



# Public Advocates Office

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**Subject: Public Advocates Office Opening Comments to Draft Resolution T-17672 approval of funding for the grant application of Plumas-Sierra Telecommunications (U-7218-C), from the California Advanced Services Fund up to the amount of \$1,512,163 for the Keddie Project located in Plumas County.**

## **INTRODUCTION**

Pursuant to Rule 14.5 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, the Public Advocates Office at the California Public Utilities Commission submits these Comments on Draft Resolution T-17672 (Draft Resolution) approving \$1,512,163 from the California Advanced Services Fund (CASF) for the grant application of Plumas-Sierra Telecommunications (PST) to construct the Keddie Project (Project). PST proposes to deploy middle-mile fiber and last-mile FTTH broadband access in the community of Keddie in Plumas County. The CASF grant funding request would cover the complete project deployment costs of the Keddie Project. The proposed project will enable broadband access at speeds of at least 100 Megabits per second (Mbps) download and 20 Mbps upload to 36<sup>1</sup> unserved households. The proposed project will provide ancillary benefits,

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<sup>1</sup> PST's application originally stated it will serve 33 unserved households. After the Challenge, 2 census blocks were removed from the Keddie project and the total number of unserved households to be served increased to 39. PST noted an error in the original counting and confirmed that 39 is the total number of unserved households to be served. As noted in the Drafted Resolution, though, Commission staff mapped the address data and found 3 of the 39 households were not in the project area census blocks. Thus, Commission staff determined the household count for the revised project is 36 unserved households.

including improved connectivity in a region located in a Tier 2 Fire-Threat District on the California Public Utilities Commission's (Commission) Fire Map.

PST should provide an affordable broadband plan for low-income customers comparable to low-income Internet plans offered throughout California. PST's current low-income broadband plan starts at \$45 per month, which is significantly higher compared to other low-income plans. PST should instead offer a plan for low-income customers at a starting price of \$15 per month to comply with the Performance Standards in Decision 18-12-018. Approving PST's project without an affordable broadband plan for low-income customers negatively impacts low-income households by making a plan inaccessible due to the high price. Furthermore, the proposed plan results in legal error because it does not include an affordable option, as required by the Decision. The Draft Resolution must be revised before approval of the Project.

## **DISCUSSION**

### **1. Decision 18-12-018 requires applicants to provide an affordable low-income plan.**

If approved, the Draft Resolution would commit legal error in determining that the revised Project meets the minimum performance criteria pursuant to D.18-12-018, Appendix 1, Section 6 (Section 6). Section 6 states that all CASF Infrastructure projects must meet certain performance criteria, including "Affordability: All projects shall provide an affordable broadband plan for low-income customers." However, the Draft Resolution only characterizes this requirement as "Must offer low-income plan",<sup>2</sup> going on to elaborate that PST meets this requirement because it "will offer a \$10 monthly discount on the broadband plan of the customer's choice for customers with incomes below 190 percent of the federal poverty level."<sup>3</sup> Given the pricing plans offered by PST, this will result in a minimum price of \$45 per month for a plan providing 10 Mbps download and 1 Mbps upload speeds. Plans with higher speeds would cost even more (see Table 1 below).

The Draft Resolution's omission of the word "affordable" from the requirement and its lack of application of this affordability requirement constitutes legal error. Further, the approval of merely a \$10 per month discount to qualify as affordable does not follow a reasonable standard

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<sup>2</sup> Draft Resolution at 5 (Table 2).

<sup>3</sup> Draft Resolution at 9.

for defining affordability for this Project. The Commission should apply the more reasonable standards for defining affordability, as described in detail below.

**2. Affordable plans should align with standards followed by other CASF grant participants, and it should not exceed the price of other local offerings.**

Affordability is necessary for the CASF program to reach its goal of providing broadband access to no less than 98 percent of California households in each consortia region. Customers cannot access broadband unless it is affordable, as affordability is a key barrier to broadband adoption. According to a Pew Research Home Broadband 2015 report, subscription cost was the most frequent reason why households do not have broadband.<sup>4</sup> A Commission report on Broadband Adoption Gap Analysis reached a similar finding in June 2019, reporting “the most constant and significant factor affecting [broadband] adoption is income.”<sup>5</sup> Approving broadband plans that customers cannot afford will not deliver “significant contribution toward the program goal.” The Draft Resolution currently allows PST a 10% addition to its grant funding level with the assumption that it will accomplish a significant contribution towards the Program Goal of 98% broadband connectivity statewide. Low-income customers exist in the proposed project area that would benefit from these plans. The proposed project area includes poverty rates of 10.1% and 8.2% across its two census block groups.

