

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

*Order Instituting Rulemaking Regarding
Revisions to the California Advanced
Services Fund.*

Rulemaking 20-08-021
(Filed August 27, 2020)

**OPENING COMMENTS OF NORTH BAY NORTH COAST BROADBAND
CONSORTIUM TO ORDER INSTITUTING RULEMAKING 20-08-021
REGARDING REVISIONS TO THE CALIFORNIA ADVANCED SERVICE
FUND: STAFF PROPOSAL ON STATE-FEDERAL BROADBAND
INFRASTRUCTURE FUNDS LEVERAGING**

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October 15, 2020

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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 its opening comments to the Order Instituting Rulemaking 20-08-021 (“Rulemaking”) seeking comment regarding revisions to the California Advanced Services Fund (CASF) program.

NBNCBC is a regional broadband planning consortium funded in part by a grant from the CASF Rural and Urban Regional Broadband Consortium Grant Account. NBNCBC’s membership includes Marin, Mendocino, Napa, and Sonoma Counties; where one elected supervisor from each county serves on NBNCBC’s Oversight Committee. Connecting rural and

remote areas in NBNCBC’s region to fiber-based broadband infrastructure deployment is a high priority among the NBNCBC Oversight Committee and staff, as well as ensuring there is equitable regulatory treatment of all forms of telecommunications services everywhere. NBNCBC is interested in ensuring that state and federal entities allocate public broadband infrastructure funds in a manner that provides high-quality connectivity to all households in the State while prioritizing high-cost areas that require subsidization for deployment. NBNCBC believes it is imperative to:

- Preserve the current funding and processes of the CASF Broadband Infrastructure Grant Account; and,
- Capitalize on available funding from the Federal Rural Digital Opportunity Fund (RDOF).

II. OPENING COMMENTS

Part 1. Questions to Parties: How should the Commission leverage federal funds for broadband deployment? For example, how should CASF leverage Rural Digital Opportunity Fund (RDOF) dollars for California? How should CASF leverage other federal funding?

NBNCBC Proposal Recommendation

NBNCBC does not agree with the CPUC Staff Proposal to utilize \$100 to \$150 million of CASF Infrastructure funds to leverage and augment potential RDOF funding. Instead of using \$100-\$150 million from the CASF Infrastructure Grant Account, NBNCBC recommends the Commission take three actions related to this Staff Proposal:

- The Commission requests the Governor and Legislature to immediately pledge to identify \$100-\$400 million, as an outcome of Executive Order N-73-20, in next year’s General Fund Budget or another source to serve as the State’s matching funds for the proposed “Kicker Fund” process; and,
- Adopt a modified “Kicker Fund” process, using the matching resources, as identified in Executive Order N-73-20, based on input from the Parties to this Proceeding and other interested entities.

- Approve requests from any of the 54 CASF Infrastructure grant applicants that wish to defer CPUC’s decisions on its CASF grant application(s) until after next year’s RDOF funding decisions. However, for those CASF Infrastructure grant applicants who do not make such a request, the CPUC should make grant decisions based on the current CASF processes, rules, and timeline.

NBNCBC Proposal Recommendation Rationale

The rationale for our recommendations include the following reasons:

- Given RDOF’s program limitations on deployment obligations and applying matching funds, some of the 54 CASF grant applicants have determined they cannot take the financial risk of pursuing RDOF funds;
- The limited CASF Infrastructure funds are not sufficient to meet the capital needs for broadband deployment to provide access to 98% of the households throughout California;
- CASF Infrastructure Account funds are not the appropriate source of State funds to significantly leverage RDOF or other federal broadband programs going forward; and,
- At a time when unserved communities need broadband most, using a strategy that delays CASF funding decisions on all 54 CASF grant applications and deployment “ready” projects until Fall 2021 will disrupt and discourage local efforts that have counted on the current CASF program processes, rules and timeline to help close the "Digital Divide."

RDOF Program Limitations

The RDOF program contractually obligates winning bidders to provide broadband access to every RDOF eligible location in their winning award. Furthermore, RDOF rules do not permit RDOF fund awards for projects that have already received grant funding from state programs like CASF. However, the reverse is permissible. Once RDOF awards funding, State funds can match these projects. Most of the 54 CASF grant applications have requested 100% CASF

funding for their projects, and some applicants require assurances upfront that CASF will approve their applications if the applicant receives RDOF funding. Without such assurances, some CASF grant applicants are unwilling or able to take the financial risk to pursue RDOF funds.

Statewide Broadband Capital Needs

The goal of the CASF Broadband Infrastructure Grant Account is to approve funding for broadband infrastructure projects that will provide broadband access to no less than 98% of California households in each of the 18 consortia regions, as identified by the Commission on or before January 1, 2017. Based on the official 2019 CPUC Data Availability and Mapping Report, 97.1% of the households statewide had broadband access at the current California speed standards of 6 Mbps download and 1 Mbps upload. Only three (3) of the 18 regions, Los Angeles 98.9% (1st), Bay Area 98.4% (2nd), and the East Bay 98.4% (3rd), have achieved the 98% goal.

