



**California Advanced Services Fund
Report to the Legislature**



**CALIFORNIA PUBLIC UTILITIES COMMISSION
Communications Division**

Submitted May 15, 2009

I. INTRODUCTION

The California Public Utilities Commission (CPUC) has prepared this report on the California Advanced Services Fund (CASF) in accordance with Section 5 (b) of Senate Bill 1193 (Chapter 393, Statutes of 2008) which states that:

“The Public Utilities Commission shall report to the Assembly and Senate Committees on Budget and the appropriate Senate and Assembly policy committees by May 15, 2009, detailing all of the following: (1) A description of the projects approved with the moneys appropriated by this section, including the name of the applicant, the area to be served, and the criteria used to score the application. (2) The amount of funding committed to each approved project. (3) The status of those approved projects. (4) The amount of funds expended up to the date of the report. (5) The anticipated expenditures for the 2009-10 fiscal year.”

SB 1193 established the CASF as a new public program for the purpose of encouraging deployment of broadband facilities in unserved¹ and underserved² areas in California, subject to the fiscal and financial conditions and restrictions applicable to the existing six (6) public programs. The other public programs are: the California High Cost Fund -A Administrative Committee Fund (CHCF-A), the California High Cost Fund -B Administrative Committee Fund (CHCF-B), the California Teleconnect Fund Administrative Committee Fund (CTF), the Universal Lifeline Telephone Service Trust Administrative Committee Fund (ULTS), the Deaf and Disabled Telecommunications Program Administrative Committee Fund (DDTP), and the Payphone Service Providers Committee Fund.

The CPUC received 53 applications for CASF, 20 of which were filed on July 24, 2008 for unserved areas and 33 applications filed on August 25, 2008 for underserved areas.

¹ An unserved area is an area that is not served by any form of facilities-based broadband, such that Internet connectivity is available only through dial-up service or satellite. (Decision 07-12-054, Finding of Fact 31).

² An underserved area is defined as an area where broadband is available, but no facilities-based provider offers service at speeds of at least 3 Megabits per Second (MBPS) download and 1 MBPS upload. (Ibid).

As of April 16, 2009, the CPUC has approved 25 CASF grants totaling \$9.5 million. CASF grants for unserved areas amount to \$8.5 million for thirteen (13) projects, collectively covering approximately 1,108 square miles and benefiting approximately 8,310 households. Total CASF award for underserved is \$1 million for twelve (12) projects collectively covering approximately 34 square miles and benefiting approximately 659 households.

Of the 25 projects approved, the Mt. Wilson, Covelo and Livingston projects have started construction. Further, construction for seven (7) projects, namely, Alta/ Blue Canyon, Blanchard, Carmel Valley, Comptche, Grenada, Hopland and Warner Springs, recently commenced on May 1, 2009.

As of March 31, 2009, total surcharge revenue collected for the CASF program is \$48 million. Based on the recorded monthly revenue receipts, the surcharge rate will have to be maintained until approximately May of 2010 before the \$100 million CASF authorized revenue collection cap is reached.

II. BACKGROUND

In Decision (D.) 07-12-054 dated December 20, 2007, the Commission created a new public purpose program, California Advanced Services Fund (CASF), to encourage the deployment of broadband services in unserved and underserved areas, by funding 40% of the project cost through a one time infrastructure grant. One hundred million dollars was allocated to the program to be funded by a surcharge of 0.25% beginning January 1, 2008, assessed on consumers' bills for intrastate telecommunications services, coincident with a 0.25% reduction in the California High Cost Fund-B surcharge to reflect reductions in support being provided by that program. The Commission further ordered that prior to any CASF disbursements, the Commission would seek statutory authority to add the CASF as one of the funds authorized for handling by the State Treasury and to seek statutory authority for specific direction to telephone corporations for remitting CASF collections and for use of the funds by the Commission.

SB 1193 (Padilla) approved the Commission's formation of the CASF to develop, implement, and administer the CASF to provide for transfer payments to telephone corporations to encourage deployment of high-quality advanced communications services to all Californians that will promote economic growth, job creation, and substantial social benefits of advanced information and communications technologies, as provided in Commission Decision 07-12-054.

