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November 21, 2019

Via Email

Ms. Cynthia Walker, Director
Communications Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

RE: Comments of the California Emerging Technology Fund on Draft
Resolution T-17671 relating to California Advanced Services Fund for
Northeast Project for Unserved Areas in Lassen and Modoc Counties

Dear Ms. Walker:

The California Emerging Technology Fund (CETF) hereby files comments on Draft Resolution T-17671 (Resolution) relating to a grant from the California Advanced Services Fund (CASF) to Citizens Telecommunications Company of California, Inc. (Frontier) in the amount of \$10,665,969 for Phase I of the Northeast Project for unserved areas in Lassen and Modoc Counties. CETF is a statewide non-profit organization directed to be established in 2005 by this Commission with the mission to close the Digital Divide in California.

CETF is pleased that the Commission has proposed a grant for this widely supported, high priority project that is the linchpin of achieving broadband infrastructure deployment for 98% of the population in the Northeast Region, per Assembly Bill (AB) 1665. CETF, however, points out a calculation error in the draft Resolution that undermines the clear intention to provide a 100% grant for the CASF portion of the project. While the basis of the erroneous calculation is to avoid double funding by state CASF funds and federal CAF II funds, it, in fact, improperly removes from the total last mile funding amount, 46% of funding that is only for CASF (not CAF II) households. This calculation error should be corrected and the full amount for middle mile and last mile for CASF households granted.

A. The Northeast Project Is a Priority Project for California Broadband Infrastructure and Is Key to Achieving 98% Deployment in the Northeast Region.

CETF previously filed a letter of support dated May 1, 2019 with this Commission expressing its wholehearted and enthusiastic support for the Northeast Project application. The Northeast Project is a long-time priority for broadband infrastructure deployment for the Northeast Region Counties and civic leaders. From input from regional leaders and stakeholders, CETF identified years ago the need in concept for a Northeast Project.

When it had an opportunity in a corporate consolidation matter, CETF negotiated a commitment for a Northeast Project in the 2015 Memorandum of Understanding with Frontier Communications and 2018 Settlement Agreement.¹

In the view of CETF and the supporters from the region, the Northeast Project is *absolutely essential* for reaching the households needed to achieve the State's AB1665 goal of 98% deployment for this region. The Northeast Project is *the* linchpin project for the Northeast Region, just as the Digital 299 is the linchpin project for the Redwood Coast Region. CETF assures the Commission that both projects are essential in the uppermost California Counties where lack of middle mile and Internet Points of Presence, low population density, and challenging terrain and geography cause broadband providers to shy away from adequately serving this area in the normal course. This Northeast Project will serve over four hundred households unserved by broadband.

The Resolution at pages 10 and 11 reflects the strong and widespread support enjoyed by the Northeast Project. Of critical importance is the fact that this Project will provide enhanced communications services that will promote public safety capabilities in an area located in a Tier 2 High Fire-Threat District. The Resolution notes a recent 2012 Rush Fire which burned 315,577 acres, reaching 15 miles south of the town of Ravendale. Other avid supporters include the education community, local chambers of commerce, US House of Representative Doug LaMalfa (District 1) and California Assemblyman Brian Dahle (District 1), now State Senator.

In addition, CETF points out that a letter of support was received from fixed wireless provider GeoLinks, a winner of a future FCC CAF II Auction project for the area. The Geolinks project will benefit from the Frontier middle mile being brought to the region by the Northeast Project. Geolinks will bring additional new wireless broadband to the region, providing additional competition, redundancy and reliability to the region.

¹ CETF and Frontier Communications also agreed in the Memorandum of Understanding to work together in the Northeast Region to address the widespread need for robust broadband infrastructure, including consulting all the stakeholders. To that end, CETF facilitated and supported ongoing meetings among Northeast Region stakeholders, including Northeast California Connect Regional Consortium, Supervisors from each County, Rural County Representatives of California (RCRC), Tribal Leaders, representatives of State and Congressional elected officials, other stakeholders, and Frontier to confer about the needs and opportunities in the region. The Northeast Project has evolved out of that laborious process, and should be seen as a positive example of a public private partnership.

B. The Northeast Project Qualifies for 100% funding from CASF; the Calculations on the Last Mile Cost Erroneously Disallow 46% of Allowable Costs for CASF Households

There is strong agreement in concept among Commission CASF staff, Frontier, CETF and the Regional Consortium regarding the appropriateness of 100% subsidy for the Northeast Project. However, the calculation used to determine the final grant amount for the last mile portion of the project is in error, and in fact defeats the clear intention of the Commission to provide a 100% funding grant. Section III of the Resolution, page 8, clearly finds that Frontier should obtain a 100 percent funding level for the Project, because the project meets numerous criteria—a low-income, inaccessible location, use of existing infrastructure, and makes significant contribution to program goal.

The Resolution removes the amount of federal CAF II funding in its calculation, and then mistakenly reduces the last mile award further on the assumption that the last mile amount requested includes some costs relating to the CAF II households. It is CETF's understanding that Frontier has removed all costs of the CAF II household funding from its last mile request, and has informed the CASF staff of this fact. The CAF II funding is provided to Frontier by the FCC at the rate of \$2,532.02 per household,² and CETF understands that Frontier informed the CASF staff that Frontier will pay the remaining cost to connect the 187 CAF II households and that is not included in the last mile calculations.

