

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

**Communications Division  
Broadband, Video and Market Branch**

**RESOLUTION T-17668  
December 19, 2019**

**RESOLUTION**

**Resolution T-17668:** Approval of funding for the grant application of Frontier California, Inc. (U-1002-C), from the California Advanced Services Fund up to the amount of \$399,701.79 for the Taft Cluster Project located in Kern County.

**SUMMARY**

This Resolution approves \$399,701.79 from the California Advanced Service Fund (CASF) for the grant application of Frontier California Inc. (Frontier), to construct the Taft Cluster Project. Frontier proposes to deploy last-mile VDSL2<sup>1</sup> facilities near the communities of Taft, Buttonwillow, Fellows, McKittrick, and McFarland in western Kern County. The proposed project will enable Internet speeds of at least 10 megabits per second (Mbps) download and 1 Mbps upload to 41 unserved households.

**BACKGROUND**

The CASF Infrastructure Grant Account (CASF Infrastructure) assists Internet service providers to build or upgrade broadband infrastructure in areas that are unserved by existing broadband providers. The CASF program was initiated in 2008, after the program was first adopted by the California Public Utilities Commission (Commission) in Decision (D.)07-12-054 and enacted into statute pursuant to Senate Bill 1193.

On October 15, 2017, Governor Brown signed Assembly Bill (AB) 1665 (Garcia)<sup>2</sup> into law. That legislation amended the statute governing the CASF program, Public Utilities Code, §281. The Commission implemented AB 1665 by issuing D.18-12-018, adopting

<sup>1</sup> Very high-speed Digital Subscriber Line (VDSL) Standard specifies an access technology that uses the existing infrastructure of copper wires that were originally deployed for Plain Old Telephone Service (POTS) to deliver high speed data transmission. VDSL2 is an improvement to standard VDSL and allows transmission of asymmetric and symmetric aggregate data rates at a maximum wire speed of 200 Mbps.

<sup>2</sup> AB 1665 is codified at Public Utilities (Pub. Util.) Code section 281.

programmatic changes to the CASF. Appendix 1 of D.18-12-018 sets forth the rules, application requirements and guidelines for the CASF Infrastructure.<sup>3</sup>

**On May 1, 2019, Frontier submitted a CASF Infrastructure application, requesting 100-percent funding of \$1,651,355.90 to deploy last-mile VDSL2 broadband access to 146 unserved households in Kern County.** The project would place five new DSLAM<sup>4</sup> devices near the central offices in Taft, Fellows, McKittrick, Buttonwillow, and McFarland, and two remote terminals in the field for VDSL2 service in the Taft wire center area. The CASF funding request will cover majority of the cost of the Taft Cluster Project. Frontier also accepted \$911,527.20 in grant funding from the Federal Communication Commission’s (FCC) Connect America Fund Phase II (CAF II), to provide broadband access to another 360 unserved households in the same area. Combined, the CASF and CAF II grant funding would have provided Frontier a total of \$2,562,883.10 to deploy high speed internet access to 506 unserved households in Kern County. Table 1, below, identifies Frontier’s request using CASF and CAF II funds.

**Table 1. CASF Infrastructure Grant Application**

	Households	Funding
<b>State: CASF Infra Grant Request</b>	<b>146</b>	<b>\$1,651,355.90</b>
Federal: CAF II	360	\$911,527.20
Taft Cluster Project	506	\$2,562,883.10

Frontier is a publicly traded corporation, the fourth largest incumbent local exchange carrier in the United States, and the second largest in California. As the Carrier-of-Last-Resort, Frontier currently provides voice service in the proposed project area.

**NOTICE**

On May 15, 2019, Staff posted the proposed project area map, census blocks, and zip codes for the Taft Cluster Project on the “CASF Application Project Summaries”

<sup>3</sup> The Commission extended the CASF Infrastructure application deadline from April 1 to May 1, 2019, and all subsequent deadlines are moved back by one month. Assigned Commissioner’s Ruling R.12-10-012, March 14, 2019.

<sup>4</sup> DSLAM (Digital Subscriber Line Access Multiplexer) is a network device, usually at a telephone company central office, that receives signals from multiple customer Digital Subscriber Line (DSL) connections.

webpage,<sup>5</sup> which may be found on the Commission’s website and sent notice regarding the project to the CASF Distribution Service List.<sup>6</sup>

## **PROTEST/CHALLENGES**

On June 5, 2019, Charter Communications, Inc. (Charter) challenged the application stating it provides broadband availability at served speeds in four census blocks in the proposed project area.

The outcome of the challenge is addressed in the Discussion, Section I, Project Area Eligibility.

## **DISCUSSION**

In compliance with D.18-12-018, Staff determined Frontier’s Taft Cluster project is eligible to receive \$399,701.79 in CASF Infrastructure grant funding.

Details of Staff analysis are explained in the following sections:

- I. Project Area Eligibility
- II. Minimum Performance Criteria
- III. Funding Determination
- IV. Safety and Community Support
- V. Compliance Requirements
- VI. Payments to CASF Recipients

Key project information and maps are shown in Appendix A and B.

### **I. Project Area Eligibility**

No provider filed a “right-of-first refusal” for Frontier’s project area by January 15, 2019.<sup>7</sup> Staff reviewed Frontier’s original application and found the project area needed to be revised based on the California Interactive Broadband Map<sup>8</sup> and a challenge by Charter. Frontier’s revised project summary was posted on the Commission’s webpage

<sup>5</sup> <https://www.cpuc.ca.gov/casf/>

<sup>6</sup> <https://www.cpuc.ca.gov/General.aspx?id=1040>

<sup>7</sup> Pub. Util. Code Section 281 (f)(4)(A)(ii) prohibits the Commission from awarding CASF funding to a project applicant if the existing facility-based broadband provider demonstrates, in response to the Commission’s annual offer, that it will deploy broadband or upgrade existing broadband service throughout the proposed project area within 180 days.

<sup>8</sup> <http://www.broadbandmap.ca.gov/>

on October 1, 2019. Based on Frontier’s project revisions, Staff determined that the proposed project area is eligible for a CASF Infrastructure grant.

**Frontier revised its project area because census blocks were identified as served.**

Only areas that are unserved are eligible for the CASF Infrastructure grant. Unserved means there is no provider offering access at speeds of 6 Mbps downstream and 1 Mbps upstream. In Frontier’s original application, Frontier claimed there were 146 unserved CASF households located within the 178 census blocks in the project area. Based on the California Interactive Broadband Map, Staff identified ~~99-100~~ census blocks ~~are~~ ineligible for CASF funding because they were already served by fixed wireline (Charter Communications, Inc.) or fixed wireless provider (Unwired Broadband, Inc.), or because there were no housing units in the area.<sup>9</sup>

Additionally, Charter challenged the application stating the company provides broadband availability at served speeds within the project area. Based on customer address and billing information submitted by Charter, Staff determined two more census blocks in the proposed project area were already served, and thus ineligible for CASF funding.

Staff requested Frontier to revise its application to remove a total of ~~101~~102 served census blocks. The removal of the ineligible census blocks reduced the number of households in the project area from 506 to 265. CASF unserved households decreased from 146 to 41, and CAF II unserved households decreased from 360 to 224. Table 2, below, summarizes the revised application.

**Table 2. Frontier’s Revised CASF Infrastructure Grant Application**

	Original Application		Revised Application	
	Census Blocks	Unserved Households	Census Blocks	Unserved Households
<b>State: CASF Infra Grant Request</b>	<b>178</b>	<b>146</b>	<b>77</b>	<b>41</b>
Federal: CAF II	102	360	49	224
Taft Cluster Project	280	506	126	265

**CAF II census blocks located in Frontier’s revised project area are eligible for a CASF Infrastructure grant.** The proposed project area includes four CAF II Auction census blocks awarded to GeoLinks (California Internet LP), and one census block awarded to

<sup>9</sup> Census blocks with zero housing units are designated ineligible due to lack of residential homes and potential subscribers.