II. PROCESS FOR REVIEWING CASF FUNDING REQUESTS

The Commission approved Resolution T-17143 on June 12, 2008, adopting the application requirements, scoring criteria for the award of funds, and a timeline for other filings and notifications including projected Commission Meeting dates for final approval of award(s). This same Resolution directs interested applicants, seeking funding for unserved and underserved projects, to file their project proposals and funding requests on July 24, 2009 and August 25, 2008, respectively. First priority is given to applications for unserved areas and if funds are still available, to underserved areas.

CASF funding is available to entities with a Certificate of Public Convenience and Necessity (CPCN) that qualify as a "telephone corporation" as defined under Public Utilities Code §234 or wireless carriers who are registered with the Commission. Entities who have pending CPCN applications to provide service as a "telephone corporation" may also submit applications subject to approval of its CPCN. CASF funding is also available to a consortium as long as the lead financial agent for the consortium is an entity holding a CPCN or a wireless carrier registered with the CPUC.

CASF applicants are required to submit the most current Census Block Group (CBG) and geographic spatial map data to show broadband deployment that accurately depicts served and unserved areas. A shapefile showing proposed service boundaries as well as CBGs and ZIP Codes is required. Projects proposed for funding under the unserved and underserved categories are mapped, and the corresponding CBGs and ZIP codes are posted on CPUC's CASF webpage 7 days after the filing date. This is done to afford interested parties an opportunity to challenge the areas proposed as to their unserved or

underserved status as well as to give interested parties a chance to submit counter proposals. This competitive process also encourages the least cost proposal to obtain funding. The submissions also serve as data for the Commission to update the California broadband availability map created by the California Broadband Task Force (CBTF).

CPUC staff reviews the applications/projects proposed as to their compliance with the requirements of Resolution T-17143, and whether or not the area is indeed unserved or underserved using the CBTF maps, the challenges and counter proposals filed, if any. Where the proposed projects are deemed to already be served or not underserved, applicants are given the chance to revise their proposals to exclude already served or not underserved areas by eliminating these from their original submission and adjusting the projected total project cost and the CASF funding request.

The CPUC requires applicants to provide data on the potential subscribers to be served in the targeted area consistent with U. S. Census information, the advertised speed of the broadband service, the timeline for the completion of the project which should not exceed 24 months, the proposed pricing including initial connection charges, recurring charges, other non-recurring charges, service restrictions and any commitments that customers must meet, and guaranteed pricing for a minimum of one year for each customer.

The CPUC also established a benchmark speed of 3 MBPS download and 1 MBPS upload. Applicants may offer speeds less than this standard and the offered speed is evaluated using the adopted scoring criteria.

A performance bond is not required upon application but may be required upon approval if the grantee's 60% matching fund is sourced from outside sources and grantee is not a well established carrier with significant assets in the state. The performance bond is required five days from the approval of the project and is based on the total amount payable under the CASF award.

Grantees are also required to comply with the California Environmental Quality Act (CEQA) by providing a Proponent's Environmental Assessment (PEA) prior to the first

25% payment. The PEA includes information on any land crossings requiring discretionary or mandatory permits or environmental review as well as any other special permits required by other government agencies.

Projects are scored based on seven factors with each factor scored relative to the best offer (Min or Max, where applicable). The project that scores the “best” for each criterion is awarded more points and serves as a standard against which all other projects are scored. Each factor has a corresponding formula that determines its value and applicants’ data is entered into the formula for each criterion to generate points. Scores for each of the criterion are added together to obtain each project’s total score. The scoring criteria include:

<u>Criterion</u>	<u>Weight (Points)</u>
i) Funds Requested per Potential Customers	40
ii) Speed	20
iii) Service Area	15
iv) Timeliness of Completion of Project	5
v) Pricing	10
vi) Guaranteed Pricing Period	5
vii) Low-Income Areas	5
TOTAL:	<hr style="width: 100%; border: 0.5px solid black;"/> 100

Resolution T- 17143 is attached as Appendix A to this report.

III. PROJECTS APPROVED FOR FUNDING

The CPUC received 53 applications for CASF, 20 of which were filed on July 24, 2008 for unserved areas and 33 applications filed on August 25, 2008 for underserved areas.