The total Northeast Project amount is \$12,322,700 (Resolution, at page 2). Then in the Resolution, the CAF II funding for 187 households is subtracted from that funding ($\$2532.02 \times 187 = \$473,487.74$), leaving the total project cost to be \$11,849,212.87. Given that the project qualifies for a 100% funding level, this entire amount should be funded. Instead, after agreeing to fund the entire middle mile cost (\$9,239,392.54), the Resolution improperly reduces the remaining last mile funding of \$2,609,820.33, claiming "CASF and CAF II households will share common infrastructure as part of the project build. In compliance with D.18-12-018,³ overlap in funding is not allowed. Funds must be apportioned by the percentage of households that will be served by the funding type." Staff then determines that the last mile project costs of \$2,609,920.33 should be split proportionally to the number of households between CAF II (46%) and CASF (54%). Thus the last mile portion of \$2,609,820.33 is reduced by 46% to \$1,416,577.29.

² Frontier received 6 years of funding for CAF II. The total it received for California is \$228,448,764. The total number of California households (HHs) is 90,224. Thus, on a per HH basis, this comes out to \$2532.02 per HH.

³ Footnote removed but the Resolution cites Section 2.10.2 of D.18-12-018, at pages 56-57. The example given at the top of page 57 does not apply here, because the last mile grant amount excludes all costs relating to the CAF II households (FCC CAF II grant plus additional last mile costs relating to those households).

This latter reduction by 46% is in error. *There is no overlap in funding in the last mile amount of \$2,609,820.33 because Frontier has represented that the CAF II funding for 187 households and any remaining last-mile costs for these 187 CAF II households will be borne by Frontier, and is not included.*

C. This Stated Basis for the Calculation Error is Inconsistent with Clear Intent Language of AB1665 Stating that CASF Funds May Be Used Where Private Investment and Federal Funds Are Not Available

As a sponsor of AB1665, CETF assures the Commission that our recommended approach is consistent with AB1665, which provides:

“(d) It is the intent of the Legislature that California achieve the goal specified in paragraph (1) of subdivision (b) of Section 281 of the Public Utilities Code by fostering private investment, maximizing California’s ability to obtain available federal funds, and administering the California Advanced Services Fund to fund broadband infrastructure where private investments and federal funds are not available and not use monies in that fund to overbuild the broadband infrastructure.”

The above-quoted law clearly provides that broadband providers should to *maximize* the state’s ability to obtain available federal funds. Further, the law is crystal clear that CASF funds should be used “where private investments and federal funds are not available.” Here, the CAF II household costs have been removed from the last-mile cost component, and therefore should be 100% fully funded. There is no double funding, and no overbuilding.

D. Delay of the Northeast Project is Contrary to AB1665 and Will Jeopardize Achieving the Commission’s 98% Deployment Goal

The Northeast Project is what was envisioned in the Findings and Declarations of AB1665 and is foundational for achieving 98% deployment goal in each consortia region for which the CPUC is responsible. Any decrease in the CASF total grant will jeopardize and delay the Project, which only will make achieving the 98% deployment goal more expensive in the future. The viability of the Project should not be risked. CETF understands from conversations with Frontier that it is still willing to construct the Northeast Project as proposed in the original Application, in spite of construction costs continuing to increase as it waits for a final Resolution.

CETF further maintains that there is sufficient funding in the California Advanced Services Fund for the full grant for the Northeast Project, and the Commission needs to make investments now before costs continue to go up for broadband infrastructure projects. Below is CETF’s understanding of the status of CASF Accounts and Awarded Grants as of last month.

**Status of CASF Accounts and Awarded Grants
October 2019**

Account	Authorized	Awarded	Grants
Infrastructure Grant Account (Line Extension Program \$5M)	\$570M	\$234,515,803*	66
Revolving Loan Program	\$5M	\$600,295	3
Regional Consortia Account	\$25M	\$13,484,590	34
Public Housing Account	\$25M	\$13,776,867	447
Adoption Account	\$20M	\$6,451,515	51
TOTAL	\$645M	\$268,829,070	

Notes

- On October 10, 2019, the Commission approved \$9,061,201 for Race Communications to complete the Gigafy Phelan Project.
- There are 17 pending applications for \$76.1M from the Infrastructure Grant Account, leaving <\$250M.

In conclusion, CETF recommends that the Commission amend the draft Resolution to properly grant 100% of the middle mile and last mile costs of the Northeast Phase I project, after removing the federal CAF II grant and related costs to those 187 households in the project. CETF further recommends approval by the end of the year so Frontier can begin this important project for unserved communities that urgently need connectivity for emergency communications, education, health, and economic prosperity. Thank you very much in advance for consideration of these Comments.

Sincerely,



Sunne Wright McPeak
President and CEO

CC: The Honorable Marybel Batjer, President
The Honorable Liane Randolph, Commissioner
The Honorable Martha Guzman Aceves, Commissioner
The Honorable Clifford Rechtschaffen, Commissioner
The Honorable Genevieve Shiroma, Commissioner
Michael Minkus, Office of Commissioner Guzman Aceves, Advisor
Dorris Chow, Communications Division, CASF
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