Cal.Net, Inc. by the FCC’s CAF II Auction on August 28, 2018.<sup>10</sup> Pub. Util. Code §281(f)(5)(C)(i) prohibits approval of CASF Infrastructure grants for projects in census blocks where an existing facilities-based broadband provider has accepted federal CAF II funds for broadband deployment. Although GeoLinks and Cal.Net, Inc. have recently been awarded federal funds, both providers do not operate broadband facilities in the area at this time. Thus, Staff do not deem GeoLinks and Cal.Net, Inc. to be existing facilities-based broadband providers in the proposed project area. For this reason, Staff determined that the CAF II Auction census blocks are CASF grant eligible for Frontier’s Taft Cluster project.

**Therefore, the revised project area for 41 unserved households is eligible for a CASF grant.**

**II. Minimum Performance Criteria**

Frontier’s Revised Project meets the minimum performance criteria pursuant to D.18-12-018, Appendix 1, Section 6, as summarized in Table 3.

**Table 3. Minimum Performance Criteria**

	<b>CASF Performance Criteria</b>	<b>Proposed Project</b>
<b>Project Completion</b>	CEQA-exempt projects must be completed within 12 months, and all other projects shall be completed within 24 months after receiving authorization to construct	9 months (CEQA exempt)
<b>Pricing</b>	Prices committed for two years after completion of the project	2-year
<b>Speed</b>	At least 10/1 Mbps	10/1 Mbps
<b>Latency</b>	Maximum of 100 ms of latency	60 – 100 ms
<b>Data Caps</b>	Minimum of 190 GBs per month	No data cap
<b>Affordability</b>	Must offer low-income plan	Yes – Frontier Affordable Broadband Plan

**The Taft Cluster project is categorically exempt from California Environmental Quality Act (CEQA) review.** Frontier has provided the Commission with its plan to use existing underground conduit systems located in existing right-of-way (ROW) for

<sup>10</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.

the installation of approximately 394 feet of fiber to support new remote terminals. The new fiber cable will be spliced from already existing splice points. The new remote terminals will be installed at Frontier facilities where copper cabling, power, and copper cross connect already exists. Frontier will upgrade the existing communications facilities to increase broadband capacity but will not replace the copper cable infrastructure. Following the installation of underground facilities and cabling, the site will be returned to its original condition.

Based on the above information, Energy Division has confirmed that the project is categorically exempt from CEQA review. This project meets the criteria of the categorical exemptions according to CEQA Guidelines, found at 14 C. C. R. §15301 (Existing Facilities), §15302 (Replacement or reconstruction of existing structures and facilities) and §15304 (Minor Alterations to Land). Thus, the entirety of the Taft Cluster Project is categorically exempt from CEQA review.

**The Taft Cluster project’s broadband service offering meets CASF minimum performance criteria.** Frontier has committed to a broadband pricing plan, as summarized in Table 4, for two years starting from the activation date. There is no long-term commitment by the consumer and the activation and installation fees will be waived. LifeLine subscribers are eligible for discounted broadband service (12 Mbps download / 1 Mbps upload for \$13.99/month) if broadband service is bundled with LifeLine-discounted voice service.

**Table 4. Proposed Broadband Pricing**

<b>Download Speed</b>	<b>Upload Speed</b>	<b>Monthly Price</b>
12 Mbps	1 Mbps	\$25
18 Mbps	1 Mbps	\$30
25 Mbps	2 Mbps	\$35
45 Mbps	3 Mbps	\$40
70 Mbps	3 Mbps	\$45
90 Mbps	5 Mbps	\$50
115 Mbps	7 Mbps	\$60

All but one of the proposed speed offerings meet the 10/1 minimum performance requirement. Most households should expect speeds near 25 Mbps download and 2 Mbps upload. This service will be available to the general public, as well as anchor institutions and small businesses near the project area.

### **III. Funding Determination**

Table 5, below, summarizes Frontier’s revised funding request.

**Table 5: Frontier’s Revised Funding Request**

	Original Application		Revised Application	
	Unserved Households	Funding	Unserved Households	Funding
<b>State: CASF Infra Grant</b>	<b>146</b>	<b>\$1,651,355.90</b>	<b>41</b>	<b>\$2,016,265.92</b>
Federal: CAF II	360	\$911,527.20	224	\$567,172.48
Taft Cluster Project Total	506	\$2,562,883.10	265	\$2,583,438.40

In its revised application, Frontier indicated that it plans to leverage \$567,172.48 in federal funding toward the 224 CAF II-eligible households at a cost of \$2,532.02 per household.<sup>11</sup> Frontier calculated the CASF request amount by subtracting the \$567,172.48 CAF II from the total project budget of \$2,583,438.40, resulting in an updated CASF request of \$2,016,265.92.

**Frontier’s funding request is not in compliance with D.18-12-018 because overlapping funds are not allowed.**<sup>12</sup> CAF II and CASF funds must be apportioned by the percentage of households that will be served by funding source. Staff determined that the total cost of the Taft Cluster Project of \$2,583,438.40 should be split proportionally according to the number of households between CAF II (84.5 percent) and CASF (15.5 percent). Based on this calculation, Frontier is eligible to receive \$399,701.79 of CASF funding to cover project costs, as shown in Table 6.

<sup>11</sup> \$2,532.02 x 224 households = \$567,172.48

<sup>12</sup> See D.18-12-018, Section 2.10.2

**Table 6: Staff’s Funding Recommendation**

	Number of Unserved Households	Percent of Unserved Households	Funding
<b>State: Staff recommended CASF Infra Grant Amount</b>	<b>41</b>	<b>15.5%<sup>13</sup></b>	<b>\$399,701.79<sup>14</sup></b>
Federal: CAF II	224	84.5% <sup>15</sup>	\$2,183,736.61 <sup>16</sup>
Taft Cluster Project Total	265	100%	\$2,583,438.40

**Based on Staff’s adjustment of \$399,701.79 on CASF funding, Frontier is eligible to receive 100 percent funding from the CASF program to cover costs for its Taft Cluster project.** AB 1665 authorizes the Commission to award grants to fund all or a portion of the project and requires that it determine, on a case-by-case basis, the level of funding to be provided.<sup>17</sup> Staff considered the statutory factors to determine the grant funding level, pursuant to Pub. Util. Code sections 281(f)(13) and 281(b)(2)(B)(i), and CASF rules adopted in D.18-12-018.<sup>18</sup> Based on those factors, Staff determined Frontier’s request of a 100 percent funding level is appropriate; and thereby awards a CASF Infrastructure grant of \$396,366.82 for the proposed project. Table 7 summarizes Staff’s funding level determination for Frontier’s Taft Cluster Project.

**Table 7. Criteria for Project Funding Level**

<b>Funding Criteria</b>	<b>Revised Project</b>
Baseline for Eligible Project (60%)	60%

<sup>13</sup> Exact percentage is 15.4716981%

<sup>14</sup> 15.4716981% x \$2,583,438.40 = \$399,701.79

<sup>15</sup> Exact percentage is 84.5283019%

<sup>16</sup> 84.5283019% x 2,583,438.40 = \$2,183,736.61

<sup>17</sup> Pub. Util. Code, § 281(f)(13). See Bill Analysis prepared by California Assembly Committee on Conveyance, April 26, 2017, p.4. “Arguably since the creation of CASF, most areas that have been served by CASF funds are projects in which applicants feel that their cost, combined with CASF funds, warrant an investment in deploying broadband in such areas. However, this leaves most of the remaining unserved areas of state, mostly in rural and small communities, still without broadband connectivity due to the lack of investment by providers who feel that the difficulties associated with deploying and maintaining such a network in the area for a limited amount of potential customers, even combined with CASF funds, would not result in a positive return on investment. Arguably, the remaining unserved households potentially are households in which even a 70% total cost CASF grant still does not provide enough incentive for a provider to build. Hence, CPUC should consider awarding grants that offer funding for 100% of total costs when warranted.”

