

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Broadband Policy and Analysis Branch**

**RESOLUTION T- 17428
December 19, 2013**

R E S O L U T I O N

Resolution T-17428 Approval of Funding for the Grant Application of The Ponderosa Telephone Company (U-1014-C), from the California Advanced Services Fund in the Amount of \$1,027,380 for the Cressman Underserved Broadband Project

I. SUMMARY

This Resolution approves funding in the amount of \$1,027,380 from the California Advanced Service Fund (CASF) for the CASF grant application of The Ponderosa Telephone Company (Ponderosa) for its Cressman Underserved Broadband Project (Cressman Project). The Cressman Project will extend high-speed Internet service to 3.56 square miles covering the Cressman area of Fresno County.

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) 1040¹ 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."² SB 1040 also expanded the CASF fund from

¹ Stats. 2010, c. 317, codified at Public Utilities (P.U.) Code § 281.

² P.U. Code § 281(e).

\$100 million to \$225 million adding \$100 million to the Infrastructure Grant Account and allocating \$10 million and \$15 million to the Consortia Grant Account and the Revolving Loan Account, respectively.³

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;
- 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);” and
- A Revolving Loan Program to provide supplemental financing for projects also applying for CASF grant funding (up to 20% of projects costs, with a maximum of \$500,000), utilizing the same project and applicant eligibility requirements as the Infrastructure Grant Program.

Consequently, on May 10, 2012, the Commission approved Resolution T-17362 which established the application deadlines for the CASF Broadband Infrastructure Grant Account and the Revolving Loan Account as follows:

- October 1, 2012, for unserved areas;
- February 1, 2013, for underserved areas not previously funded by the CASF and hybrid projects that cover both unserved and underserved areas; and,
- A date to be determined for projects in underserved areas where the existing broadband infrastructure was partially funded by a CASF grant.

On February 1, 2013, Ponderosa, an incumbent local exchange carrier, submitted an application for CASF funding in the underserved area of Cressman in Fresno County.

III. NOTICE/PROTESTS

Communications Division (CD) posted the proposed project area map, census block groups (CBG), and zip codes by county for the Cressman Project on the Commission’s CASF webpage under “Pending New CASF Applications to Offer Broadband as of February 11, 2013.” CD did not receive any challenges from any broadband provider purporting to provide service at served speeds in the proposed project areas.

³ P.U. Code § 281(b)(1).

IV. DISCUSSION

This Resolution adopts CD's recommended CASF fund award of \$1,027,380 for the Cressman Project. This award represents 60% of the total project cost of \$1,712,300. Key project information and maps are shown on pages A-1 through A-3 of Appendix A.

A. Project Overview

Ponderosa has been a provider of local exchange service for more than 100 years. Aside from local exchange service, it also provides communities with broadband services. With the Cressman Project, Ponderosa proposes to bring broadband services to the Cressman area of Fresno County. Currently, the project area does not receive any wireline broadband service, except for a half mile road (between Wild Iris Lane and Upper Cressman Road) that receives Ponderosa's Asymmetric xDSL at speeds that qualify only as "underserved". The entire project area receives mobile wireless broadband service from Verizon Wireless, but at speeds that also qualify only as "underserved". The Cressman Project proposes a combination of upgrading an existing system and installing new systems and infrastructure in order to provide high speed Internet service over a 3.56 square mile area. The CBGs impacted by the project area are: 060190064022 and 060190064026.

Ponderosa proposes to expand their existing network by extending fiber optic backhaul facilities and connecting to multiple Broadband Loop Carrier systems (BLC). The fiber will extend from an upgraded BLC site at Sierra Cedars to two new BLC sites at Lower Cressman and Rush Creek. The installations will utilize Ponderosa's existing copper distribution plants in a fiber-to-the-node configuration and deploy VDSL2 and ADSL2+ technologies to connect end-users.

Ponderosa targeted the area for broadband deployment because of the existence of customer demand and economic viability. Ponderosa determined that the project is economically feasible with the assistance of a CASF grant of \$1,027,380, or 60% of total project costs, to supplement Ponderosa's funding of \$684,920.

