

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

*Order Instituting Rulemaking to Consider
Modifications to the California Advanced
Services Fund.*

Rulemaking 12-10-012
(Filed October 25th, 2012)

**REPLY COMMENTS OF NORTH BAY/NORTH COAST BROADBAND
CONSORTIUM ON THE PROPOSED DECISION IMPLEMENTING THE
CALIFORNIA ADVANCED SERVICES FUND LINE EXTENSION
PROGRAM PROVISIONS**

Calvin Sandeen
Deputy Manager
North Bay/North Coast
Broadband Consortium
141 Stony Circle
Santa Rosa, California 95401
(707) 565 - 6418
Calvin.Sandeen@sonoma-county.org

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I. Introduction

In accordance with Rule 6.2 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure (“Rules”), the North Bay/North Coast Broadband Consortium (“NBNCBC”) submits reply comments to the Order Instituting Rulemaking 12-10-012 (“Rulemaking”) in response to opening comments on the Assigned Commissioner’s Proposed Decision Implementing the California Advanced Services Fund (“CASF”) Line Extension Program (“LEP”) provisions.

II. Reply Comments to Frontier Communications and CCTA Opening Comments

In the NBNCBC region, most of the remaining unserved communities that could benefit from the LEP are in rural and remote locations where line extension costs are higher. In addition, unserved low-income households are scattered throughout communities of varying income, thus if only low-income households were eligible to apply, line-extension costs to only one home

could significantly exceed a \$5,300 funding cap, making the LEP infeasible in the NBNCBC region.

NBNCBC originally filed comments in support of making the LEP eligible to all unserved households, including low-income and non-low-income households, where the CPUC could provide “tiered” grants to applicants based on household income, and prioritize low-income households by providing higher percent grant subsidies over non-low income households. This would allow last-mile unserved communities of varying income levels to apply for a grant collectively to cover line extension costs, reduce per household costs, and increase return on investment; however, the proposed \$5,300 per household cap would only be feasible if unserved households were applying collectively rather than individually. Initially NBNCBC proposed a \$5,300 funding cap to maximize the LEP’s return on investment by also restricting CASF applicants from misusing program funding.

The NBNCBC recognizes Frontier Communications opening comments saying that the LEP should not be limited to just low-income participants. The NBNCBC also recognizes the concerns of CCTA on the \$5,300 per household funding cap as there is a direct correlation between imposing a funding cap of \$5,300 per household and limiting eligibility to only low-income households. In effect, the current proposed decision is not equitable to all low-income households that could benefit from the LEP.

The NBNCBC agrees with the Commission’s stance on prioritizing the pilot program for low-income communities; however, the concurrent impact of a funding cap of \$5,300 per household *and* the limitation of the LEP to only low-income households would not make the LEP usable by most unserved low-income households in the NBNCBC region.

The NBNCBC has identified four options for the CPUC to consider; however, each option presents a trade-off between return on investment and overall equity:

- 1.) *Keep the LEP as-is by only including low-income households under “Eligible Applicants”, and setting a \$5,300 funding cap.* This could allow the Commission to prioritize low-income households and increase the return on investment if the Commission were to focus on regions with higher low-income population density.

Trade-off: The Line Extension Program may not be usable in regions with lower population density because eligible low-income household's line extension costs will most likely exceed the \$5,300 funding cap.

- 2.) *Modify "Eligible Applicants" to include low-income and non-low income households – (on the condition that low-income households are prioritized by receiving funding before non-low income applicants); and, create a funding cap of \$5,300.* This could allow CPUC to prioritize and allocate funding towards low-income households first. Unserved households with varying incomes could apply individually, or collectively to decrease the line extension cost per home and increase the CPUC's return on investment.

Trade-off: This option may still result in the program focusing more on regions with higher population densities than regions without.

- 3.) *Keep the "Eligible Applicants" open to only low-income households, while eliminating the \$5,300 funding cap for an individual household line extension.* This would ensure all low-income households have an equitable opportunity to cover providers' installation costs that vary dramatically throughout all locations.

Trade-off: The LEP's return on investment may not be as high when funding individual line extensions for low-income households in hard to reach and expensive areas.

- 4.) *Modify "Eligible Applicants" to include low-income and non-low income (prioritizing low-income); and, eliminate the \$5,300 funding cap.* This could provide an equitable opportunity for low-income households to cover their line extension costs in communities with either high or low population densities.

Trade-off: The Line Extension Program's return on investment may be lower when subsidizing low-income households in hard to reach and expensive locations.

III. Conclusion

In conclusion, NBNCBC commends the Commission for creating the Line Extension Program; because, it could make a greater contribution to close the Digital Divide. While it is a pilot program with only \$5 million, the program will have to find a proper balance between its return on investment to its overall equity.

Respectfully submitted,

/s/ Calvin Sandeen

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Deputy Manager
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Broadband Consortium
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