<sup>18</sup> See D.18-12-018, pp. 19-22 and Table 1.



Service Level Preference: Only Dial-up or No Internet Connectivity (40%)—no fixed or mobile broadband	0%
Low Income - up to 40% <ul style="list-style-type: none"> <li>• Median Household Income for community is less than CARE standard for family of 4, which is currently \$50,200 (30%)</li> <li>• Applicant serves low-income customers for no more than \$15/month (10%)</li> </ul>	30% 10%
Others: PU Code Sec 281 (f)(13) Criteria - up to 20% <ul style="list-style-type: none"> <li>• Inaccessible Location (10%)</li> <li>• Uses Existing Infrastructure (10%)</li> <li>• Makes a Significant Contribution to the Program Goal (10%)</li> </ul>	0% 10% 10%
<b>Total Funding Level</b>	<b>100%<sup>19</sup></b>

Details of the appropriate funding level are described below.

**Baseline for Eligible Project qualifies for 60 percent funding level.** The CASF program is intended to finance capital costs of projects deploying broadband facilities in unserved areas of California. The Taft Cluster project meets all the eligibility criteria, as previously discussed in the Project Area Eligibility section.

**Service Level Preference does not qualify for additional funding.** Section 281(b)(2)(B)(i) encourages the Commission to give preference to projects in areas with no Internet connectivity or where Internet connectivity is available only through dial-up service and that are not served by any form of wireline or wireless facility-based broadband service. According to the California Interactive Broadband Map, Staff confirmed all the proposed project areas are unserved by wireline or fixed wireless broadband service; however, Staff discovered the area has Internet access via mobile data services, which is considered “Internet connectivity.” Thus, this project does not receive the additional 40 percent funding.

**Low Income considerations qualify for an additional 40 percent funding.** According to the U.S. Census Bureau, the median household income of the census block groups in the Taft Cluster proposed project area is \$39,430, and thus qualifies for an additional 30 percent funding for projects serving low income areas. Additionally, Frontier commits to offer LifeLine-eligible subscribers discounted broadband plans at \$13.99/month, which meets the criteria for an additional 10 percent funding.

**Other Factor considerations qualify for an additional 20 percent funding.**

<sup>19</sup> D.18-12-018 Table 1. Summary of Funding Level Determinations – Maximum funding level is 100 percent.

The Taft Cluster Project meets two of the three criteria and qualifies for an additional 20 percent funding.

The proposed project does not meet the inaccessible location criteria for an additional 10 percent funding. The proposed project is relatively flat and is not located in rugged and difficult terrain. Details of geography and topography are show in Appendix C.

The proposed project is eligible for an additional 10 percent funding for use of its existing copper infrastructure. Frontier proposed to use its existing infrastructure to upgrade and deploy broadband.

The project makes a significant contribution to the program goal and is eligible for an additional 10 percent funding. The San Joaquin Valley Regional Broadband Consortium region to which the communities of Taft, Fellows, McKittrick, Buttonwillow, and McFarland belong, has not yet reached the goal of deploying broadband Internet service at served speeds to 98 percent of households and, therefore, this project is considered as making a contribution to the program goal.

#### **IV. Safety and Community Input Considerations**

The CASF program encourages the deployment of broadband throughout the State to enable the public to access Internet-based safety applications, telehealth services, access to emergency services, and to allow first responders to communicate with each other and collaborate during emergencies.

The Taft Cluster Project is located in rural, unincorporated areas of Kern County and consists of flat agricultural farmland which is currently not served by any form of wireline or fixed wireless facilities-based broadband providers. The project locations are more than ten miles from the nearest hospital. The increased connectivity will contribute to bridging the digital divide by providing local residents access to vital healthcare, educational, and government services.

#### **V. Compliance Requirements**

Frontier is required to comply with all the guidelines, requirements, and conditions associated with the grant of CASF funds as specified in D.18-12-018 and its Appendix I. Such compliance includes, but is not limited to, the items noted below.

##### **A. Deployment Schedule**

For CEQA exempt projects, applicants are required to complete the project within 12 months from start date (as determined by the procedure below), and Frontier has

committed to do so. If Frontier is unable to complete the proposed project within the 12-month timeframe requirement, it must notify the Director of the Communications Division as soon as Frontier becomes aware of this possibility. If such notice is not provided, the Commission may reduce payment for failure to satisfy this requirement of notifying the Director on a timely basis.

B. Execution and Performance

Staff and Frontier shall determine a project start date after the CASF grant recipient has obtained all approvals. Should Frontier or any contractor it retains fail to commence work by the designated date, upon five days' written notice, the Commission may terminate the grant. In the event that Frontier fails to complete the project in accordance with the terms of CPUC approval as set forth in this resolution, Frontier shall reimburse some or all of the CASF funds that it has received. Frontier must complete all construction covered by the grant on or before the grant's termination date.

C. Letter of Credit

The Commission exempts Certificate of Public Convenience and Necessity (CPCN) holders from providing a letter of credit on the basis that the company submitted a performance bond to the Commission to maintain its CPCN and that the Commission has other means to enforce compliance. In its application, Frontier provided proof of CPCN registration and thus, is exempt from providing a letter of credit.

D. Project Audit

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

Frontier's invoices will be subject to a financial audit by the Commission at any time within three years of completion of the work.

E. Providing Voice Service

Frontier has certified that its basic analog telephone service meets the FCC standards for E-911 service and battery backup.

F. Reporting

All grantees must submit biannual progress reports on the status of the project irrespective of whether grantees request reimbursement or payment. Before full payment of the project, Frontier must submit a project completion report. Progress reports shall use the schedule for deployment, major construction milestones, and costs

submitted in the proposal; 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.

Recipients shall also include test results on the download and upload speeds for each census block group in the final completion report. Frontier must certify that each progress report is true and correct under penalty of perjury.

#### G. Submission of Form 477

The FCC currently requires broadband providers to biannually submit Form 477, which includes speed data. While there is an imperfect match between the data that is reported in the Form 477 and to the CASF, the Form 477 data will be useful in documenting CASF deployment for the service provider's new service. Pursuant to CASF Guidelines, service providers in California must submit a copy of their Form 477 data directly to the CPUC, concurrent with their submission of the same data to the FCC, for a five-year period after completion of the project.<sup>20</sup>

#### H. Prevailing Wage

Section 1720 of the California Labor Code specifies that CASF-subsidized projects are subject to prevailing wage requirements. Frontier has committed to follow state prevailing wage requirements with regards to this project.

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

The Commission may reimburse Frontier's expense in accordance to Pub. Util. Code section 281(f)(11). Details of reimbursable expenses are located in Appendix D.

### **COMMENTS ON DRAFT RESOLUTION**

In compliance with Public Utilities Code § 311(g), a notice was e-mailed on November 1, 2019, informing all parties on the CASF Distribution List of the availability of the draft of this resolution ~~and of the opportunity to make comments, at the Commission's website at at the Commission's website at~~ <http://www.cpuc.ca.gov/PUC/documents/> ~~and of the opportunity to make comments.~~ The letter also informed parties that the final conformed Resolution adopted by the Commission will be posted and available at the same website.

<sup>20</sup> See *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.

