



CHAIR

Barbara O'Connor, Ph.D.
Professor Emeritus
California State University, Sacramento
Retired, National Board of Directors AARP

November 25, 2019

TREASURER-CFO

Rich Motta
Retired Vice President
AT&T

Via Email

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

SECRETARY

Reneé D. Martinez
President Emeritus
Los Angeles City College

Jeff Campbell

Vice President, The Americas
Global Government Affairs
Cisco Systems, Inc.

RE: Comments of the California Emerging Technology Fund on Draft Resolution T-17668 relating to California Advanced Services Fund for the Taft Cluster Project Located in Kern County

The Honorable Martha M. Escutia

Former California State Senator
Vice President Government Relations
University of Southern California

Dear Ms. Walker:

Barb Johnston

President
The Castleton Group

The California Emerging Technology Fund (CETF) hereby files comments on Draft Resolution T-17668 (Resolution) relating to a grant from the California Advanced Services Fund (CASF) to Frontier California Inc. (Frontier) in the amount of \$399,701 for the Taft Cluster Project for last-mile VDSL2 facilities near the communities of Buttonwillow, Taft, Fellows, McKittrick, and McFarland in western Kern County. CETF is a non-profit organization founded by this Commission in 2006 to close the Digital Divide in California.

Jim Kirkland

General Counsel
Trimble Inc.

Tim McCallion

Adjunct Professor
California State University Los Angeles
Retired President – West Region, Verizon

CETF is pleased that the Commission has proposed a grant for the Taft Cluster Project. 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 rationale of the erroneous calculation is to avoid double funding by state CASF funds and federal CAF II funds, the Resolution calculation in fact improperly removes from the total funding amount, 84.5% of funding. This calculation error should be corrected and the full amount for CASF households (\$2,016,265.92) granted.

Darrell J. Stewart

Public Sector Manager
Intel, Americas

CETF recommends that the Commission use the original formula proposed by Frontier, which is to deduct from the total cost of the project, the CAF II grant per household plus the remaining cost of connecting those CAF II HHs, and then allowing for 100% CASF funding of the balance of the project. The total Taft Cluster Project funding is modest in light of available CASF available funding and should be used for this worthy project which will benefit 265 unserved households.

Dorian Traube, Ph.D.

Associate Professor
Dworak-Peck School of Social Work
University of Southern California

Melinda White

CEO
Transit Wireless
Retired Region President
Frontier Communications

Carol Whiteside

Partner
California

PRESIDENT AND CEO

Sunne Wright McPeak

CALIFORNIA EMERGING TECHNOLOGY FUND
www.cetfund.org

414 13th Street, Suite 200 B
Oakland, California 94612
415-744-CETF (2383)

714 West Olympic Boulevard, Suite 924
Los Angeles, California 90015-4133
213-443-9952

A. The Taft Cluster Project Is Key to Achieving 98% Deployment in the San Joaquin County Region

CETF hereby expresses its wholehearted and enthusiastic support for the Taft Cluster Project CASF application. CETF is pleased that the Commission has proposed a grant for the Taft Cluster Project. San Joaquin County is a priority region in the state for both the deployment and adoption, because it is a region with some of the highest unconnected households in the state. Investment in high-speed Internet access is essential infrastructure to address the needs of disadvantaged communities. Given the geography of the San Joaquin Valley, the proposed Project is the only realistic way to reach the five communities and provide high-speed Internet access. CETF understands that Frontier has explained to CASF staff that Taft needs more transport and transport capacity to support broadband. In fact, Frontier has to lease a circuit from a third party to support the upgrades. Despite this significant cost, Frontier has found this Project serving 265 unserved households to be viable.

Further the Taft Cluster Project is supported not only by CETF but also strongly supported by the San Joaquin Valley Regional Broadband Consortium which has verified it as a critical component of the network to achieve 98% deployment as required by Assembly Bill (AB) 1665.

The Resolution (page 10) notes that the Project is in rural unincorporated areas of Kern County and consists of flat agricultural farmland which is currently not served by any form of wireline or fixed wireless facilities-based broadband providers. The Project locations are more than ten miles from the nearest hospital. CETF agrees with staff's conclusion that the increased connectivity will help these communities become part of the digital world and be able to access vital healthcare, educational, and government services.