While Decision 18-12-018 does not define “Affordability”, there are several standards that are reasonable to apply in this case. For example, two proposed CASF Broadband Infrastructure grant recipients, Frontier and Charter, both offer broadband plans for low-income customers at or below \$14.99 per month.<sup>6</sup> Additionally, the Criteria for Project Funding Level table in D.18-12-018 offers an additional 10% in funding to applicants that serve low-income customers for less

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<sup>4</sup> Pew Research Center, December 21, 2015, “Home Broadband 2015” Available at: <http://www.pewinternet.org/2015/12/21/2015/Home-Broadband-2015/>

<sup>5</sup> California Public Utilities Commission Broadband Adoption Gap Analysis, June 2019, “Broadband Adoption Gap Analysis, Available at [https://www.cpuc.ca.gov/uploadedFiles/CPUCWebsite/Content/UtilitiesIndustries/Communications/Reports\\_and\\_Presentations/CDVideoBB/BAGapAnalysis.pdf](https://www.cpuc.ca.gov/uploadedFiles/CPUCWebsite/Content/UtilitiesIndustries/Communications/Reports_and_Presentations/CDVideoBB/BAGapAnalysis.pdf)

<sup>6</sup> See plans Frontier Fundamental and Charter’s Spectrum Internet Assist. Also see details in Table 1 below on speeds offered for each plan. It is also notable that Frontier is registered as a California LifeLine provider, and it provides a LifeLine discount on its broadband plans for eligible customers. The Commission could ensure affordability of CASF project plans by requiring applicant participation in the California LifeLine program.

than \$15/month, suggesting \$15 as a starting point for affordable pricing. PST’s proposed low-income broadband plan is three times as expensive (\$45 per month) as these plans. The existing affordable plans offered by other carriers serve as a comparison for what constitutes an affordable broadband plan.

Whether PST’s low-income broadband plan is affordable can also be assessed by what is currently offered in the area. In addition to the low-income offering described above, Frontier offers a regular, non-low-income plan for \$34.99 per month at comparable speeds (10 Mbps download)<sup>7</sup> to the plan that PST proposes will cost \$45 per month. Therefore, PST’s low-income proposal is also not affordable compared to other non-low-income plans offered in the area.

The table below shows a comparison of broadband plan prices proposed by PST and the affordable offerings by other companies. As demonstrated by a comparison of prices at identical speeds, PST’s proposal is unreasonable given the wide difference in cost between other available plans and PST’s proposed prices for equivalent speeds.

**Table 1: Monthly Plan Prices, by Download Speed**

Speed	PST Low-Income Proposal	Frontier Low-Income Plan	Charter Low-Income Plan	Frontier Non-Low-Income Plans Near Project Area	Public Advocates Office Low-Income Proposal
<b>10 Mbps</b>	\$45	\$14.99	-	\$34.99	\$15
<b>15 Mbps</b>	\$55	-	-	-	\$25
<b>20 Mbps</b>	\$65	-	-	-	\$35
<b>25 Mbps</b>	\$75	-	-	-	\$45
<b>30 Mbps</b>	-	\$14.99*	\$14.99**	-	-
<b>50 Mbps</b>	\$85	\$14.99	-	-	\$55
<b>100 Mbps</b>	\$99	-	-	-	\$65

\*Plans at speeds above 12 Mbps depends on the availability of fiber in a given Frontier location.

\*\*Charter’s minimum speed offering is 30 Mbps.

<sup>7</sup> Frontier Response to Public Advocates Office Data Request.