Comments were submitted by Frontier, California Emerging Technology Fund (CETF), and Charter Communications Operating, LLC (Charter) on November 25, 2019. Reply comments were submitted by the Central Coast Broadband Consortium (CCBC) on December 2, 2019.

## **I. Funding Determination**

### Frontier's Comments

Frontier asserts the methodology used to prescribe funding offset by CAF II households is incorrect and disincentivizes providers from leveraging both state and federal funds. Frontier claims the methodology is inherently problematic because Frontier is only awarded \$2,532.02 per CAF II household under the federal program, and any remaining costs to each CAF II household will be paid by Frontier's own private capital. Frontier argues its proposal has no overlap in state and federal funding and requests that the Commission follow Frontier's methodology and allow for 100% funding of \$2,016,265.92 to deploy broadband to the 41 CASF households. Frontier states that funding the project using Frontier's methodology will ensure that a wide range of essential communication services and benefits are available for Californians that live in the most remote and difficult to serve areas.

### CETF's Comments

CETF supports the Taft Cluster Project and states that the project is key to achieving 98% deployment in the San Joaquin County Region. However, CETF asserts the calculation used to determine the grant erroneously disallows 84.5% of the allowable costs. It is CETF's understanding that Frontier has informed CASF staff that Frontier will pay the remaining cost to connect CAF II households with its own private capital and that those costs were not included in the funding request. CETF states there is no overlap in funding because Frontier has represented that any remaining costs for CAF II households will be borne by Frontier. CETF also states the calculation error is inconsistent with the intent language of AB 1665, allowing CASF funds to be used where private investment and federal funds are not available.

### Staff's Response

Staff continues to find that CASF funding is being used to subsidize the CAF II households as presented by Frontier in the grant request. Staff also finds claims of Frontier's removal of costs associated with CAF II households from its last-mile request is unsupported based on the data provided. As stated in Frontier's grant application and comments to this resolution, the proposed project to serve 265 households is

budgeted at \$2,583,438.40; of which 224 households are CAF II locations. Frontier’s calculation to subtract CAF II funding from the total project build does not accurately reflect the true cost to build to the CAF II households within the proposed project area; and implies CASF funding will be used to subsidize CAF II locations. The use of Frontier’s calculation would result in a cost of \$2,532.03 per CAF II household and \$49,177.22 per CASF household (See Table 10, below). Frontier’s calculation of the CAF II household costs is not justified and is indicative of an overlap in funds.

**Table 10: Funding Determination Proposed by Frontier**

	<b><u>Number of Households</u></b>	<b><u>Funding</u></b>	<b><u>Cost per Households</u></b>
<u>Federal: CAF II Location</u>	<u>224</u>	<u>\$567,172.48</u>	<u>\$2,532.02</u>
<u>State: CASF Location</u>	<u>41</u>	<u>\$2,016,265.92</u>	<u>\$49,177.22</u>
<u>Taft Project Total</u>	<u>265</u>	<u>\$2,583,438.40</u>	

The CASF statute prohibits funding overlap. In D.18-12-018, the treatment of CAF II households and the separation of CASF and CAF financing was raised and addressed—specifically, that funding must be apportioned by the percentage of households that will be served by each funding program. Staff finds that it has properly applied the CASF program rules and confirms the methodology Staff used is consistent with D.18-12-018. Staff’s methodology would result in the same cost per household in both CAF II and CASF locations (as shown in Table 11).

**Table 11: Funding Determination Recommended by Staff**

	<b><u>Number of Households</u></b>	<b><u>Percent of Households</u></b>	<b><u>Funding</u></b>	<b><u>Cost per Households</u></b>
<u>Federal: CAF II</u>	<u>224</u>	<u>84.5%</u>	<u>\$2,183,736.61</u>	<u>\$9,748.82</u>
<u>State: CASF</u>	<u>41</u>	<u>15.5%</u>	<u>\$399,701.79</u>	<u>\$9,748.82</u>
<u>Taft Project Total</u>	<u>265</u>	<u>100%</u>	<u>\$2,583,438.40</u>	

## **II. Eligibility of Census Blocks**

### **Charter’s Comments**

Charter argues that challenges to two census blocks (060290034001060<sup>21</sup> and 060290035002007) were incorrectly denied by staff. Further, Charter claims six census

<sup>21</sup> Charter cited the wrong census block (060290034991060) in its comment.

blocks<sup>22</sup> without a subscriber have broadband infrastructure deployed by Charter and identifies one census block (060290037001046) with a subscriber that is served by Charter.

Charter also notes that the Draft Resolution only identifies the relevant census block groups, not census blocks; and the census block groups are inconsistently addressed in the Draft Resolution. Charter recommends that staff establish the final list of census block groups in Appendix A and update Finding 3, respectively.

### CCBC's Reply Comments

CCBC disagrees with Charter's comments and asserts that removing census blocks via the resolution comment process would be a violation of D. 18-12-018, which establishes a clear process for challenging the eligibility of a census block located in a proposed project area. Prior to D-18-02-018, the unlimited challenge period allowed incumbent service providers the opportunities to halt project development. CCBC concludes that Charter already had many opportunities to challenge the eligibility of a census block.<sup>23</sup>

### Staff's Response

Staff disagrees with Charter's relitigated challenge and stands by its original recommendation to deny the challenge of the two census blocks (060290034001060<sup>24</sup> and 060290035002007) because the subscriber addresses provided by Charter were not in those census blocks.

Staff agrees with CCBC that it is improper for Charter to challenge the eligibility of the six census blocks<sup>25</sup> via comments to the resolution. Charter had many opportunities to challenge the six census blocks but failed to follow the procedures set by the Commission.<sup>26</sup> Therefore, Staff agrees with CCBC and rejects Charter's request to remove census blocks from the project area because Staff has already made a

<sup>22</sup> Census blocks – 060290033042923, 060290035001081, 060290046041029, 060290047012006, 060290047012033, 060290047021022

<sup>23</sup> Right of First Refusal on January 15, 2019, original application on May 1, 2019 and revised application on September 17, 2019.

<sup>24</sup> Charter cited the wrong census block (060290034991060) in its comment.

<sup>25</sup> Census blocks – 060290033042923, 060290035001081, 060290046041029, 060290047012006, 060290047012033, 060290047021022.

<sup>26</sup> See D.18-12-018, pp. 60-61.

determination on the challenge. D.18-12-018 set forth a clear process for challenges<sup>27</sup> and Staff 's determination of the challenge stands.

Staff, however, agrees with Charter that census block 060290037001046 is ineligible for a CASF grant because the 2018 Interactive Broadband Map shows the block as served. This block has been removed from the Draft Resolution.

Staff agrees with Charter's comment regarding the specification of census blocks and census block groups. The correct census block groups and the complete list of census blocks in the project area have been added in this Resolution.

## **FINDINGS**

1. Frontier filed an application for CASF funding for its Taft Cluster Project on May 1, 2019. The revised project will deploy last mile VDSL2 facilities to enable high-speed internet of at least 10 Mbps download and 1 Mbps upload to 41 unserved households in the Taft, Buttonwillow, Fellows, McKittrick, and McFarland regions of Kern County.
2. On May 15, 2019, Staff posted a summary of the proposed Taft Cluster Project, including a list of the census blocks and zip codes covered, and the proposed project area map. The project summary was posted on the "CASF Application Project Summaries" webpage, which may be found on the Commission's website.
3. Staff received one challenge to this project from Charter Communications, Inc. Based on the subscriber bills submitted by Charter, Staff concluded two of the four census blocks challenged by Charter were already served. Staff also identified 99 census blocks are already served based on the California Interactive Broadband Map. Staff request that Charter revise its application to remove the served census blocks. The grant eligible areas are in census block groups: 060290033042; 060290033031; 060290034001; 060290033041; 060290033043; 060290037002; 060290037001.
4. Staff determined that some census blocks in the Taft Cluster project area were eligible for CASF funding despite also being census blocks where the CAF II program awarded federal funds to broadband service providers, as none of the CAF II awardees operate broadband facilities in the area at this time and thus are not "existing facilities-based broadband providers" in the proposed CASF project area.