When complete, the Cressman Project will reach an estimated 116 households, all of which are currently underserved. Ponderosa estimates the project will initially yield at least 35 of the 116 potential subscriber households in the proposed area. The project will reach all 116 households at minimum advertised speeds of 6 Mbps/ 1.5 Mbps, which meets the served thresholds of 6 Mbps/ 1.5 Mbps. The maximum speeds offered will be 24 Mbps/ 2 Mbps via VDSL2 technology available to approximately 22 households. Most

of the other households will receive ADSL2+ technology, with maximum advertised speeds of 12 Mbps/ 1.5 Mbps.

Ponderosa has committed to a broadband pricing plan under the terms shown below for two years, starting from the beginning date of service. This commitment is for its affiliate, Ponderosa Cablevision, which will provide Internet access over Ponderosa’s network. Ponderosa will also provide wholesale access to its network to other Internet service providers. The recurring monthly rates assume a one year commitment by the customer.

| | Broadband Speed (Up/Down) | Standalone Broadband Service | Broadband Price when purchased with Voice Service |
|---------------------------------|------------------------------|---------------------------------|---|
| Monthly Recurring Rates: | | | |
| Standard | 6 Mbps/ 1.5 Mbps | \$112.95 | \$54.95 |
| Broadband Pro | 12 Mbps/ 1.5 Mbps | \$117.95 | \$59.95 |
| Broadband Extreme | 10 Mbps/ 3 Mbps | \$149.95 | \$74.95 |
| Modem Rental (optional) | | \$3.95 | \$3.95 |
| Non-recurring Charges: | | | |
| Modem Purchase (optional) | | \$89.00 | \$89.00 |
| Activation Charge | | Fee Waived | Fee Waived |

B. Project Qualification

To qualify for the CASF program, the 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 United States 2010 Census data and the California Interactive Broadband Availability maps which contain broadband availability data as of June 30, 2012.⁴ Once CD determines that the area is eligible either as an unserved or underserved area, CD evaluates all other information submitted by the applicant to determine if the project meets the requirements outlined in D.12-02-015. Other information CD reviews includes: proof of a Certificate of Public Convenience and Necessity (CPCN) from the Commission; descriptions of current and proposed broadband infrastructure; number of potential subscriber households and average

⁴ Since Ponderosa’s submission of its CASF project application, Round 7 broadband availability data as of December 31, 2012, has become available in the California Interactive Broadband Map. The latest data continues to show that the proposed project area does not have broadband availability at served speeds of 6 Mbps download and 1.5 Mbps upload.

income; project construction schedule; project budget; proposed pricing and commitment period for new subscribers; and financial viability of the applicant.

As an initial step in the review of Ponderosa's application, CD checked the CBGs submitted in the project application and determined that the project was indeed underserved. In doing so, CD found broadband availability at served speeds by satellite providers such as Hughes.net and Skycasters, LLC. However, as adopted in D.12-02-015, the Commission does not consider satellite broadband service in CASF project evaluation, unless the satellite project in an area was previously funded by the CASF.⁵

Additionally, CD requested greater detail concerning the current infrastructure, project budget, pro forma financials, project broadband speeds, and possible impacts to the environment and community. CD also obtained a revised pricing plan to include standalone broadband service rates.

C. Project Evaluation 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 include: (i) Funds Requested per Potential Customer, (ii) Speed, (iii) Financial Viability, (iv) Pricing, (v) Total Number of Households in the Proposed Area, (vi) Timeliness of Completion of Project, (vii) Guaranteed Pricing Period, and (viii) Low-Income Areas.

This project had a relatively low score compared to other projects, due, in part, to the low number of households within the project area. However, the project did score particularly well in two important categories: Financial Viability and Low-Income Areas.

