

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

**Communications Division  
Broadband, Policy and Analysis Branch**

**Resolution T-17430  
March 13, 2014**

**R E S O L U T I O N**

**Resolution T-17430 Approval of Funding for the Grant and Loan Application of Surfnet Communications, Inc. from the California Advanced Services Fund (CASF) in the Amount of \$237,272 for the Paradise Road Underserved Broadband Project**

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**I. SUMMARY**

This Resolution adopts total funding in the amount of \$237,272, where \$177,954 represents grant funding and \$59,318 represents loan funding, from the California Advanced Service Fund (CASF) for the CASF grant and loan application of Surfnet Communications, Inc. for its Paradise Road Last Mile Underserved Broadband Project (Paradise Road Project). The Paradise Road Project will extend high-speed broadband service to 3.30 square miles in the Paradise Road area, located in Northern Monterey County.

**II. BACKGROUND**

On December 20, 2007, the California Public Utilities Commission (Commission) in Decision (D.) 07-12-054 established the CASF program as a two-year program to provide funds for the deployment of broadband infrastructure in unserved and underserved areas in California.

On September 25, 2010, Governor Schwarzenegger signed Senate Bill (SB) 1040<sup>1</sup> which codified the CASF program and expanded it to include three accounts: (1) the Infrastructure Grant Account, (2) the Consortia Grant Account, and (3) the Revolving Loan Account. The latter two accounts are intended to address the needs that were

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<sup>1</sup> Stats. 2010, c. 317, codified at Public Utilities (P.U.) Code § 281.  
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unmet under the original CASF program. Specifically, the purpose of the Revolving Loan Account is “to finance capital costs of broadband facilities not funded by a grant from the Broadband Infrastructure Grant Account.”<sup>2</sup> SB 1040 also expanded the CASF fund from \$100 million to \$225 million adding \$100 million to the Infrastructure Grant Account and allocating \$10 million and \$15 million to the Consortia Grant Account and the Revolving Loan Account, respectively.<sup>3</sup>

On February 1, 2012, the Commission approved D.12-02-015 to implement new guidelines for the Infrastructure Grant and Revolving Loan Accounts. Key provisions of the Decision include:

- A maximum CASF grant award of 70 percent of project costs for unserved areas and 60 percent for underserved areas;
- A definition of an underserved area, “where broadband is available, but no wireline or wireless facilities-based provider offers service at advertised speeds of at least 6 megabits per second (Mbps) downstream and 1.5 Mbps upstream (6 Mbps /1.5 Mbps);” and
- A Revolving Loan Program to provide supplemental financing for projects also applying for CASF grant funding (up to 20% of projects costs, with a maximum of \$500,000), utilizing the same project and applicant eligibility requirements as the Infrastructure Grant Program.

Consequently, on May 10, 2012, the Commission approved Resolution T-17362 which established the application deadlines for the CASF Broadband Infrastructure Grant Account and the Revolving Loan Account as follows:

- October 1, 2012, for unserved areas;
- February 1, 2013, for underserved areas not previously funded by the CASF and hybrid projects that cover both unserved and underserved areas; and,
- A date to be determined for projects in underserved areas where the existing broadband infrastructure was partially funded by a CASF grant.

On February 1, 2013, Surfnet submitted an application for CASF funding for the underserved area of Paradise Road.

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<sup>2</sup> P.U. Code § 281(e).

<sup>3</sup> P.U. Code § 281(b)(1).

## NOTICE/PROTESTS

CD posted the proposed project area map, census block groups (CBGs) and zip codes by county for the Paradise Road Project on the Commission's CASF webpage under "Pending New CASF Applications to Offer Broadband as of February 11, 2013." CD received one challenge by Verizon, as described below, to the proposed project area.

### III. DISCUSSION

This Resolution adopts CD's recommended CASF fund award of \$237,272 for the Paradise Road Project. This award represents 80% of the total project costs of \$296,590, 60% of which (\$177,954) is a grant, and 20% of which (\$59,318) is a loan. Key project information and maps are shown in Appendix A.

#### A. Project Overview

Surfnets currently does not provide broadband or telephone service within five miles of the Paradise Road Project.

The Paradise Road Project will extend high-speed broadband service to 3.30 square miles in the Paradise Road area by deploying high speed fiber to the home (FTTH) technology capable of reaching symmetrical speeds of 100 mbps down and 100 mbps up.