As of April 16, 2009, the CPUC has approved 25 CASF grants totaling \$9.5 million. CASF grants for unserved areas amount to \$8.5 million for thirteen (13) projects, collectively covering approximately 1,108 square miles and benefiting approximately 8,310 households. Total CASF award for underserved is \$1 million for twelve (12) projects collectively covering approximately 34 square miles and benefiting approximately 659 households.

The statewide map on page 8 shows the location of the approved projects. Tables on pages 9 and 10 summarize the CPUC approved CASF projects to date as well as identify specific approved funding levels and key information for each project.

For approved projects, broadband speeds in unserved areas will range from a maximum of 1.5 - 3 MBPS download and 384 - 2 MBPS upload while broadband speeds in underserved areas will range from a maximum of 3 - 10 MBPS download and a maximum of 1-1.5 MBPS upload.

Some applicants have decided not to pursue projects that require modification of their proposed areas while some projects have been abandoned by applicants since the areas proposed were found by CPUC to be already served or the areas proposed were already served at speeds higher than proposed.

To date, there are four remaining applications being reviewed by CPUC staff that could result in additional funding of up to \$9 million. No new applications have been received since August 25, 2008.

Despite the lack of new applications, it is anticipated that a new round of applications will be forthcoming once the American Recovery and Reinvestment Administration (ARRA)/ National Telecommunications and Information Administration (NTIA) criteria for broadband funding have been announced. CASF is uniquely positioned to take advantage of ARRA's one time injection of broadband federal stimulus money as the remaining CASF funds can be made available to complement the 80% of a broadband project's cost funded by NTIA.

Statewide Map of Approved CASF Projects as of April 16, 2009



A. Unserved Areas

Unserved Area Projects Approved as of April 16, 2009

Authorizing Document	Grantee	Project Name	Location	# of Households	Project Size (in sq miles)	CASF Funding
Resolution T-17182 (November 12, 2008)	AT&T	Grenada	Siskiyou	275	13.90	\$57,596
	AT&T	Hopland	Mendocino	328	13.90	\$61,952
	AT&T	Blanchard	Mariposa	123	13.90	\$35,816
	AT&T	Mount Wilson	Los Angeles	15	2.10	\$2,420
	Verizon	Pinyon	Riverside	382	27.02	\$174,000
	Frontier	Prattville	Lake Almanor, Plumas	171	2.00	\$41,192
Sub-total				1,294	72.82	\$372,976
Resolution T-17187 (February 20, 2009)	Broadband Associates International, Inc.	Highway 299 Broadband Network (Glendale/Blue Lake, Korbel, Willow Creek, Salyer, Burnt Ranch/Hawkins Bar/Trinity Village, Big Bar/Big Flat/Del Loma, Junction City, Weaverville, Douglas City, Lewiston, French Gulch)	Humboldt, Trinity and Shasta Counties	5,734	1,000.00	\$7,830,720
Sub-total				5,734	1,000.00	\$7,830,720
Resolution T-17195 (February 20, 2009)	AT&T	Comptche	Mendocino County	97	11.51	\$18,392
	AT&T	Alta/Blue Canyon	Nevada/Placer Counties	236	10.84	\$56,628
	AT&T	Warner Springs	San Diego County	66	3.50	\$93,896
	AT&T	Carmel Valley	Monterey County	83	4.44	\$47,916
Sub-total				482	30.29	\$216,832
Resolution T-17183 (March 12, 2009)	Willits Online, LLC	Covelo	Mendocino	300	3.5	\$54,000
	Willits Online, LLC	Laytonville	Mendocino	500	3.5	\$54,000
Sub-total				800	7.00	\$108,000
TOTAL				8,310	1,110.11	\$8,528,528

B. Underserved Areas

Underserved Area Projects Approved as of April 16, 2009

Authorizing Document	Grantee	Project Name	Location	# of Households	Project Size (in sq miles)	CASF Funding
Resolution T-17196 (March 12, 2009)	AT&T	Lodi	San Joaquin	35	1.26	\$137,416
	AT&T	Oakdale	San Joaquin	47	1.28	\$108,783
	AT&T	Irwin	Merced	55	0.72	\$41,411
	AT&T	Los Banos	Merced	13	0.87	\$120,170
	AT&T	Easton	Fresno	9	0.52	\$49,869
	Citizens (Frontier)	Birds Landing	Solano	69	17	\$100,444
	Citizens (Global Valley)	Livingston	Merced	234	8	\$62,000
Sub-total				462	29.65	\$620,093
Resolution T-17199 (April 16, 2009)						
	AT&T	Vacaville	Solano	33	1.73	\$171,914
	AT&T	Madera Acres	Madera	20	0.62	\$43,301
	AT&T	Friant	Fresno	5	0.5	\$46,463
	AT&T	Clovis	Fresno	125	0.3	\$36,393
	AT&T	Carmel	Monterey	14	0.99	\$91,083
Sub-total				197	4.14	\$389,154
TOTAL				659	33.79	\$1,009,247