CD's review of the Cressman Project revealed some noteworthy qualities that did not factor into the project's score, but have the potential to benefit consumers, businesses and anchor institutions in or around the project area. First and foremost, while the Cressman project area is considered "underserved" due to the presence of wireless mobile broadband, the vast majority of the area does not receive any fixed broadband (via wireline or fixed wireless technologies) in the project area. The Cressman Project would bring the first and only fixed broadband service to the area, except for the small portion that receives Ponderosa's current wireline broadband at "underserved" speeds.

⁵ This determination was based on the limited speed capabilities of satellite services, the cost to the consumer, high latency, and unreliability known at the time of the decision, D. 12-02-015 at 13-15. Since that time, like other technologies, satellite services have improved.

Next, in order to expand their wireline broadband network and offer “served” speeds, Ponderosa plans to extend their fiber backhaul as part of the Cressman Project. In fact, extending the fiber backhaul will account for over 90% of the total project costs. While the Cressman Project may cost more per household compared to other CASF applications, the majority of the costs are directly related to the remote location of the communities. Any provider that wishes to offer wireline broadband services in the Cressman area will incur similar expenses related to the build out of its network backhaul.

Ponderosa contends that the extension of its fiber backhaul also has potential value beyond serving the Cressman Project area. Although not part of the Cressman Project, Ponderosa stated their long term plan is to eventually serve the Blue Canyon rural subdivision, which includes a United States Forest Service workstation and fire camp, approximately 5.5 miles beyond the Rush Creek BLC. Beyond the Blue Canyon community, and also not part of the Cressman Project, Ponderosa aims to extend the fiber to connect to existing fiber at their Exchequer site so as to complete a fiber network ring, which would provide route diversity and protection in case of a fiber cut or disaster. CD recognizes the potential future value of the fiber extension included within the Cressman Project, but did not consider the above noted examples when scoring or ranking the Cressman Project.

D. Safety Impact

The Cressman Project is in a remote area of the Sierra Nevada Mountains. Telephone and broadband access to emergency services is essential in these remote areas, where the threat of fire, harsh weather conditions, and other disasters can have severe impacts. During these types of emergencies, the first responders rely on the local communication network to acquire information and communicate with others.

CD did not identify any anchor institutions within the Cressman Project area. However, there are several anchor institutions in the area surrounding the Cressman Project, including: elementary and high schools, the US Forest Service, a county library, a fire station, the California Highway Patrol, Cal Trans, California Land Management, U.S. Postal Services, Fresno County Public Works, and Southern California Edison. High speed broadband will enhance the Cressman community’s access to these entities and the services they provide.

V. COMPLIANCE REQUIREMENTS

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

A. California Environmental Quality Act (CEQA)

The Cressman Project is subject to the CEQA review. The Commission must complete CEQA review prior to disbursing CASF funds for construction activities.

Ponderosa has provided the Commission with construction plans for the Cressman Project area. It consists of extending fiber backhaul facilities from an upgraded BLC site at Sierra Cedars to two new BLC sites at Lower Cressman and Rush Creek. The new BLC sites will be capable of delivering high speed broadband via both VDSL2 and ADSL2+ Annex M over twisted copper pairs. The BLC sites will be in Ponderosa's existing road right-of-way within an existing private easement. The project includes the installation of approximately 6.4 miles of buried fiber. The fiber construction is within the Sierra National Forest along dirt roads parallel and adjacent to Ponderosa's existing copper right-of-ways. Ponderosa believes that portions of Cressman Project will require a Sierra National Forest Special Use Permit.

Ponderosa has asserted that it is not aware of any sensitive environmental habitat, scenic highway or cultural resources near the project site.

Prior to any construction activity, Ponderosa is required to seek further authority from the Commission for such activity by filling a Proponent's Environmental Assessment (PEA) pursuant to Commission Rule of Practice and Procedure 2.4; and must undergo an environmental review pursuant to CEQA.⁶ Ponderosa should contact the Supervisor of the Commission's Energy Division CEQA Unit well in advance of a contemplated filing to consult with staff regarding the process of developing and filing a PEA; providing for cost recovery per Rule of Practice and Procedure 2.5; and entering into a Memorandum of Understanding to allow the Energy Division to initiate the retention of an environmental contractor to perform the environmental review.

