

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

Rulemaking 12-10-012

**COMMENTS OF THE CALIFORNIA EMERGING TECHNOLOGY FUND
ON STAFF REPORT PROPOSING RULES TO IMPLEMENT PROGRAM CHANGES
TO THE CALIFORNIA ADVANCED SERVICES FUND INITIATED BY AB 1299**

Raquel Cinat

Associate Vice President

California Emerging Technology Fund

1000 North Alameda Street #240

Los Angeles, CA 90012

213.443.9952 x3201office

213. 613 0302 fax

raquel.cinat@cetfund.org

Date: July 28, 2014

The California Emerging Technology Fund (CETF) applauds the work of the California Public Utilities Commission (CPUC) Communications Division (CD) staff, which is reflected in the 70-page summary report proposing rules to implement AB 1299. CD staff has taken to heart the purpose of AB1299 and has listened to all stakeholders through the workshop process across the state.

The goal of CETF is to support the California Advanced Services (CASF) staff in being able to implement AB 1299 with the most cost-effective impact in the shortest period of time. Thus, it is critical to get applicants with capacity and ability to perform to submit quality applications to fully subscribe to the AB 1299 funds within the first year. And, in this pursuit, scale makes a big difference. Therefore, the following CETF comments are related to the issue of cost-effective scale and impact.

General Comments:

- “Wired Vs. Not Wired Properties”: CD staff suggests in Recommendation 41 that the Commission prioritize applications from organizations whose properties are not wired for broadband. Properties that do not have wiring for 100 percent of units will be able to start submitting applications on December 1, 2014. Publicly-subsidized properties that are both wired and not wired will be able to submit their applications 6 months later.

CETF requests clarification on this Recommendation as it is not clear on the definition of “properties that are/are not wired.” Is a property considered “not wired” or “unserved” if it does not have a phone or cable connection? A property cannot be considered “served” if it is wired for phone or cable service as having those services does not constitute having broadband at home.

The clear intent of the law is to get high-speed Internet connectivity that is affordable for both the owner and the resident of publicly-subsidized housing. For the program to be successful, building owners have to be able to apply for AB1299 funds as soon as possible even if the units have a phone line or few former or current tenants directly ordered broadband service in the past. Unless the property owner ordered high-speed Internet connectivity service for the entire property, the property should be considered unserved.

Publicly-subsidized housing organizations that have unserved and underserved properties should be able to apply for infrastructure and adoption funding from the beginning of the grant process in December 2014.

- Maximum Threshold: Recommendation 18 states that the Commission should cap the total grant request amount CD staff may approve (\$75,000) along with a maximum amount per unit (\$300-\$600, depending on the size of the property), among additional criteria.

CETF highly recommends not setting a grant funding threshold for expedited staff approval but only using an acceptable range of cost per unit based on documented evidence. The goal should be to get as many publicly-subsidized units and complexes connected as

possible. Applicants should be allowed to apply for multiple grants for various developments simultaneously. CETF wants to reiterate that establishing a maximum cap for staff approval might result in discouraging applicants from requesting funding for multiple projects in their portfolio, which can increase efficiency and accelerate impact from AB1299. If a maximum threshold must be established for CD staff to approve grants by using a checklist, CETF supports authority for staff approval of application to be \$500,000 as originally commented in February 2014.

- Program Goal: CD staff recommends the Commission adopt a goal of connecting 40,000 units with the \$20M, based on the premise that 75% of applications will be for projects proposing to connect 100 units or less and an average of \$500 cost per unit. Based on the research submitted with the February 2014 comments, CETF suggests a more realistic average cost per unit is approximately \$400. CETF recommends that the CPUC set a performance standard of achieving broadband connectivity in at least 40,000 units and a goal of reaching up to 50,000 units at an average cost no greater than \$400 per unit. With owners of larger projects being able to apply and to package an application with several housing projects that the average cost of \$400 is realistic because “scale” (volume of units and competitive bidding for larger orders) works in favor of the customer.
- Regional Distribution: AB 1299 requires the Commission, to the extent feasible, to approve projects for publicly-supported communities “in a manner that reflects the statewide distribution of publicly supported communities.” Recommendation 10 proposes setting aside 15% of the infrastructure and adoption funding to fulfill this requirement.

However, CETF wants to reiterate that a reservation by proportion of statewide total units in each geographic area (at least Southern and Northern California) should be in place to provide fairness in funding to meet the magnitude of need. The Commission might need to take into account documented variations in the cost of doing business in different regions of the state. The Commission should approve projects for publicly-subsidized multi-tenant affordable housing complexes in a manner that reflects their statewide distribution, analyzed and tracked by complexes and total units. In order to comply with the “geographic proportionality requirements” of AB1299, the CPUC CASF staff should “reserve the right to not approve applications for viable projects” at a point in time when the percentage amount of funds awarded for Northern California or Southern California or a specific region meets or slightly exceeds the percentage of publicly-subsidized multi-tenant units in that geographic area.

In addition, CETF considers the rural set aside for infrastructure and adoption funding should be 10% (not 15%) because more than 85% of all publicly-subsidized multi-tenant attached housing projects are located in non-rural, urban communities. However, a 10% set aside for projects in rural communities will reserve sufficient funds for applicants with rural projects to prepare applications. It also should be recognized that the amount of funding for rural projects could be greater depending on the number and quality of applications received.

CETF is willing to work with affordable housing stakeholders to develop a process and format for tracking geographic distribution of funding. The California Department of Housing and Community Development (HCD) has established an effective method of promoting geographic diversity in its programs, such as the Multifamily Housing Program, that could serve as a model. The California Tax Credit Allocation Committee's allocation process might also be a good source for an approach to equitable distribution of resources.