The project is dependent on completion of the Sunesys middle mile project to obtain backhaul and enable last mile connections in the area. Service will be provided at the proposed speeds once Surfnets receives the backhaul from Sunesys<sup>4</sup>. Surfnets will be required to wait until Sunesys has also begun construction of its middle mile network in the Paradise Road area to begin Surfnets's construction in the project area. If CASF funding for the Sunesys project is denied or if the Sunesys project does not materialize, it will not be possible to build and operate the Paradise Road project as proposed. Specifically, the Paradise Road project relies on Sunesys for cooperative construction work and backhaul. Therefore, without Sunesys, the Paradise Road project would not be technically possible as designed. Furthermore, although technically possible to redesign the project, it would be cost prohibitive to move forward with building and operating. The Paradise Road proposal will therefore be financially impossible to pursue and will be withdrawn.

Surfnets will provide broadband connectivity via a connection to Cruzio's Internet data center in Santa Cruz. The project proposed to use Passive Optical Networking (PON) for

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<sup>4</sup> Resolution T-17429 recommends CASF funding approval for the Sunesys Middle Mile Project; a 91.18 mile long backbone network from Santa Cruz to Soledad.

the last mile component. Surfnet will also install fiber on existing utility poles. Surfnet will strategically locate the fiber distribution terminals so as to maximize the number of homes the project will serve. Surfnet will install service drops from the pole to the house for most homes in the area. If a resident requests the drop be placed underground, the resident will be responsible for providing the trench and conduit. The Census Block Groups (CBGs) impacted by the project are: 060530103051 and 060530147001. Paradise Road is located in Northern Monterey County.

When completed, the project will reach an estimated 278 underserved households. Surfnet estimates that an initial 167 potential households will subscribe in the proposed area.

The project area includes one anchor institution, Elkhorn Elementary School, which may benefit from this project.

Surfnet has committed to a broadband pricing plan under the terms shown below for two years, starting from the beginning date of service.

<b>Service/Description</b>	<b>Download/Upload Speeds</b>	<b>Monthly Fee</b>
Initial Promotional Rate for Customers who sign up during the first two months of service availability	100 Mbps download/100 Mbps upload	No more than \$65 per month.
Maximum Monthly Recurring Rate	100 Mbps download/100 Mbps upload	No more than \$80 per month
Other Recurring Charges		None
Installation Fee	N/A	No charge for standard installation
<b>Required Equipment</b>		<b>Non-Recurring Charges</b>
None		N/A

**B. Project Qualification**

To qualify for the CASF program, the applicant is required to submit proof that the area is unserved or underserved by submitting shapefiles of the proposed project. CD reviews the submitted shapefiles and compares them with United States 2010 Census and the California Interactive Broadband Availability maps which contain broadband availability data as of June 30, 2012. Once CD finds the areas eligible either as unserved or underserved areas, CD evaluates all other information submitted by the applicant to

determine if the project meets the requirements outlined in D.12-02-015. Other information CD reviews includes: proof of a Certificate of Public Convenience and Necessity (CPCN) from the Commission; descriptions of current and proposed broadband infrastructure; number of potential subscriber households and average incomes; project construction schedule; project budget; proposed pricing and commitment period for new subscribers; and financial viability of the applicant.

As an initial step in the review of Surfnet's application, CD checked the CBGs submitted in the project application to determine that the project was indeed underserved. In doing so, CD found broadband availability at served speeds by two satellite providers, ViaSat and Skycasters, LLC in the Paradise Road Project area. However, as adopted in D.12-02-015, the Commission does not consider satellite broadband service in CASF project evaluation, unless the satellite project is in an area that was previously CASF funded.<sup>5</sup> Additionally, CD requested clarification on the project size, construction details, and project budget. Additionally, CD found broadband availability at served speeds in census block 060530147001018 by Comcast. However, the Comcast maximum advertised speeds in the area have not been validated nor did Comcast challenge this particular project. According to the project team, the Paradise Road project lies just north of the area that Comcast serves.

On March 11, 2013, Verizon challenged the application stating that they offer broadband availability at served speeds in the project area. Based on its review of the data, CD staff concluded that the area Verizon challenged was eligible for funding. Subsequently, on August 1, 2013, CD issued a letter to the applicant, with a copy to Verizon, stating that the project is eligible for CASF funding since the project area is deemed underserved.

