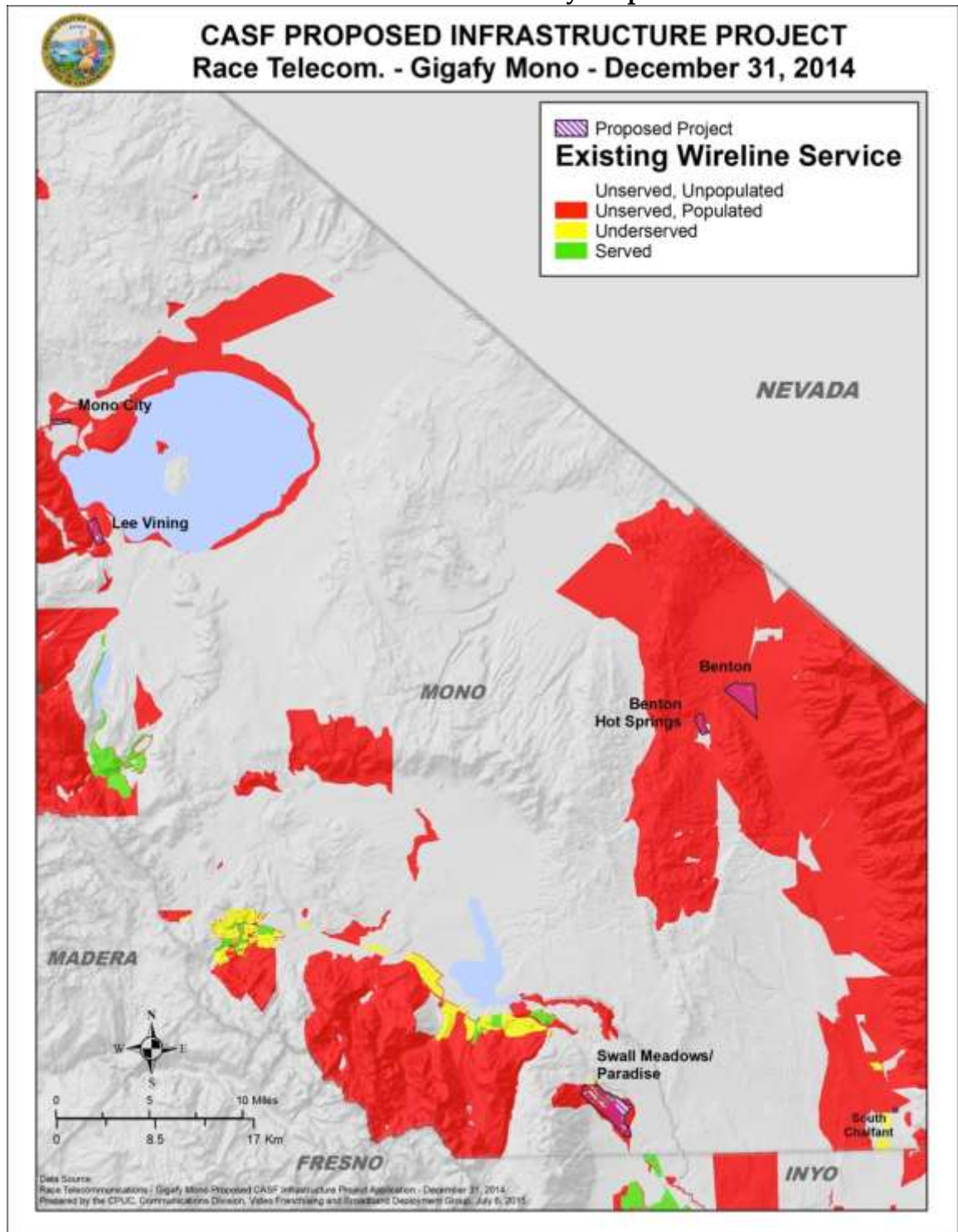
**APPENDIX A**  
**Resolution T- 17477**  
**Race Telecommunication, Inc., Gigafy Mono Project**  
**Key Information**