Ponderosa may file a completed CEQA review conducted by another agency acting as the Lead Agency pursuant to CEQA. If this occurs, Ponderosa should make every effort to ensure that the Commission's CEQA Unit is aware of and included in the CEQA process.

⁶ California Public Resources Code § 21000 *et seq.*

Carriers should contact the Supervisor of the Commission's Energy Division CEQA Unit well in advance of a contemplated filing to consult with staff regarding the applicability of another agency's CEQA review.

Ponderosa must provide the PEA prior to the first 25% payment. The PEA submission should include information on any land crossing sites requiring discretionary or mandatory permits or environmental review pursuant to CEQA (including the type of permit required, the name of the permitting agency/agencies and the Lead Agency if an environmental review is required). Also, Ponderosa must also agree to identify, prior to the first 25% payment, any other special permits required with a reference to the government agencies which grant these permits.

Ponderosa must complete CEQA review prior to any of the company's ground breaking activities, must identify any other special permit requirements, and must provide those with a cross-reference to the government agencies from which the permits will be or have been required for the project.

B. Deployment Schedule

The Commission expects Ponderosa to complete the project within 21 months from the start date. If the applicant is unable to complete the proposed project within the 21 month timeframe established by the Commission, it must notify CD's Director as soon as it becomes aware of this prospect. The Commission may reduce payment for failure to notify CD's Director and timely complete the project. In D.12-02-015, the Commission's requirement to complete the build-out of a CASF funded project is within 24 months from approval of the application.

C. Execution and Performance

CD and the CASF grant recipient shall determine a project start date after the Commission has granted all approvals to the CASF grant recipient. Should the recipient or Contractor fail to commence work at the agreed upon time, the Commission, upon five days written notice to the CASF recipient, reserves the right to terminate the award.

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

The CASF grant recipient 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 its capital budget and is not obtained from outside financing. In its application, Ponderosa certified that 40% 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. Ponderosa 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/construction to ensure that CASF funds are spent in accordance with Commission approval.

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

Ponderosa currently provides voice services, which meet the Federal Communications Commission (FCC) standards for E-911 service. Ponderosa will continue to provide voice services.

H. Reporting

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, the CASF recipient 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 on a CBG and zip code basis in the final completion report. Recipients 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 biannually submit the 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, Form 477 data will be useful in documenting CASF deployment for the new service area 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.⁷

VI. PAYMENTS TO CASF RECIPIENTS

Submission of invoices from and payments to Ponderosa shall be made 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 Ponderosa shall follow the process adopted for funds created under P. U. Code § 270. The following table describes the timeline for processing CASF payments.

| Event | Payment Cycle 1 (Day/ Month) | Payment Cycle 2 (Day/ Month) |
|---|--|---|
| Invoices due from Ponderosa, to CD | 5 th of Month 1 | 20 th of Month 1 |
| Payment letters from CD to Administrative Services ⁸ | On 19 th of Month 1 | On 4 th of Month 2 |
| Invoices submitted from Administrative Services to State Controller’s Office for payments | 20 th through 26 th of Month 1 | 5 th through 13 th of Month 2 |

Ponderosa may submit its invoices under Payment Cycle 1 or 2.

⁷ *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.

⁸ The above schedule is contingent on the CASF recipient submitting clear, complete, and error-free invoices to CD. Additional time to process payments may be necessary if CD finds problems with the submitted invoices.

If any date in this payment schedule falls on a weekend or holiday, that date will be advanced to the next business day, but the remaining dates in the payment schedule will remain unchanged. The State Controller's Office (SCO) requires 14- 21 days to issue payment from the day that requests are received by SCO.