Since Surfnet's submission of its CASF project application, Round 7 broadband availability data as of December 31, 2012 shows maximum advertised mobile broadband availability from Verizon at speeds greater than 6 Mbps download and 1.5 Mbps upload in portions of the proposed project area<sup>6</sup>. However, CD has not been able to validate the maximum advertised mobile broadband speeds in the area. CD validates advertised speeds by conducting drive tests at 2,000 points within the State. There is one test point in the edge of the project area where actual speed test results during the fall 2012 mobile broadband drive test are less than 6 Mbps download and 1.5 Mbps upload. CD inputs these tests into an interpolation model to predict speeds in areas outside of the drive tested points. Where the predicted speeds are slower than the advertised speeds, the model shows that speeds in that area are not validated. The spring 2013 speed test

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<sup>5</sup> This determination was based on the limited speed capabilities of satellite services, the cost to the consumer, high latency, and unreliability known at the time of the decision, D. 12-02-015 at 13-15. Since that time, like other technologies, satellite services have improved.

<sup>6</sup> The California Interactive Broadband Map reflects Round 7 data starting in August 30, 2013.

conducted recently on the same test point also shows speeds less than 6 Mbps download and 1.5 Mbps upload. In the summer of 2013, Surfnet conducted Verizon mobile tests in the proposed project area using the Commission's CalSPEED mobile test app. Of those 21 tests, the majority were at speeds less than 6 Mbps download and 1.5 Mbps upload. Since the majority of the mobile tests conducted in the proposed 3.30 square mile project area show speeds of less than 6 Mbps down and 1.5 Mbps up, CD staff concludes that the Paradise Road Project is underserved and eligible for CASF funding.

Additionally, Surfnet has a pending application for a CPCN,<sup>7</sup> in addition to other conditions for its CASF award. The Commission may implement the CASF award contingent upon one of the following: (1) either the Commission approves Surfnet's CPCN application; or (2) pursuant to Senate Bill (SB) 740 Padilla, Chapter 522, Statutes of 2013, Surfnet complies with the safeguard rules that the Commission will establish for non-telephone corporation in the existing CASF Rulemaking proceeding (R.12-10-012), in addition to other conditions for its CASF award<sup>8</sup>.

### C. Project Evaluation and Recommendation for Funding

CD evaluated the application with respect to the scoring criteria defined in D.12-02-015, Appendix 1, Section VIII (Scoring Criteria). The scoring criteria include: (i) Funds Requested per Potential Customer, (ii) Speed, (iii) Financial Viability, (iv) Pricing, (v) Total Number of Households in the Proposed Area, (vi) Timeliness of Completion of Project, (vii) Guaranteed Pricing Period, and (viii) Low-Income Areas. In addition, five bonus points are added to the score of an applicant who is able to submit local government and community endorsements or letters of support.

CD found that the Paradise Road project meets CASF funding requirements with respect to the following factors:

- Speed – the proposed speed offering of up to 100Mbps download and up to 100 Mbps upload complies with the benchmark set by the Commission
- Service area the service area is determined to be underserved and covers 3.30 square miles
- Matching Funds of 20% of project cost – the applicant has certified that the matching funds will be funded utilizing available cash flow that includes cash injection from the company's key principals; the submitted balance

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<sup>7</sup> A. 13-07-019 filed July 23, 2013 for registration as an Interexchange Carrier Telephone Corporation Pursuant to the provisions of Public Utilities Code Section 1013

<sup>8</sup> Proposed Decision was issued on January 6, 2014

sheet, income and cash flow statements show that the applicant has the financial capability to do so

- Price commitment period - the applicant has committed to a pricing plan of two years as required
- Deployment schedule – the project will be completed within six months, well within the 24 month period construction timeline required

CD's review of the project area shows that for the most part, AT&T is offering service at underserved speeds of greater than or equal to 1.5 Mbps and less than 3 Mbps. This is well below served speeds. There are also some other areas in the project area where AT&T provides DSL service at underserved speeds of greater than or equal to 768 Kbps and less than 1.5 Mbps and also at underserved speeds of greater than or equal to 3 Mbps and less than 6 Mbps, which are also below served speeds. Therefore, based on its review, CD determined that Surfnet's grant application qualifies for funding as an underserved area and meets the requirements of D.12-02-015. CD recommends Commission approval of CASF funding for Surfnet's Paradise Road project. Relative to other projects that the Commission is currently considering for funding, this project is seeking a small grant amount. Also, out of all projects, this project scored among the highest in the area of time to complete, taking only 6 months to completion. The project also scored highly in the area of pricing. Additionally, the funds requested per potential customer are lower than funds requested per potential customer for most of the other projects, making this project comparatively low cost.