IV. STATUS OF APPROVED PROJECTS

Of the 25 projects approved, the Mt. Wilson, Covelo and Livingston projects have started construction. Further, construction for seven (7) projects, namely, Alta/ Blue Canyon, Blanchard, Carmel Valley, Comptche, Grenada, Hopland and Warner Springs, recently commenced on May 1, 2009.

The Highway 299 Broadband Project, which is the largest CASF project so far, is undergoing California Environmental Quality Assessment review. This project will involve new underground construction utilizing micro-trench/ micro-duct technology, and installation of new fiber passing through existing bridges, with 90-95% of construction occurring in Caltrans' right of way.

V. FUND STATUS

As of March 31, 2009, total surcharge revenue collected for the CASF program is \$48 million. Based on the recorded monthly revenue receipts, the surcharge rate will have to be maintained until approximately May of 2010 before the \$100 million CASF authorized revenue collection cap is reached.

As of April 16, 2009, CASF has awarded a total of \$9.5 million. Completion of review of four pending applications could result in additional funding of up to \$9 million.

VI. ANTICIPATED EXPENDITURES FOR FY 2009-10

Although no new CASF applications have been received since August 25, 2008, the following developments are expected to significantly impact the CASF program. As such, a similar level of applications is anticipated in Fiscal Year 2009-10.

A. Revisions to the CASF Program

On October 15, 2008, an Assigned Commissioner's Ruling (ACR) was issued soliciting comments from parties on possible revisions in the criteria used in reviewing and granting requests for funds for the deployment of broadband facilities through the California Advanced Services Fund (CASF) program. The ACR sought comment on the following issues: 1) whether entities that do not have a CPCN or wireless registration should be permitted to submit a proposal for CASF funding (assuming that they are able to meet the remaining funding requirements), 2) whether to expand eligibility to include municipal sources, such as cities, towns, community-based cooperatives, tribes, etc., 3) whether lending entities should be made eligible to receive funds in order to extend debt financing to broadband service providers throughout the seven California Emerging Technology Task Force (CETF) sponsored regions, 4) other legal, financial propriety, any other issues the Commission should consider if CASF funding is extended to entities that do not have a CPCN or wireless registration, and 5) whether the minimum required contribution percentage that an entity must agree to fund should stay the same or be reduced as a condition of receiving CASF funding.

No decision has yet been issued by the Commission on the October 15, 2008 ACR.

B. Funding for Broadband Projects Funded by the American Recovery and Reinvestment Act

The ARRA includes an appropriation to NTIA and RUS of \$7.2 billion to be used for grants and loans related to broadband service deployment and adoption and Digital TV transition. Section 2001 of the ARRA requires the NTIA, in consultation with the FCC, to establish the Broadband Technology Opportunities Program (BTOP) to extend broadband access to unserved and underserved areas. The goal of the BTOP is to provide improved access to these areas, provide education, training, equipment and support strategic institutions such as libraries, community organizations and job-creating facilities, improve use of broadband by public safety agencies, and stimulate broadband demand as an engine for economic growth.

As provided under NTIA, broadband projects will be funded up to 80% of the total project cost with the applicant providing funding for the remaining 20%. The CASF may be leveraged to assist applicants seeking federal broadband funding by providing some of the 20% matching funds required. It is, therefore, anticipated that once the NTIA and RUS announces the broadband funding criteria, a new round of CASF applications will be gathered and considered. The Assigned Commissioner has held a workshop on March 23, 2009 to alert California companies to the ARRA broadband opportunities and to join the Governor in encouraging applications to NTIA and RUS for broadband projects in California.

APPENDIX A
Resolution T-17143