VII. COMMENTS ON DRAFT RESOLUTION

In compliance with P.U. Code § 311(g), a notice letter was emailed on November 19, 2013, informing all applicants filing for CASF funding, parties on the service list of R.06-06-028, and 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. On May 10, 2012, the Commission approved Resolution T-17362 which established the application deadlines for the CASF Broadband Infrastructure Grant Account and the Revolving Loan Account as follows: October 1, 2012, for unserved areas; February 1, 2013, for underserved areas not previously funded by the CASF and hybrid projects that cover both unserved and underserved areas; and, a date to be determined for projects in underserved areas where the existing broadband infrastructure was partially funded by a CASF grant.
2. Ponderosa filed an application for CASF funding for its Cressman Project on February 1, 2013. The Cressman Project proposes to install new systems and infrastructure in order to provide high speed Internet service over a 3.56 square mile area. The CBGs impacted by the project area are: 060190064022 and 060190064026.
3. CD posted the proposed project area map, CBGs and zip codes by county for the Cressman Project on the Commission's CASF webpage under "Pending New CASF Applications to Offer Broadband as of February 11, 2013." CD received no challenges to the proposed project areas.
4. CD reviewed and analyzed data submitted for the Cressman 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 project areas; assertion that the area is underserved; number of potential subscribers and average household incomes; project construction schedule; project budget; proposed pricing and commitment period for new subscribers; and financial viability of the applicant.

5. 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, 2012. The map helped to verify the existence or nonexistence of broadband service areas and broadband speeds, where available.
6. Based on its review, CD determined that the project qualifies for funding under D.12-02-015 and recommends Commission approval of CASF funding for Ponderosa's Cressman Project.
7. Ponderosa is not required to post a performance bond because 40% of the total project cost will be financed through Ponderosa's existing capital budget.
8. Ponderosa is required to comply with all guidelines, requirements, and conditions associated with the granting of CASF funds as specified in D.12-02-015 such as complying with CEQA and submitting the FCC's Form 477, as specified in Resolution T-17143.
9. The Commission must complete CEQA review prior to disbursing CASF funds for construction activities.
10. Ponderosa shall submit the PEA to Commission staff prior to the first 25% CASF payment.
11. The Commission finds CD's recommendation to fund Ponderosa's Cressman Project as summarized in Appendix A to be reasonable and consistent with Commission Orders and, therefore, adopts such recommendations.
12. A notice letter was emailed on November 19, 2013 informing all applicants filing for CASF funding, parties on the service list of R.06-06-028, and 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.

THEREFORE, IT IS ORDERED that:

1. The Commission shall award \$1,027,380 from the CASF to Ponderosa for the Cressman Project as described herein and summarized in Appendix A of this Resolution.
2. The program fund payment of \$1,027,380 for this underserved project shall be paid out of the CASF fund in accordance with the guidelines adopted in D.12-02-015, including compliance with CEQA.
3. 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.
4. The CASF fund recipient, Ponderosa, 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 T-17143.

This Resolution is effective today.