- Service Speed: Recommendation 20 states that the Commission should require applicants to build networks capable of providing Commission- defined served speeds but not insist on bandwidth requirements. CETF reiterates the Commission should set a minimum speed required to ensure low-income families and individuals residing in publicly-subsidized housing receive appropriate speeds that will allow them to conduct meaningful activities, such as taking classes, streaming video, and conducting telehealth monitoring and consultation. CETF suggests a minimum service speed of 1.5 Mbps both ways.
- Allowable Infrastructure Expenses: CETF agrees infrastructure funds should cover all aspects of a unit connectivity project. CETF recommends adding one more item to the list of approved installation cost expenses stated in Recommendation 13, which is the electrical installation and labor required to power the eligible hardware for the project.
- Service Fee: Recommendation 19 suggests in cases where the applicant decides not to offer free Internet service, the Commission require applicants commit to charging residents less than \$20 per month. CETF participated in all workshops diligently conducted by CD staff. When participants were asked for a reasonable affordable rate for residents of publicly-subsidized housing, there was general agreement that low-income residents would be able to afford a high-speed Internet service at home of up to \$10 a month. That is the current monthly cost of Comcast Essentials and Mobile Citizen services. CETF suggests that service fees of up to \$10 a month is more in line with the economic realities and affordability limits of the residents.
- Computing Devices: The Smart Housing Pilot Partnership in Los Angeles offered HACLA residents refurbished desktops -after the completion of a Digital Literacy training course- for a \$25 donation. The Partnership is pleased with the results this approach has obtained. CETF suggests the Commission consider allowing only good-quality refurbished computing devices that meet a set of minimum requirements. Given the limited funding available for adoption projects, the purchase of new computers would be cost prohibitive. Also, based on the experience acquired through the Smart Housing Pilot Project, CETF suggests the Commission allow the purchase of desktop refurbished computers (as opposed to mobile devices such as laptops, netbooks, or tablets) to ensure the devices stay at home for the use of every member of the family.
- Digital Literacy Training: CD staff proposes on Recommendation 38 the Commission require applicants begin offering training within 9 months of the date the grant is approved. CETF suggests the Commission consider requesting applicants to begin training classes within a month of the day the property is connected to high-speed Internet to avoid a long time gap.

Apparent Discrepancy:

- **Digital Literacy Curricula:** There seems to be contradicting information regarding this topic, as staff seems to encourage the use of existing curriculum at times but it also states that development of curricula should be an allowable expense. CETF suggests not expend funds on developing new Digital Literacy curricula given the prevalence of already developed, tested, and implemented curricula.

Clarifications:

- **February 2014 Comments:** The comments submitted by CETF on the Revised Scoping Memo in February of 2014 were not prepared by CETF only. They were developed in collaboration with housing organizations across the state and endorsed by the Non-Profit Housing Association of Northern California (NPH), Eden Housing, LINC Housing, Mission Economic Development Agency (MEDA), the Housing Authority of the City of Los Angeles (HACLA), and the Southern California Association of Nonprofit Housing (SCANPH).
- **Name of Project:** The case studies conducted by CETF with the Housing Authority of Los Angeles are being referred in the report as the “Smarter Broadband project.” The actual name is the “Smart Housing Pilot Partnership (SHPP) project.”
- **Access Denial:** On page 25, the report states that HACLA denied access to an ISP to one of its properties because the provider wanted exclusive access to the property, with HACLA paying for trenching costs and an agreement that an increasing number of units would subscribe overtime. In actuality, the ISP not only wanted exclusive access to the property but also wanted to charge approximately \$45 per unit for high-speed Internet and required HACLA to cover the first 2 years of the service.
- **SHPP Costs:** Also, on page 25, the reports states that the Smart Housing Pilot Partnership project at two sites cost roughly \$270,000, not including bandwidth to the minimum point of entry (MPOE). CETF would like to clarify that that portion was not included in the costs of the project because the Internet Service Provider conducted the work at no charge since HACLA agreed to sign a 3-year contract with them.
- **Match Fund Requirement:** The position of CETF might be confusing to the reader as in section 8.2.1 the report states CETF recommends there should not be a match requirement but at the same time it states CETF recommends ongoing expenses should be eligible match funds.

CETF agrees with CD staff and thinks applicants should be expected to contribute match funds to the project. Ongoing network maintenance, the reoccurring cost of high-speed Internet, or user fees paid by residents should be considered as eligible match funds. Some organizations might also be able to leverage their technical support or existing Digital

Literacy training. The goal should be to identify cost-effective projects that also leverage as much as possible the CASF AB1299 funds with additional match funding sources.

- End of the Program: Section 8.1 states that, “the goal of the CASF program is to approve funding , no later than December 31, 2015, for infrastructure projects that will provide broadband Internet access to not less than 98 percent of California households.” The correct due date to submit an application is December 31, 2016.

Final Recommendation:

- The Commission should establish a learning community and require quarterly in-person one-day meetings with grantees to share progress reports, lessons learned, best practices and public policy conclusions to inform policymakers, stakeholders and partners.

Dated: July 28, 2014

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Raquel Cinat", enclosed in a light blue rectangular box.

Raquel Cinat
Associate Vice President
California Emerging Technology Fund
1000 North Alameda Street #240
Los Angeles, CA 90012
213.443.9952 x3201office
213. 613 0302 fax
raquel.cinat@cetfund.org