<sup>27</sup> An entity challenging a CASF Infrastructure Grant application must submit its complete challenge no later than 21 calendar days from the notice of the application being served on the CASF Distribution List.



5. Based on its review, Staff determined that the project qualifies for funding pursuant to CASF guidelines and requirements found in D.18-12-018 and its Appendix 1 and recommends Commission approval of \$399,701.79 for Frontier's Taft Cluster Project.
6. The Commission has determined that the project is categorically exempt from CEQA review, pursuant to 14 C.C.R. section 15301 regarding exemption for existing facilities and 14 C.C.R. section 15302 regarding minor modifications to existing structures.
7. A notice was e-mailed on October 31, 2019, informing all applicants filing for CASF funding and parties on the CASF distribution list of the availability of the draft of this Resolution and of the opportunity to make comments, at the Commission's website at ~~<http://www.cpuc.ca.gov/PUC/documents/>~~ <http://www.cpuc.ca.gov/PUC/documents/>. Comments were submitted by Frontier, CETE, and Charter. Reply comments were submitted by CCBC.

**THEREFORE, IT IS ORDERED that:**

1. The Commission shall award \$399,701.79 to Frontier for the Taft Cluster Project as described herein and summarized in Appendix A of this Resolution, which shall be paid out of the CASF Infrastructure Grant Account in accordance with the guidelines adopted in D.18-12-018 and its Appendix 1, and with the process defined in Appendix D "Payments to CASF Recipients" of this Resolution.
2. Frontier shall comply with all guidelines, requirements and conditions associated with the CASF funds award as specified in D.18-12-018 and its Appendix I, and all requirements for this project contained in this resolution must also submit FCC Form 477 to the Commission, as specified in Resolution T-17143.
3. If Frontier fails to complete the project in accordance with the CASF guidelines and requirements outlined in D.18-12-018 and its Appendix 1, and the terms in this Resolution, Frontier must reimburse some or all of the CASF funds that it has received.
4. Frontier must complete and execute the consent form (to be sent to the Grantee after this Resolution is adopted) agreeing to the conditions set forth in this Resolution and return it to the CASF Staff within 30 calendar days from the date of the adoption of this Resolution. Failure to submit the consent form within 30 calendar days from the adoption date of this Resolution may result in the Commission voiding the grant award.

This Resolution is effective today. I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on\_\_\_\_\_. The following Commissioners approved it:

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ALICE STEBBINS  
Executive Director

**APPENDIX A**  
**Resolution T-17668**  
**Frontier Taft Cluster Project**  
**CASF Applicant Key Information**

<i>Project Name</i>	<b>Frontier California Taft Cluster Project</b>
<i>Project Plan</i>	Frontier proposes to deploy last-mile VDSL2 facilities near the communities of Taft, Buttonwillow, Fellows, McKittrick, and McFarland in western Kern County. The project will place five new DSLAM devices near the central offices in Taft, Fellows, McKittrick, Buttonwillow, and McFarland, and two remote terminals in the field for VDSL2 service in the Taft wire center. The proposed project will enable Internet speeds of at least 10 Mbps download and 1 Mbps.
<i>Project Size (in square miles)</i>	25.8 sq. miles
<i>Download/Upload speed</i>	Minimum 10 Mbps / Minimum 1 Mbps Maximum 115 Mbps / Maximum 7 Mbps
<i>Location</i>	Kern County
<i>Community Name</i>	Taft Cluster



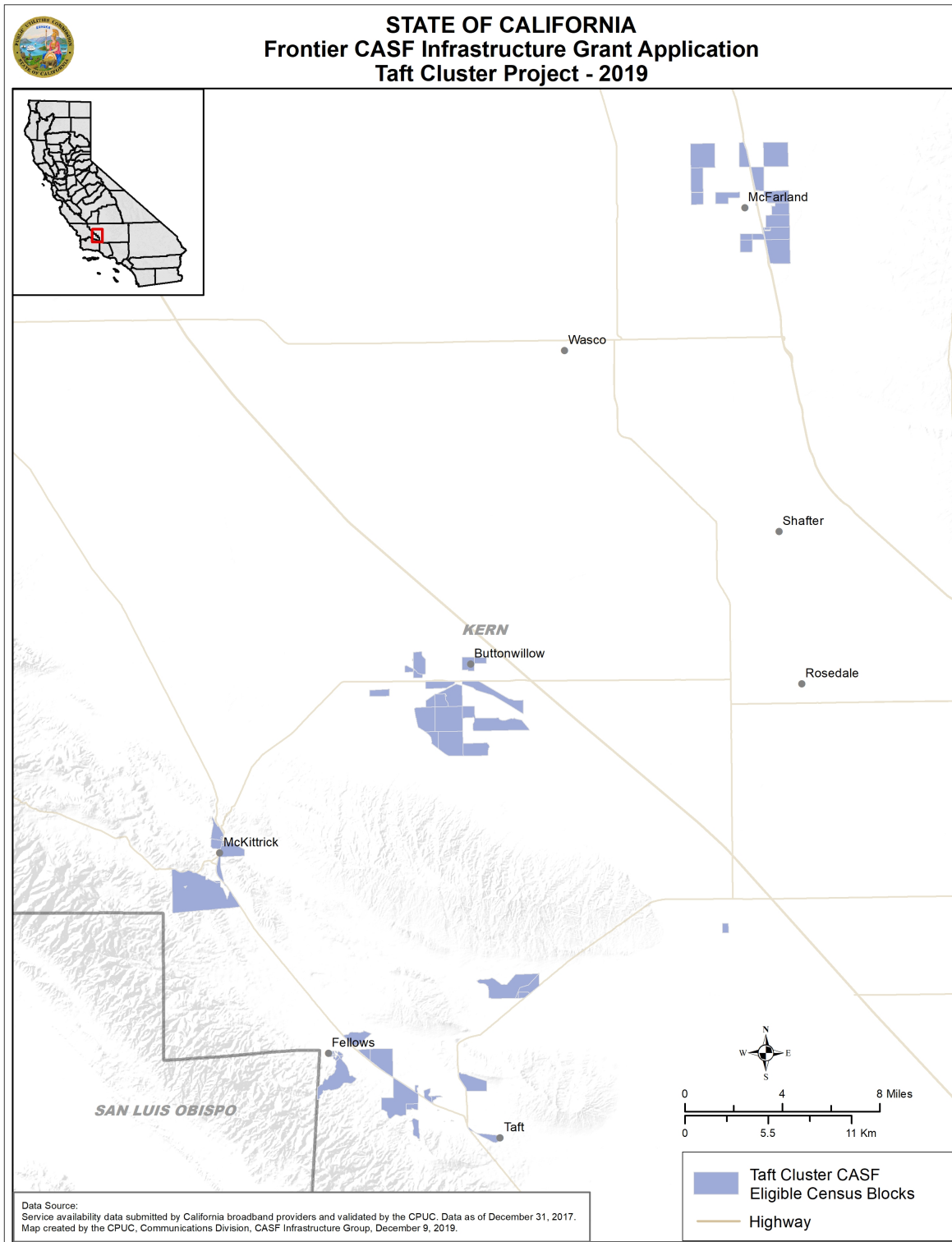
	<del>Census Block</del>		
<i>Median Household Income</i>	<del>Group</del> Blocks		\$39,430
<i>Zip Codes</i>			93206 93252 93251 93250 93268
<i>Estimated Potential</i>			41 households (2018 estimate)