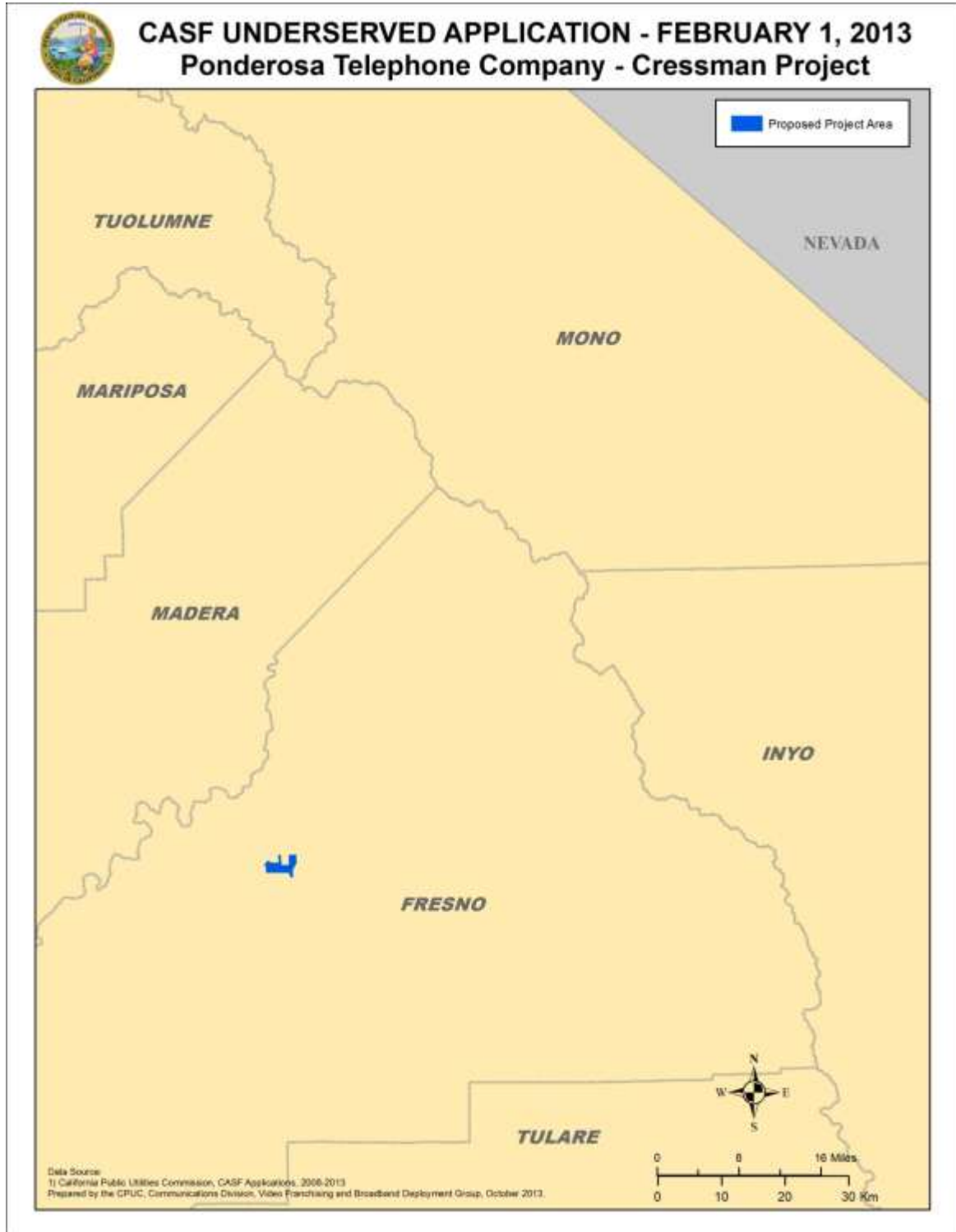
I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 19, 2013. The following Commissioners approved it:

