



Ms. Clover Sellden
Sr. Regulatory Analyst
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94105

March 20, 2017

Dear Ms. Sellden,

Surfnet Communications is an ISP specialized in providing broadband services for remote communities in Santa Cruz, Monterey, and San Luis Obispo Counties. We have worked closely with the Central Coast Broadband Consortium (CCBC), participated in developing the Sunesys Central Coast regional fiber project, received two last-mile infrastructure awards, and have a \$1.2M CASF proposal pending for Las Cumbres. In response to your White Paper, entitled *High Impact Areas for Broadband Availability*, we would like to raise the following points for your consideration:

We support the idea of expediting projects that represent the “best bang for the buck”, especially on a forward-looking basis as recommended by the Central Coast Broadband Consortium in their comments.

The CD staff criteria for selecting the High Impact projects has been well conceived and the selection well executed. We also support the idea of a “priority review”. Providing prompt action on project proposals is critical to enabling service providers, like Surfnet, to successfully execute last mile projects.

But some grant proposals, like Surfnet’s Las Cumbres project, aren’t on the High Impact List and have been in the approval pipeline for over 547 days. Surfnet has dedicated substantial financial resources to preparing that proposal and keeping the project viable over the last 18 months. During that time, we’ve dealt with several changes of CASF staff, two turn-overs of credit analysts at SAFEVID Co, and one new election of Directors in our customer’s HOA. Each personnel change has resulted in additional delays and the need to re-answer and re-evaluate many of the same issues. Had project review happened in 60 days, this could have been avoided.

But Surfnet has successfully responded to all inquiries from all parties. The Las Cumbres project has received strong community support from homeowners, Surfnet has been recommended for loan approval by SAFEVID Co, and matching funds for the project have been sitting in an escrow account for over 6 months. Further delays or re-prioritizations due to a new evaluation method, would be inherently unfair, would damage Surfnet’s reputation and business, and would be a disservice to the very underserved customers and small businesses this CPUC program was designed to benefit.

We implore the CPUC to employ its new High Impact criteria on a forward-looking basis only in order to be fair to preexisting applicants and maintain an orderly approval process.

We understand, however, the concept of a tight budget. And we believe that Surfnet may be in a position to suggest how the remaining CASF funds might be spent to get even more “bang for the buck.”

The CD has asked for help in identifying areas that 1) providers will commit to serving, or 2) that providers already serve or 3) that have been overlooked. Surfnet has an interest in several communities in each category. In some areas, Surfnet has upgraded our existing networks and more than satisfies CASF and Federal criteria for minimum service. In these areas, our efforts should enable in the CASF program to claim a greater percent of coverage at no additional tax-payer expense. In two other cases, Surfnet has been planning to submit CASF proposals to cover areas that are among the 13 on the High Impact List. Surfnet would be willing to commit to serving those areas if some relatively small projects could be approved on a priority basis to provide essential infrastructure funds.

Areas we will commit to serve

The Prunedale/ Aromas/ Salinas area, identified as the largest of the 13 High Impact Projects, surrounds our previously awarded Paradise Road Project. This area is adjacent to the Sunesys Regional Fiber and we’ve always intended to propose a hybrid fiber/wireless project to serve this area. While it is not cost effective to run fiber to every home in the area, Surfnet has multiple pre-existing access points that could be upgraded and connected with short runs to the Sunesys fiber for backhaul. This relatively cost effective means of providing coverage would require some additional CASF support but could provide broadband service for a large portion of the most populated area identified in the report (23,169 people) at moderate additional cost.

Additionally, the Arroyo Grande/Nipomo High Impact Area (population 2348) is located just south of Surfnet’s existing coverage area in San Luis Obispo. In August of 2016, Surfnet merged with a failing competitor in Arroyo Grande and we have just upgraded the entire broadband infrastructure in that city and its surrounds. We are getting 5-star Yelp ratings from our new customers in Arroyo Grande, and that area can be considered served.

Surfnet has also just purchased the northern portion of another provider’s aging network in Nipomo. Surfnet has plans for a hybrid fiber/LTE solution in that area that would help the CASF achieve its 98% coverage goals. In the spirit of providing the biggest bang for the buck - Nipomo/ Arroyo Grande is a sweet spot for a “ladder-ready”, fast-turnaround project.

Areas we already serve or which have been overlooked

Since the last CPUC coverage maps were generated, Surfnet has upgraded many parts of our existing networks in Santa Cruz and San Luis Obispo Counties. (These improvements will be automatically reflected in our new coverage declarations.)

Surfnet knows of yet another area that has strong community support and which would have high impact at little expense. This area meets the CCBC’s high impact criteria but is not on the CPUC’s high-impact list. A project in this Santa Cruz Summit area would allow us to connect our entire Santa Cruz network to the Sunesys regional fiber. Funding that area would be of high strategic

value to the Sunesys project, Surfnet's entire Santa Cruz coverage area, and the Las Cumbres project.

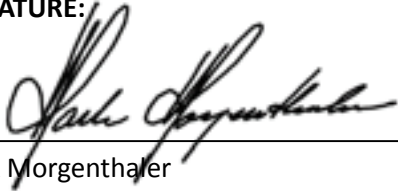
If any of these suggestions are of interest, Surfnet is ready to work with CPUC staff on an expedited basis to complete detailed project proposals for the High Impact projects discussed above. We have already begun working on these proposals and feel confident they could be completed in time for a "priority review".

Additionally, we request that our Las Cumbres Project be approved prior to consideration of any new High Impact project proposals.

Thank you for your consideration of these comments. We look forward to bringing high-quality broadband services to the Central Coast at a reasonable price.

Date: April 18, 2010

SIGNATURE:

A handwritten signature in black ink, appearing to read "Mark Morgenthaler", is written over a horizontal line.

Mark Morgenthaler
CEO, Surfnet Communications, Inc.