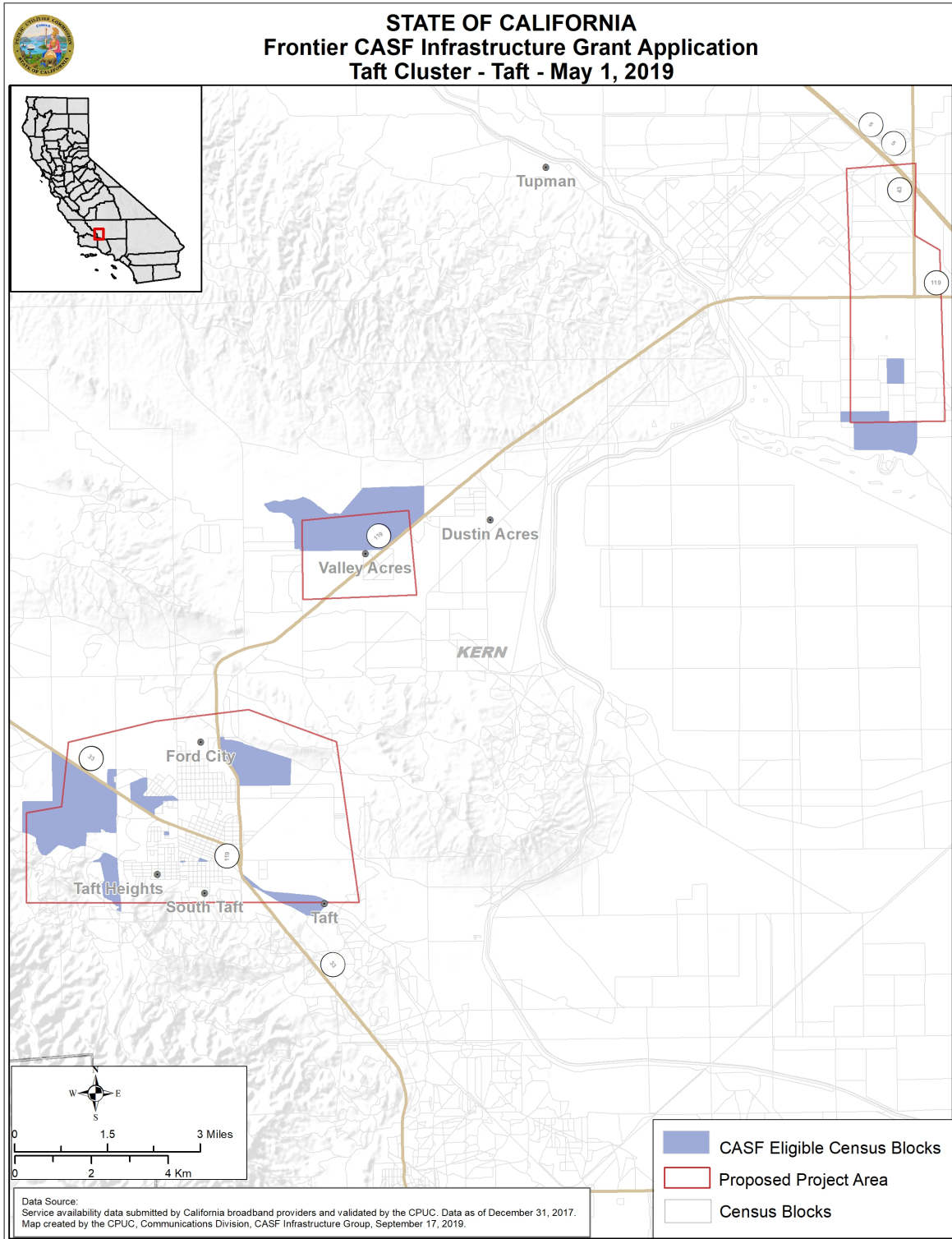
<i>Subscriber Size</i>	
<i>Applicant Expectations</i>	33 households (80 percent take)
<i>Pricing Plan (Monthly)</i>	Simply Internet (stand-alone pricing): Min: 9-12 Mbps / 1 Mbps for \$25; Max: 115 Mbps / 7 Mbps for \$60 LifeLine for \$13.99
<i>Deployment Schedule (from permit approval date)</i>	12 months
<i>Grant Requested Amount</i>	\$2,016,265.92
<i>Recommended CASF Grant</i>	\$399,701.79
<i>Recommended Grant per household passed</i>	\$9,748.82