**3. The Project will still be viable with the inclusion of an affordable low-income offering.**

While PST operates primarily in rural areas and has a smaller customer base than Frontier or Charter, offering an affordable low-income plan as proposed above will still likely result in net positive revenues from the project for PST over the life of the capital assets subsidized by CASF. PST's application includes \$1,315,410 in middle mile grant funding, which is 87% of the Project cost.<sup>8</sup> This includes 13.7 miles in fiber optic cable that may be eligible to serve surrounding areas. Therefore, PST may receive revenue not only from the CASF-eligible households in the Project, but also from additional subscribers it may gain by leveraging the CASF-funded infrastructure in the future. Based on this, the Project should be viable even if all of the low-income customers in its two Project census block groups sign up for a lower priced low-income plan. The Commission should adopt the affordability recommendations above to ensure viable access to low-income customers in the Project area.

**4. PST should submit a supplemental description of an affordable low-income plan offering.**

To ensure viability, any affordable low-income offering must, at a minimum, include a marketing plan, a description of how PST will determine low-income status (e.g., allowing Medi-Cal and CalFresh participants to qualify), and a description of the services that will be offered. While the Draft Resolution states that the plan "will offer a \$10 monthly discount on the broadband plan of the customer's choice for customers with incomes below 190 percent of the federal poverty level," no mention of this plan was included in the Application. A review of the PST website does not reveal any details about an existing low-income plan offering by PST, so we assume that it will only be available to customers of their CASF grant projects.

The marketing plan must include PST's plans to make customers aware of the option (e.g., building a link on its homepage to a dedicated website, training customer service representatives to share plan availability to newly enrolled customers, etc.). The Commission should require PST to submit a supplemental description of an affordable low-income plan offering before

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<sup>8</sup> Draft Resolution, page 7.

approving this application. Reporting on customer enrollment in the affordable low-income plan should be included in the Draft Resolution under V. Compliance Requirements, Section F.

**CONCLUSION**

The Commission should modify Draft Resolution T-17672 to require PST to submit an affordable low-income broadband plan at \$15 per month with minimum download speeds of 10 Mbps.

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Sincerely,

/s/ Ana Maria Johnson

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## **Attachment A**

Public Advocates Office Redline of the Findings of Fact, Ordering Paragraphs, and Body Text of  
Draft Resolution T-17672

**FINDINGS:**

- 4. 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, with the exception of the affordable low-income plan offering requirement, and recommends Commission approval of CASF funding for PST’s Keddie Project.
- 5. Based on a price comparison of other affordable low-income plans by other CASF applicants and prices offered for existing standard plans in the project area, Staff has determined that an affordable low-income offering starts at a price of \$15 per month for download speeds of 10 Mbps.
- 5.6. The Commission has determined that the project is categorically exempt from CEQA review, under 14 C.C.R. § 15301 regarding exemption for existing facilities and 14 C.C.R. § 15304 regarding minor alterations to land.

**ORDERING PARAGRAPHS**

- 5. In compliance with the requirements of D.18-12-018, PST shall implement an affordable low-income plan in conjunction with this project. PST shall offer affordable low-income broadband plans at \$15 per month for its 10 Mbps plan, and increasing in \$10 increments for each higher speed tier. PST shall also submit within 30 days of the approval of this Resolution a detailed description of its affordable low-income plan, including its marketing, training, eligibility requirements.

**Redlines to Draft Resolution Body Text:**

**II. Minimum Performance Criteria**

PST’s broadband service offering and pricing meet CASF minimum performance criteria, but it does not meet the requirement to offer an affordable low-income plan. PST commits to a broadband pricing plan, as summarized in Table 3, for two years, starting from the beginning date of service. Activation and installation fees will be waived for this project, in line with CASF requirements. PST’s equipment fee will be waived for the first two years and cost \$99 per year thereafter. However, PST did not include an affordable low-income plan in its application. A comparison of pricing for affordable low-income plans by other carriers demonstrates that affordable low-income plans should be made available by PST at a price of \$15 per month.

**Table 2: Minimum Performance Criteria**

	<b>CASF Performance Criteria</b>	<b>Proposed Project</b>
<b>Affordability</b>	Must offer <u>affordable</u> low-income plan	\$10 monthly discount



## V. Compliance Requirements

### E. 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, PST 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. Quarterly reports should also include enrollment numbers in the affordable low-income program.