| Project Name  | Race Telecommunication, Inc., Gigafy Mono Project  |                           |
|---|--|---------------------------|
| Project Plan  | To deploy fiber-to-the-premises (FTTP) Last Mile network to serve 100% of the homes in a defined service area that includes South Chalfant, Benton, Benton Hot Springs, Swall Meadows, Lee Vining, and Mono City, California. Fiber based Internet speeds will offer packages including 1Gbps down and 1Gbps up. |                           |
| Download / upload speed                             | 1Gbps/1Gbps  |                           |
| Location  | South Chalfant, Benton, Benton Hot Springs , Swall Meadows, Lee Vining, and Mono City  |                           |
| Community Name                                      | Mono County  |                           |
| CBGs / Household Income/Zip Codes                   | 60510001011 - 93512  | \$47,083                  |
|   | 60510001013 - 93514  | \$96,662                  |
|   | 60510001011 - 93514  | \$47,083                  |
|   | 60510001024 - 93541  | \$43,359                  |
| Pricing Plan  | <b>Residential</b>   |                           |
|   | Entry Level Speed 25 Mbps Down and 25 Mbps Up  | \$25                      |
|   | Mid-Level Speed 100 Mbps Down and 100 Mbps Up  | \$65                      |
|   | Other Optional Tier Speed 250 Mbps Down and 250 Mbps Up  | \$85                      |
|   | Max Level Speed 1Gbps Down and 1Gbps Up  | \$100                     |
|   | <b>Business</b>  |                           |
| Entry Level Speed 25 Mbps Down and 25 Mbps Up       | \$60   |                           |
| Max Level Speed 1Gbps Down and 1Gbps Up             | \$200  |                           |
| Deployment Schedule (from Commission approval date) | 22 months  |                           |
|   | <b>With Lee Vining</b>   | <b>Without Lee Vining</b> |
| Project Size (in square miles)                      | 6.33   | 5.6                       |
| Estimated Potential Household Subscriber Size       | 541  | 399                       |
| Cost Per Household                                  | \$11,887   | \$13,893                  |
| Proposed Project Budget                             | \$11,920,715   | \$10,275,601              |
| Amount of CASF Funds Requested (60% without CIAC)   | \$ 6,430,884   | \$5,543,392               |
| Internally funded (40%)                             | \$4,287,256  | \$3,695,595               |
| CIAC (18.7% of CASF Funds Requested)                | \$1,202,575  | \$1,036,614               |
| Total Amount of CASF Award (includes CIAC)          | \$7,633,459  | \$6,580,007               |

