



January 30, 2017

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Mr. Timothy J. Sullivan  
Executive Director  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, California 94102

RE: Resolution T-17548 - Approval of funding for the grant application of Inyo Networks, Inc. (U-7159C) from the California Advanced Services Fund (CASF) in the amount of \$41,780,141 for the Digital 299 Middle-Mile Broadband Project, which will serve CASF "priority areas."

Dear Mr. Sullivan:

The California Emerging Technology Fund (CETF) respectfully submits this letter of support and comments for Resolution T-17548 regarding the Digital 299 Project. CETF traditionally does not comment on specific projects, but rather focuses on overall policy to guide CPUC consideration of projects applying for support from the California Advanced Service Fund (CASF). However, in analyzing the most logical approach to achieving the Legislature's goal of 98% in all regions, common sense indicates that there must be a middle-mile connection between Eureka in Humboldt County to Redding in Shasta County along the R299 corridor. Thus, CETF supports this kind of a broadband deployment project as a matter of policy. Historically, the CPUC has recognized the importance of this link in the broadband network in that one of the earliest CASF grant awards was for connectivity along the R299 corridor, although, unfortunately the applicant was not able to perform. **Therefore, it is imperative that the CPUC approve Digital 299 and address issues that must be resolved to ensure that the project viable:**

- **Award at least the 70% CASF funding request.** The proposed resolution requires a reduction in the grant award to comply with the recommended 60% match from CASF. CPUC regulations and practice allow for a subsidy of at least 70%.
- **Allow a waiver on the bonding requirement.** The applicant has a proven track record, as demonstrated by their performance on Digital 395 in the Eastern Sierras and reports that the Performance Bond is unobtainable.
- **Recognize and reinforce matching funds from other agencies** (such as CENIC, California State University, California Department of Education).

Digital 299 provides significant public benefits for Northern California. It is the western segment of a vital middle-mile route to link last-mile communities from Eureka to Redding, and eventually from Redding to Alturas, Alturas to Susanville, and Susanville to Red Bluff to further the Legislature's goal of achieving 98% deployment in the Redwood Coast and Northeastern Regions. Digital 299 also will:

- Benefit last-mile incumbents, from small Internet Service Providers to Frontier Communications, as an open-access backbone to extend their existing networks.
- Enable last-mile connectivity to three tribal lands (Trinidad Rancheria, Blue Lake Rancheria, and Hoopa Reservation).
- Connect K-12 and higher education facilities (including several CSU locations).
- Provide support to public safety institutions.
- Establish a cornerstone for a broader set of economic development initiatives that will enhance global competitiveness and attract external investment to the region, including opportunities for increased efficiency in the use of power and water resources.

Given the importance of Digital 299 to the state's broadband infrastructure, the need for immediate and prudent action by the CPUC must be underscored. There already has been too much time elapsed in reviewing and considering the project application submitted more than 500 days ago. The delay to date in CPUC approval has had tangible negative consequences:

- Deadlines to secure matching funds from several federal and state sources were missed and the remaining opportunities are becoming increasingly impractical, forcing the project to secure a USDA loan for matching funds.
- Two opportunities to engage in undersea cable projects were lost. Those projects instead went to the states of Oregon and Washington.
- A number of Caltrans road alignments in the region were initiated and completed without coordination for broadband deployment prior to trenching and repaving, driving up costs and exacerbating traffic congestion (and contrary to the new "Dig Once" policy enacted by the Legislature and Administration).

It also is important that the CPUC work diligently and collaboratively with the applicant and stakeholders to facilitate efficient and expeditious environmental assessments and permitting for the project. Leadership from the CPUC is pivotal in timely construction of broadband infrastructure projects.

CETF respectfully urges immediate action to approve Digital 299 with the recommended modifications in increased CASF funding and commitments to support and assist in implementation. Your leadership is essential for the future of California.

Sincerely,



Sunne Wright McPeak  
President and CEO