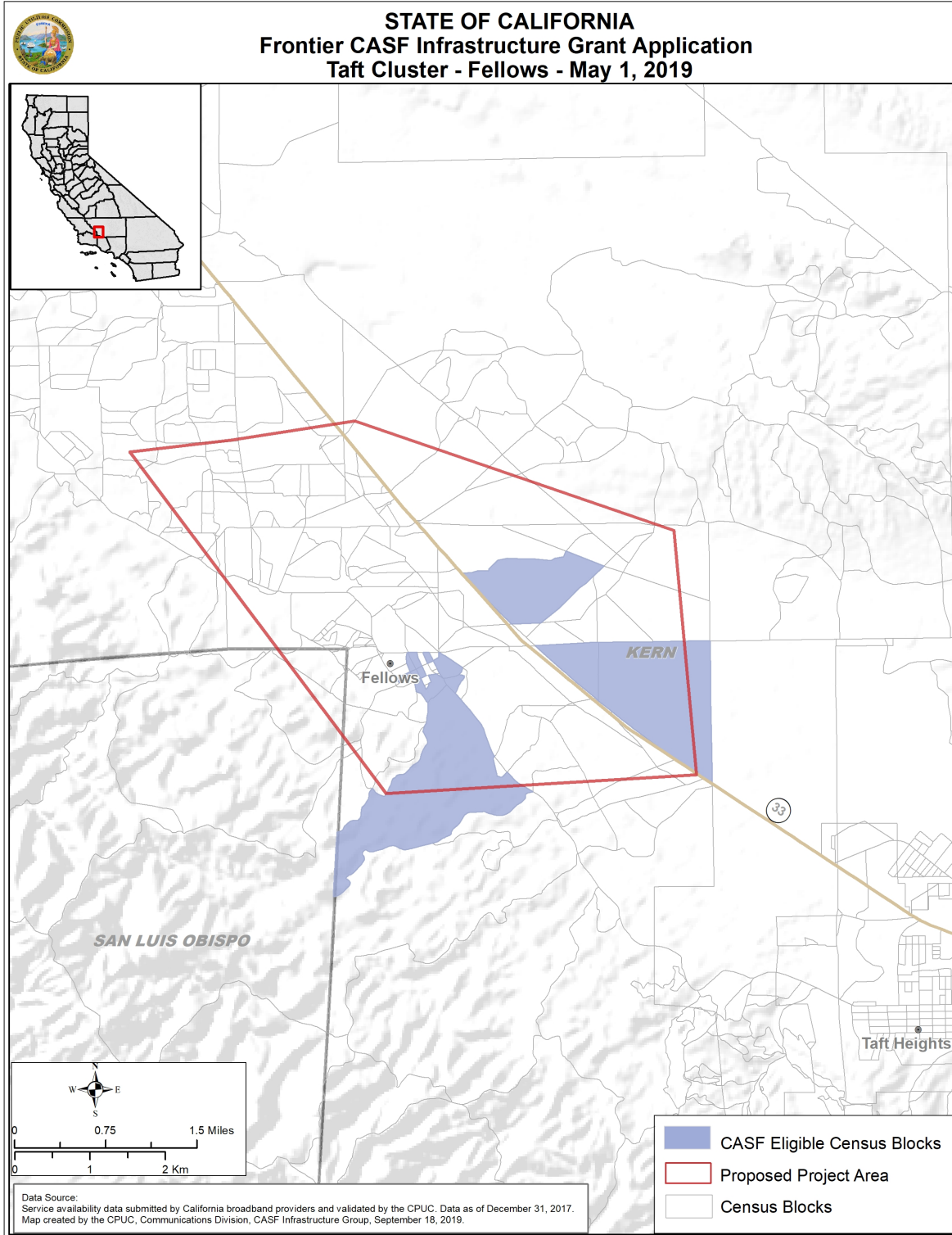
## APPENDIX B

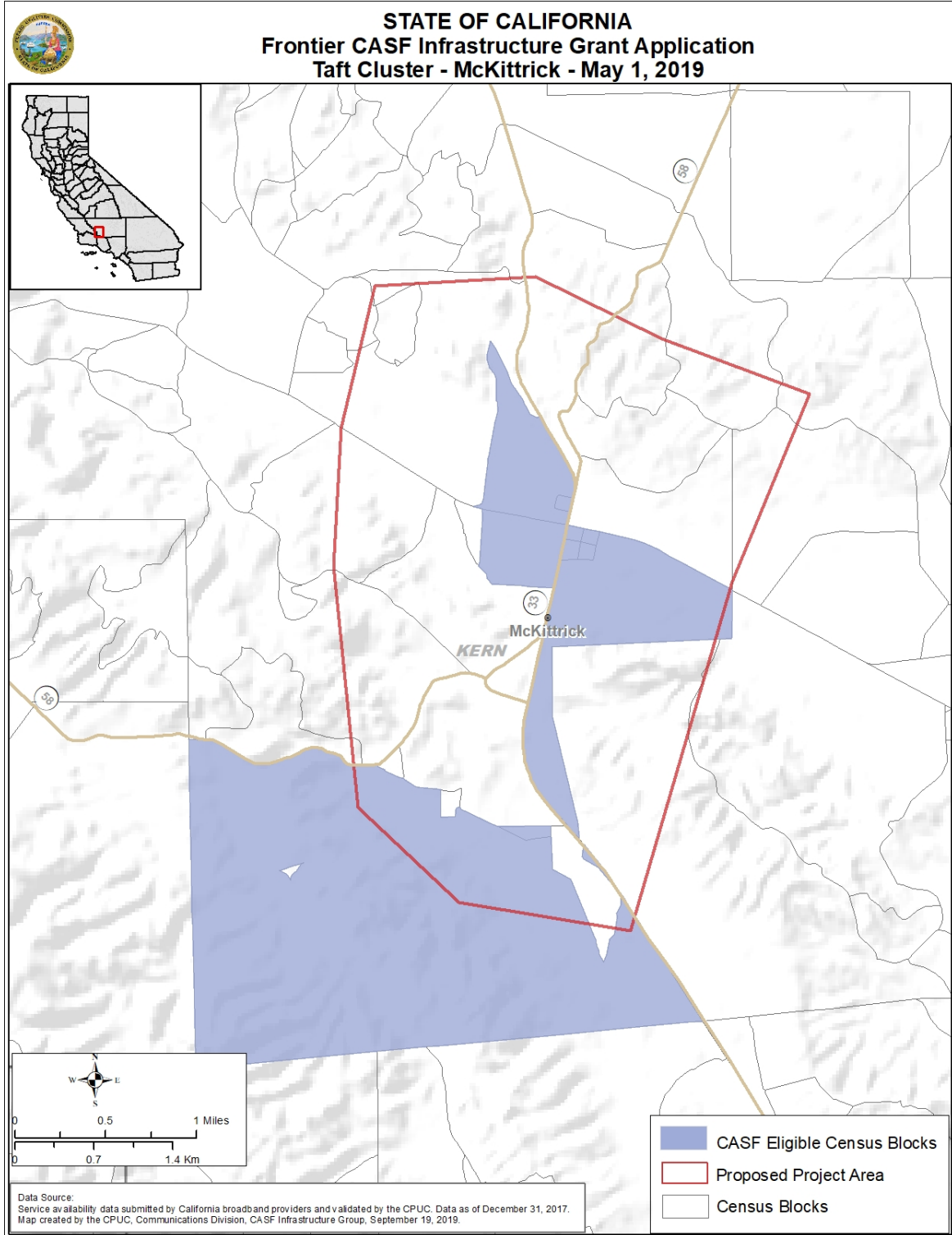
### Resolution T-17668: Frontier Taft Cluster Project Location Maps