**APPENDIX A**  
**Resolution T-17477**  
**Race Telecommunications Inc., Gigafy Mono Project Regional Map**

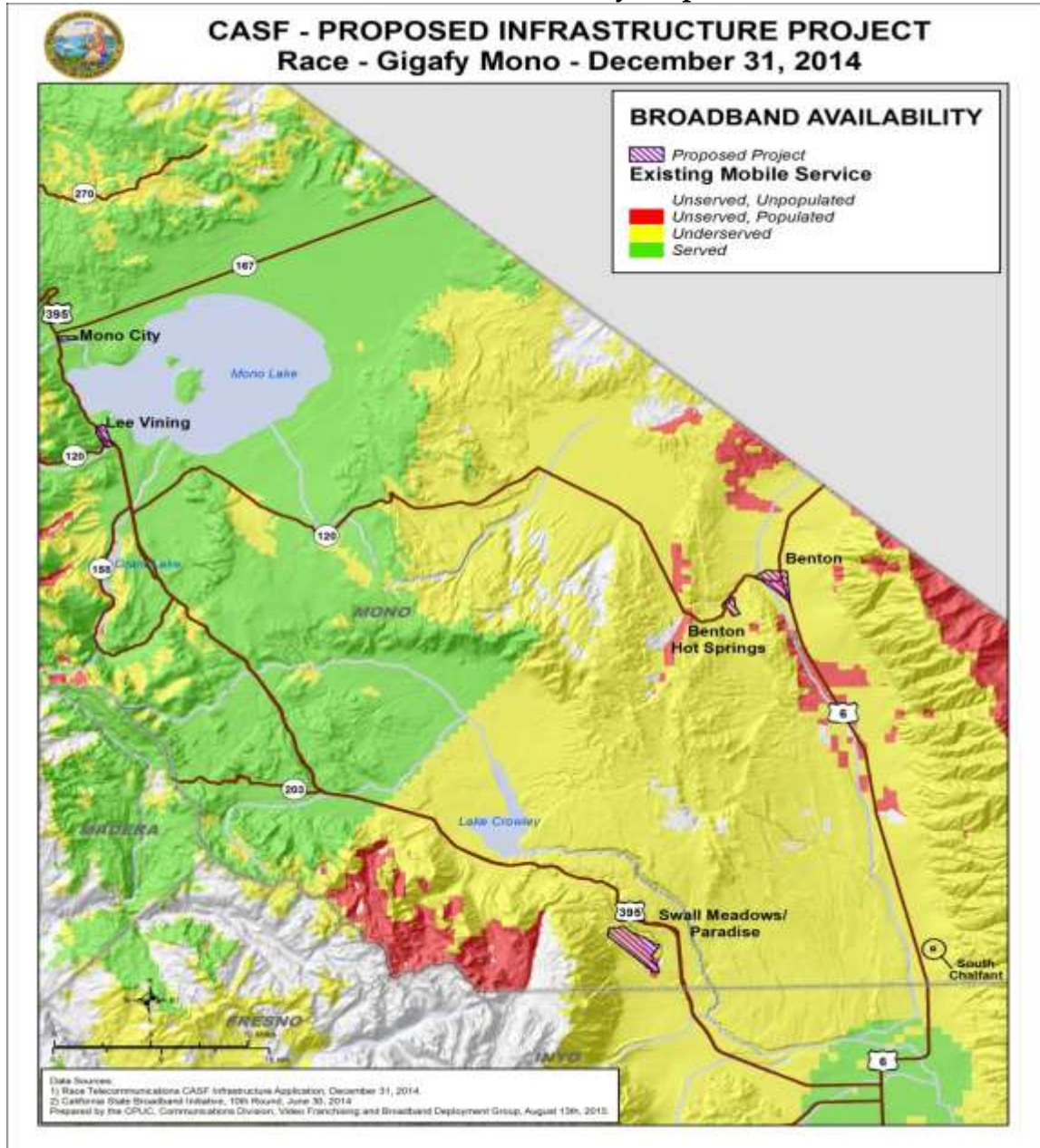


**APPENDIX A**  
**Resolution T-17477**  
**Race Telecommunications Inc., Gigafy Mono Project**  
**Wireline Availability Map**





APPENDIX A  
Resolution T-17477  
Race Telecommunications Inc., Gigafy Mono Project  
Wireless Availability Map



**APPENDIX A**  
**Resolution T-17477**  
**Race Telecommunications Inc., Gigafy Mono Project**  
**Second Mile Connection to Swall Meadows**



**APPENDIX A**  
**Resolution T- 17477**  
**Race Telecommunications Inc., Gigafy Mono Project Shapefiles**  
**Mobile Testing Results**



**APPENDIX A**  
**Resolution T- 17477**  
**Race Telecommunications Inc., Gigafy Mono Project**

**Speed Test Summary from Gigafy Mono, Race Telecommunications, Inc.**

**Verizon Wireless (Mbps Down / Mbps Up)**

Mono City

| CPUC Interpolated Test Results* | Race Project Area Test Results** | No. of Tests | Test 1         | Test 2         | Test 3        |
|---------------------------------|----------------------------------|--------------|----------------|----------------|---------------|
|                                 |                                  |              |                |                |               |
| Served                          | Underserved                      | 3            | 11.543 / 2.051 | 10.626 / 0.448 | 1.505 / 0.957 |

Lee Vining

| CPUC Interpolated Test Results* | Race Project Area Test Results** | No. of Tests | Test 1         | Test 2         |
|---------------------------------|----------------------------------|--------------|----------------|----------------|
|                                 |                                  |              |                |                |
| Served                          | Served                           | 2            | 23.664 / 4,372 | 23.067 / 7.858 |

\*CPUC Field Test Results are based on test points located outside of the project area and are therefore estimates of availability.

\*\*Race Field Test Results (March 2015)

END OF APPENDIX A