In making its determination to fund the loan portion of Surfnet's funding request, CD utilized the services of its loan servicing and administrative contractor, State Assistance Fund for Enterprise, Business, and Industrial Development Corporation (SAFE-BIDCO) to conduct the underwriting phase of the review. Based on its review of Surfnet's application, SAFE-BIDCO recommended funding the loan with the condition that the two principal stakeholders of the company provide a personal guarantee for the loan. Per standard lending rules applied by SAFE-BIDCO in the underwriting review of loan applicants, a personal guarantee is generally required from the owners and/or principals of privately held corporations who have 20% or more ownership to properly underwrite the loan request.

CD staff believes that Surfnet can service the loan and that the Commission need not require a personal guarantee from the principles of the company based on the following:

1. Surfnet's two primary principals have slightly over 20% ownership of the company combined.
2. SAFE-BIDCO's underwriting results show that Surfnet, as a company, is able to service debt.

3. The loan is also 100% secured by the collateral identified in the application.

Furthermore, CD staff notes that Federal broadband loans (e.g. from the Department of Agriculture Rural Utility Service) do not require a personal guarantee from key principals of a privately held company. Although the CASF program is a separate program with its own set of rules, CD acknowledges that the Federal broadband loan program does not require personal guarantees.

As such, based on its review of the underwriting results provided by SAFE-BIDCO and in light of the reasons presented above, CD recommends that the Commission proceed with the loan and not require a personal guarantee.

The loan is subject to the conditions listed in D.12-02-015, Resolution T-17369 and the loan agreement documents expected to be signed by the borrower. As adopted in item #6 *Loan Closing*, section E, Appendix 2 of D.12-02-015, once the Commission approves the loan via a Resolution, the borrower must sign a loan agreement document that contains all the terms and conditions of the loan. If the borrower does not sign the loan agreement document, the Commission will not execute the loan and will revoke the loan offer. Surfnet cannot withdraw loan funds without a signed loan agreement in place. The loan will be a five year term loan, fully amortized. The interest rate will be fixed at the U.S Prime Rate at loan closing. The borrower will have up to four disbursements to draw down funds, based on meeting Commission-approved project key milestones. The funds must be drawn down within two years of loan approval.

Based on its review, CD determined that Surfnet's grant application qualifies for funding as an underserved area and meets the requirements of D.12-02-015. CD recommends Commission approval of CASF funding for the Surfnet Paradise Road Project.

CD staff finds that funding the Paradise Road Project aligns with CASF's goal to encourage the deployment of high-quality advanced information and communications technologies to all Californians to promote economic growth, job creation, and substantial social benefits.

#### D. Safety Impact

The CASF program encourages the deployment of broadband throughout the State which can enable the public to access Internet-based safety applications, access to emergency services, and allow first responders to communicate with each other and collaborate during emergencies. As the Governor's Broadband Task Force stated in its 2007 report, ubiquitous broadband will play a key role in enhancing public safety operations and applications in law enforcement, disaster relief, traffic management, and virtually every other aspect of public safety. The funding to the Paradise Road Project will enable



households in the Paradise Road area to have access to high-speed broadband and make use of the technology for safety purposes. The project area includes one anchor institution which may benefit from this project: Elkhorn Elementary School.

Additionally, although not in the project area, there are nine emergency first responders, one PSAP (Public Safety Answering Points) and 172 anchor institutions within 10 miles of the project area which the project will potentially serve and which will benefit from both the fiber within it and the middle facilities which support the project area.

The First Responder Institutions include:

- CalStar
- Monterey County Emergency Medical Services Agency
- North County Fire District
- Monterey County Sheriff's Office
- California Highway Patrol
- California Fish and Game
- California State Parks

Additionally, the Monterey County 911 Center PSAP will potentially benefit from the broadband project.