A report **Solving the Digital Divide in Northern California: The Capital Needed for Broadband Infrastructure**¹, distributed August 28, 2020, analyzed infrastructure deployment capital cost estimates for achieving the 98% goal across California. These estimates are based on costs per household (HH) that range from \$10,000 to \$40,000 per HH. The report analyzed three sets of speed standards, including:

1. California Legislature AB 1665 Minimum Broadband Speed Standards of 6 Mbps download and 1 Mbps upload;²
2. Proposed California Legislature AB 570 Minimum Broadband Speed Standards of 25 Mbps download and 3 Mbps upload;³ and,
3. Proposed California Legislature SB 1130 Minimum Broadband Speed Standards of 25 Mbps download and 25 Mbps upload.⁴

Table 1.0 shows the results of the cost estimate analysis and the required costs to deploy broadband infrastructure to the remaining unserved households in California.

¹ http://www.mendocinobroadband.org/wp-content/uploads/Solving-Digital-Divide-Report-8_28_20final.pdf

² https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB1665

³ https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201920200AB570

⁴ https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201920200SB1130

Table 1.0 - Estimated Capital Costs

	Total Estimated Capital Cost based on \$10,000 per CASF Eligible Household	Total Estimated Capital Cost based on \$25,000 per CASF Eligible Household	Total Estimated Capital Cost based on \$40,000 per CASF Eligible Household
	Dollars	Dollars	Dollars
COL 1	COL 2	COL 3	COL 4
Statewide			
6 Mbps download and 1 Mbps upload	\$1,219,082,800	\$3,047,707,000	\$4,876,331,200
25 Mbps download and 3 Mbps upload	\$2,287,082,800	\$5,717,707,000	\$9,148,331,200
25 Mbps download and 25 Mbps upload	\$6,145,832,800	\$15,364,582,000	\$24,583,331,200

Moving forward, as the cost per household in the recent 54 grant applications averages to about \$25,000 per HH, we believe Column 3 provides the best assessment for capital cost estimates.

Need For More State Funding

The magnitude of the capital cost estimates, cited in Table 1.0, point to the need for comprehensive planning and strategizing (Executive Order N-73-20) on how to best implement and fund the deployment of critical broadband infrastructure. An integral component of Executive Order N-73-20 is to “identify funding opportunities for broadband deployment and

adoption by.....to maximize federal broadband funding for California.” We believe identifying the State funds, other than CASF Infrastructure funds, for the “Kicker Fund” process should be a top priority within strategic planning efforts articulated in the Executive Order. As a long-term approach, NBNBC believes the State, as well as local government agencies should be allocating funding in their general budgets for broadband infrastructure. Using CASF Infrastructure Grant funds to leverage RDOF is a short-term solution that detracts away from the long-term need to generate more state funding to close the Digital Divide.

Negative Impact of Delaying CASF Funding Decisions

If the CPUC adopts the Staff Proposal to delay decisions on all 54 CASF grant applications until after the RDOF awards funding, the turnaround date could be as late as Fall 2021 and have the following adverse effects on many of the 54 grant applications submitted for CASF Infrastructure grants on May 4, 2020:

- Jeopardize the viability of projects; and,
- Disrupt and discourage local efforts to develop broadband plans and projects to help close the “Digital Divide”.

The viability of a project plan tends to erode where significant time delays occur between development and implementation. For the CPUC, a year delay in making decisions on the 54 CASF grant applications may not seem long. The uncertainty can become very stressful to the entities that developed the project plan and submitted the grant application. Furthermore, other changes can affect the project plan and demand updates by entities with limited staff and resources. Perhaps even more importantly, the CPUC decisions to delay funding decisions might negatively affect the credibility of the regional broadband consortia, local governments, the Legislature, and Governor. Many entities and individuals have invested a significant amount of time and resources to develop strategic broadband plans and implementation projects over the past few years using the current CASF processes, rules, and timelines in the hope of closing the Digital Divide in their communities. Many of these efforts were not prepared for the CPUC to make programmatic changes after already completing planning projects and submitting grant applications to CASF under its current rules.

NBNCBC Responses to the Staff Proposal Questions

NBNCBC suggests that CPUC staff consider adjusting their Staff Proposal and questions to reflect NBNCBC's proposal to pursue new State funds to leverage RDOF funding rather than CASF Infrastructure Account funds. We also encourage the Staff to revisit their proposal and consider other funding approaches to maximize federal RDOF funding and solicit feedback from the R.20-08021 service list on each approach.

III. CONCLUSION

In conclusion, NBNCBC commends the Commission for seeking comment to this proposed revision to the California Advanced Services Fund. We urge the Commission to consider NBNCBC's recommendation and related actions to replace the CASF Infrastructure funds with a new State source to match RDOF funds through the Staff's proposed "Kicker Fund" process, as well as considering other approaches. Thank you for the opportunity to provide our recommendation and comments and the Commission's continuous efforts to close the Digital Divide.

Respectfully submitted,

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