B. The Taft Cluster Project Qualifies for 100% funding from CASF; Draft Resolution Calculations Erroneously Disallow 84.5% of Allowable Costs

There is strong agreement in concept among Commission CASF staff, Frontier, CETF, and the San Joaquin Valley Regional Consortium regarding the appropriateness of 100% subsidy for the Taft Cluster Project involving 265 *unserved households*. 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 "Funding Determination" of the Resolution, page 8, clearly finds that Frontier should obtain a 100 percent funding level for the Project because it meets numerous criteria—low-income communities, use of existing infrastructure, and significant contribution to CASF goal of 98% deployment in that region. CETF supports this 100% Funding Determination by CASF staff.

However, the Draft Resolution removes the amount of federal CAF II funding in its calculation, and then reduces the grant further by a whopping 84% *on the mistaken assumption that the requested CASF grant amount consists of all common costs that should be apportioned between the CASF HHs and the CAF II HHs. This is not the case.*

It is CETF's understanding that Frontier has removed all costs of the CAF II household funding from its CASF request (CAF II grant per households plus additional cost above that of connecting that CAF II household), 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,¹ and CETF understands that Frontier informed the CASF staff that Frontier will pay the remaining cost to connect the 224 CAF II households and that is not included in the project funding calculation.

The total Taft Cluster Project amount is \$2,583,438.40 (Resolution, at pages 2, 7 and 8). In the Resolution, the CAF II funding for 224 households is subtracted from that funding ($\$2,532.02 \times 224 = \$567,172.48$), leaving the remaining project cost to be \$2,016,265.92. *Given that the project qualifies for a 100% funding level, CETF recommend that this entire amount should be funded.*

In a November 14 meeting with Frontier and the CASF staff, CETF understands that Frontier made it clear that CASF funds would not be used to subsidize costs for CAF II households—hence, there is no double dipping of public funds. For the Taft Cluster Project, Frontier represented that it would only be using CASF funds for the CASF households Frontier proposed to build to. The CAF II households will be covered by the CAF II program at \$2,532.02 per household and any remaining costs to each of those households will be paid for by Frontier's own private capital (shareholder funds). *Thus, there is no double dipping—meaning CASF funds used towards CAF II last mile household costs.*

Further, an intent of AB1665 and the Commission's December 2018 CASF Infrastructure decision was to avoid a "checkerboard" effect where some household locations in a federal CAF II area get built with CAF II funds and others in the same area do not get access because CAF II funds are not provided for those locations. CASF funds should be used to pay for 100% of the CASF-funded households to ensure the entire Project is viable, *particularly because it serves low-income unserved households.*

¹ 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.

Instead, the Draft Resolution improperly reduces the funding by 84.5% to only \$399,701.79 of the remaining Project cost of \$2,016,265.92, with this stated rationale: "Frontier's funding request is not in compliance with D.18-12-018 because overlapping funds are not allowed. CAF II and CASF funds must be apportioned by the percentage of households that will be served by the funding source." This latter reduction by 84.5% is in error. *There is no overlap in funding in the \$2,016,265.92 CASF request because Frontier has represented that the CAF II funding for 224 households and any remaining last-mile costs for these CAF II households will be borne by Frontier, and is not included in the CASF funding request.* CETF agrees that this formula is correct because there is no overlap in CAF II and CASF funds being used for the project which is the stated concern of the Commission in D.18-12-018.

The staff's formula errs because it removes the actual CAF II grant per household from the Project amount, and then disallows another proportional amount of the Project cost from the remaining total project cost, which presumes all the other costs are common costs, which is not the case. For a Project serving unserved areas, this formula makes no sense. What it does is discourage the provider from the Project, which does not serve the AB1665 goal. The same formula was used in the Northeast Project Phase II Resolution, which CETF also filed comments on last week objecting to the formula.

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 costs of connecting the CAF II household costs have been removed from Project cost, and therefore the balance should be 100% fully funded. There is no double funding.

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

The Taft Cluster 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. The severe "haircut" in the project grant (84.5%) jeopardizes 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 further maintains that there is sufficient funding in the California Advanced Services Fund for the full grant for the Taft Cluster 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 about \$259M. CETF is working with Regional Consortia and ISPs to encourage at least \$125M in applications by the next CASF deadline in Sprint 2020.

In conclusion, CETF recommends that the Commission amend the Draft Resolution to properly grant 100% of the costs of the Taft Cluster Project, after removing the federal CAF II grant and related costs to those 224 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 your attention to this important matter for the residents of Buttonwillow, Taft, Fellows, McKittrick, and McFarland in western Kern County.

Sincerely,



Sunne Wright McPeak
President and CEO

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