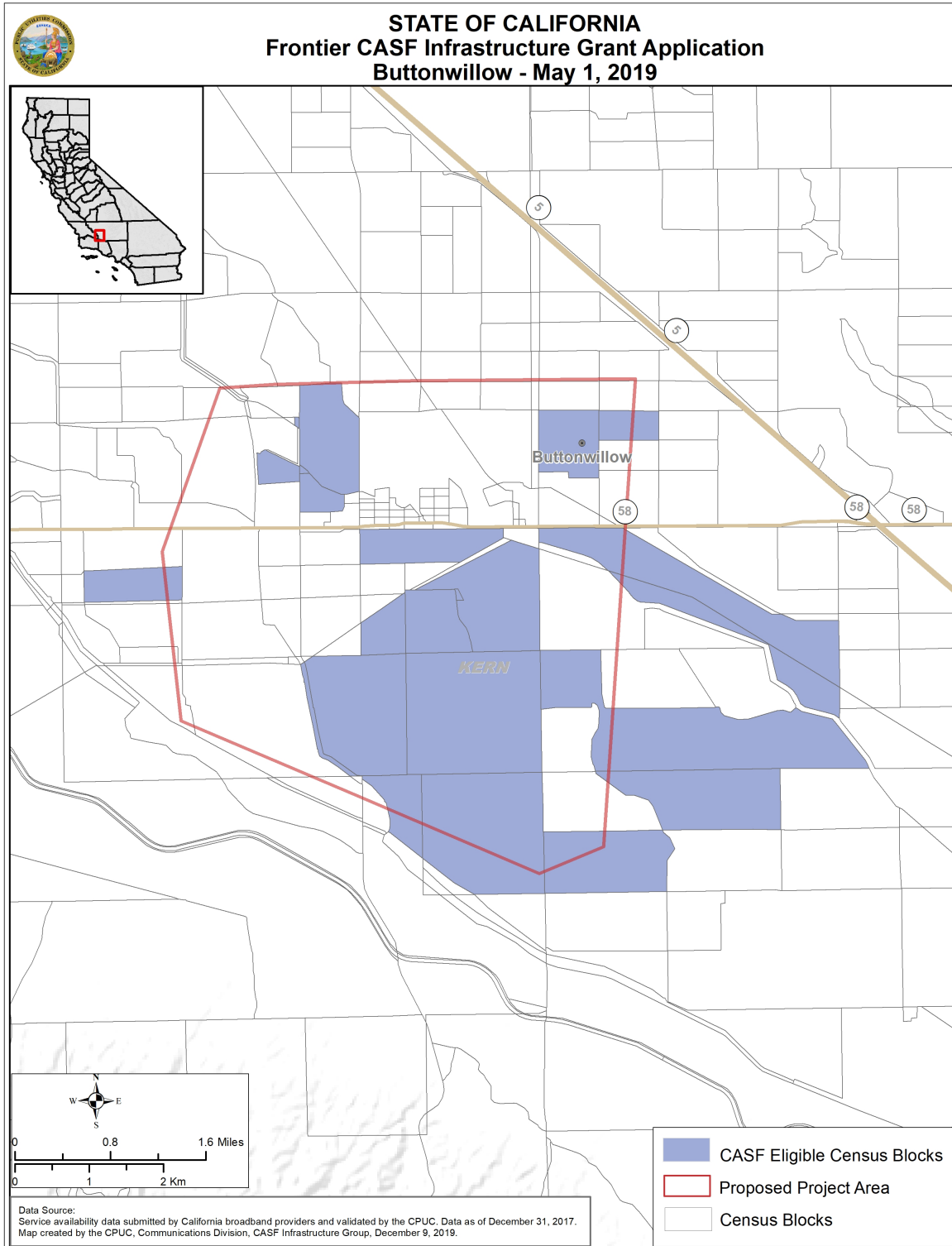


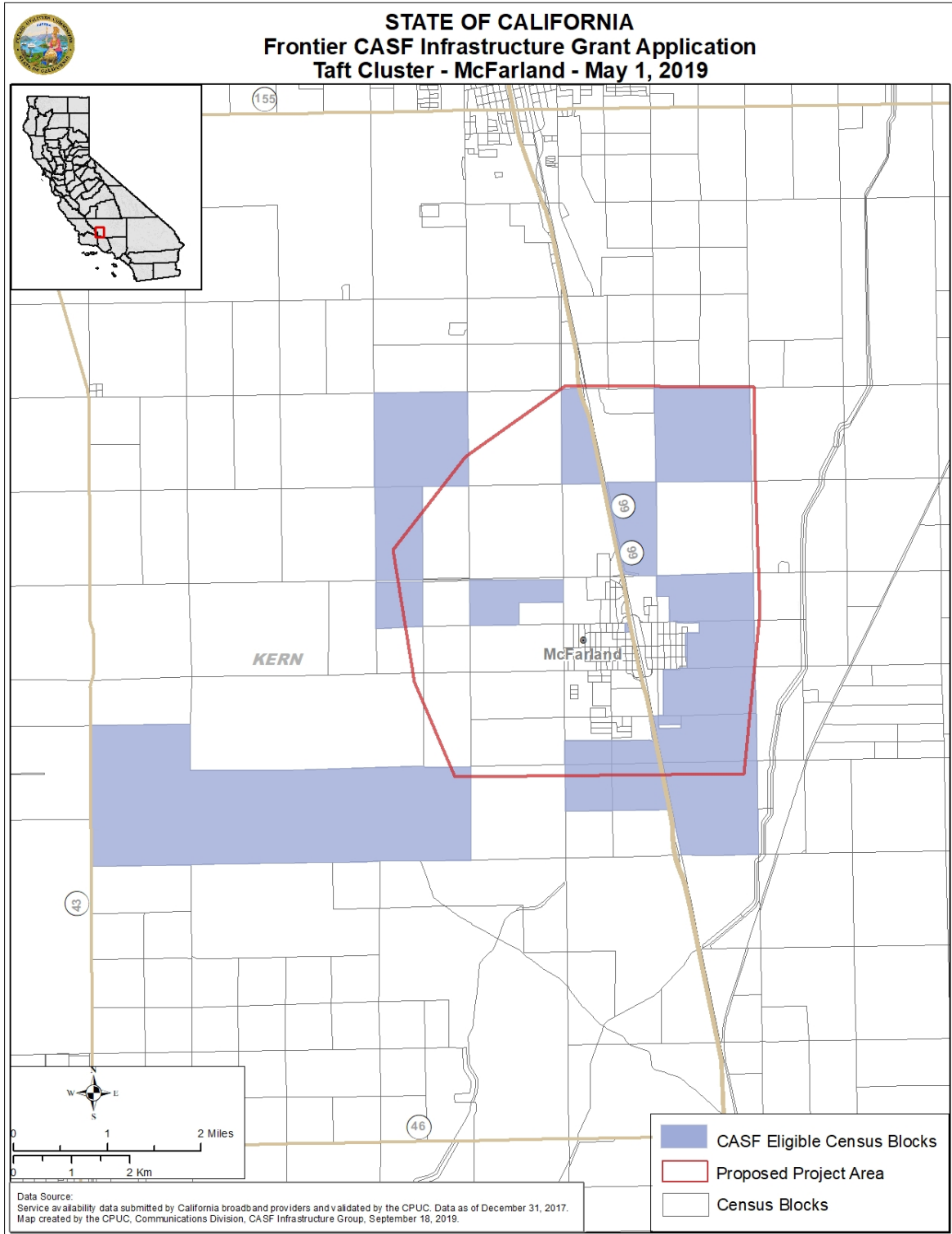












**APPENDIX C**  
**Resolution T-17668: Frontier Taft Cluster Project**  
**Geography and Topography:**

The Taft Cluster project is located in western Kern County. Taft, Fellows, and McKittrick are located approximately 30 miles southwest of Bakersfield at the eastern edge of the Temblor Range in the Central Coast region of California. Buttonwillow and McFarland are situated in the southern San Joaquin Valley, an area of intense agricultural production sustained by irrigation. Western Kern County has a desert climate with less than 10 inches of average annual precipitation with areas of rugged and difficult terrain.

**Taft** is an incorporated city located 32 miles (51 km) west-southwest of Bakersfield, at an elevation of 955 feet (291 m). The population was 9,327 at the 2010 census.

**Fellows** is a census-designated place located 5 miles (8 km) west-northwest of Taft, at an elevation of 1,316 feet (401 m). The population was 106 at the 2010 census. Fellows is surrounded on all sides by the Midway-Sunset Oil Field, the third-largest oil field in the United States, and the oil and gas industry accounts for much of the area's economic activity.

**McKittrick** is a census-designated place located 15 miles (24 km) northwest of Taft, at an elevation of 1,056 feet (322 m). The population was 115 at the 2010 census. McKittrick is the center of a large oil-producing region in western Kern County.

**Buttonwillow** is an unincorporated community located 26 miles (42 km) west of Bakersfield, at an elevation of 269 feet (82 m). The population was 1,508 at the 2010 census.

**McFarland** is an incorporated city located 25 miles (40 km) north-northwest of Bakersfield and 6.5 miles (10 km) south of Delano, at an elevation of 354 feet (108 m). The population was 12,707 at the 2010 census.

**APPENDIX D**  
**Resolution T-17668: Frontier Taft Cluster Project**  
**Payments to CASF Recipients**

Pub. Util. Code section 281(f)(11) define the costs the Commission may reimburse as follows:

- Costs directly related to the deployment of infrastructure;
- Costs to lease access to property or for Internet backhaul services for a period not to exceed five years; and
- Costs incurred by an existing facility-based broadband provider to upgrade its existing facilities to provide for interconnection.

Additionally, D.18-12-018 (Appendix 1, Section 7) caps administrative expenses directly related to the project at 15 percent of the grant amount.<sup>[2428](#)</sup>

The grantee may submit reimbursement requests at the following intervals:

- 10 percent completion;
- 35 percent completion;
- 60 percent completion;
- 85 percent completion; and
- 100 percent completion.

The final 15 percent payment request (from 85 to 100 percent) will not be paid without an approved completion report. Payments are based on submitted receipts, invoices and other supporting documentation showing expenditures incurred for the project in accordance with the approved CASF funding budget included in the CASF grantee's application.

Payment to grantees shall follow the process adopted for funds created under P.U. Code §270. The Commission generally processes payments within 20-25 business days, including Communications Division 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.

<sup>[2428](#)</sup> Administrative costs are defined as "indirect overhead costs attributable to a project, per generally accepted accounting principles (GAAP), and the direct cost of complying with Commission administrative and regulatory requirements related to the grant itself." Applicants seeking additional funds will require a Commission exemption included in a draft resolution.

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