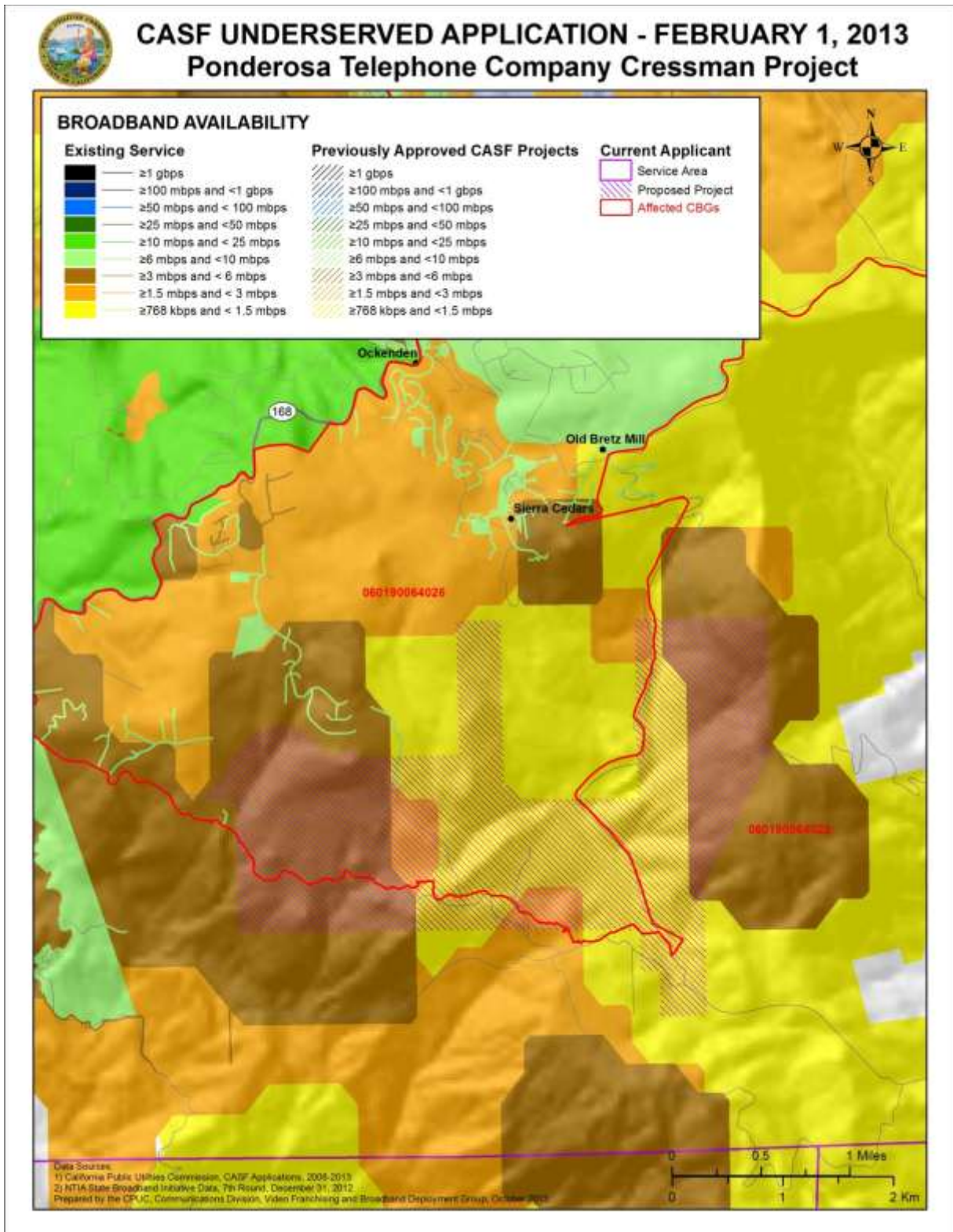
PAUL CLANON
Executive Director

APPENDIX A
Resolution T-17428
Ponderosa Telephone Company Cressman Project
Key Information

| | |
|--|--|
| <i>Project Name</i> | Ponderosa Telephone Company Cressman Project |
| <i>Project Plan</i> | Extend fiber optic backhaul facilities and connecting to multiple Broadband Loop Carrier systems (BLC). The fiber extends from an upgraded BLC site at Sierra Cedars to two new BLC sites at Lower Cressman and Rush Creek. The installations will utilize Ponderosa's existing copper distribution plants in a fiber-to-the-node configuration and deploy VDSL2 and ADSL2+ technologies to connect end-users. |
| <i>Project Size (in square miles)</i> | 3.56 |
| <i>Download/ upload speed (in Mbps)</i> | 6 Mbps / 1.5 Mbps |
| <i>Location</i> | Fresno County |
| <i>Community Name</i> | Cressman |
| <i>CBGs/ Household Income</i> | 060190064022 / \$59,127 060190064026 / \$82,500 |
| <i>Zip Codes</i> | 93664 and 93667 |
| <i>Estimated Potential Subscriber Size Households/ Subscribers</i> | 116 |
| <i>Deployment Schedule (from Commission approval date)</i> | 21 months |
| <i>Proposed Project Budget</i> | |
| <i>Total</i> | \$1,712,300 |
| <i>Amount of CASF Funds requested (60%)</i> | \$1,027,380 |
| <i>Internally funded (40%)</i> | \$684,920 |

Resolution T-17428
Ponderosa Telephone Company Cressman Project
Map





END OF APPENDIX A