Public safety institutions will be able to coordinate responses to regional challenges, including natural disasters. The lack of reliable, redundant connections to the wider internet has been a major stumbling block for first responders who have worked over the last decade to increase interagency cooperation, dispatch and mutual aid nets. For example, with a redundant fiber network in place, first responders can have access to building plans, hazardous substance information, real time mapping and coordination as well as voice, video and broadband connections for each unit in the field. The broadband infrastructure proposed for this grant project would greatly enhance first responders' efforts to work together to provide service to all, including the people in and around the project area. This project can also help allow dependable and robust public safety communications and provide the region's healthcare sector the communication infrastructure to improve health and medical services and lower costs.

#### **IV. COMPLIANCE REQUIREMENTS**

Surfnet is required to comply with all the guidelines, requirements, and conditions associated with the grant of CASF funds as specified in D.12-02-015. Such compliance includes, but is not limited to:

A. California Environmental Quality Act (CEQA)

All CASF grants are subject to CEQA requirements unless the project is statutorily or categorically exempt pursuant to the CEQA Guidelines.

Surfnet has provided the Commission with construction plans for the Paradise Road underserved project area. Cruzio Internet will provide broadband connectivity via a connection to a data center operated by Cruzio Internet in Santa Cruz. Sunesys will provide middle mile connectivity. Surfnet proposes to use Passive Optical Networking (PON) in the last mile component. Surfnet will install fiber on existing utility poles. There will be fiber distribution terminals strategically located to maximize number of homes being served. Surfnet will install service drops from the pole to the house for most homes in the area. If a resident requests the drop be placed underground, the resident will be responsible for providing the trench and conduit.

Accordingly, based on the above information, this project meets the criteria of the CEQA categorical exemptions for existing facilities (CEQA Guidelines § 15301); minor alterations to land (CEQA Guidelines § 15304); and new construction or conversion of small structures (CEQA Guidelines § 15303). Thus, the project is categorically exempt from CEQA review.

B. Deployment Schedule

The Commission expects Surfnet to complete the project within 6 months from the start date. If the applicant is unable to complete the proposed project within the 6-month timeframe, it must notify the Commission as soon as it becomes aware of this prospect. The Commission requires that all projects are completed within a 24-month timeframe. The Commission may reduce payment for failure to notify CD's Director and satisfy this requirement.

C. Execution and Performance

CD and the CASF grant recipient shall determine a project start date after the Commission has granted all approvals to the CASF grant recipient. Should the recipient or contractor fail to commence work at the agreed upon time, the Commission, upon five days written notice to the CASF recipient, reserves the right to terminate the award.

In the event that the CASF recipient fails to complete the project in accordance with the terms of approval granted by the Commission, the CASF recipient must reimburse some or all of the CASF funds that it has received.

The CASF grant recipient must complete all performance under the award on or before the termination date of the award.

D. Performance Bond

The Commission does not require a performance bond if the applicant certifies that the percentage of the total project costs it is providing comes from its capital budget and is not obtained from outside financing. Surfnet will provide 20% of the total project costs from its capital budget, which includes "paid in capital" from key principals of the company as a loan to the company. Because the paid in capital portion of the matching funds is a loan to the company from the principals of the company, the Commission requires a performance bond for this project.

E. Price Commitment Period

The minimum required price commitment period for broadband service to all households within the project area is two years. Surfnet guarantees the price of service offered in the project area for two years.

F. Project Audit

The Commission has the right to conduct any necessary audit, verification, and discovery during project implementation/construction to ensure that CASF funds are spent in accordance with Commission approval.

The recipient's invoices will be subject to a financial audit by the Commission at any time within three years of completion of the work.

G. Providing Voice Service (if applicable)

If the grantee is providing voice service in the project area, it must meet the Federal Communications Commission (FCC) standards for E-911 service and battery backup. Surfnet in its application has stated that no voice service will be provided as part of the Paradise Road project.

H. Reporting

Grantees must submit quarterly progress reports on the status of the project irrespective of whether grantees request reimbursement or payment. Before full payment of the project, the CASF recipient must submit a project completion report. Progress reports shall use both the schedule for deployment, major construction milestones and costs

submitted in the proposals; indicate the actual date of completion of each task and milestone as well as the date of any problems and issues encountered, and the actions taken to resolve these problems and issues during project implementation and construction; and identify future risks to the project. Recipients shall also include test results on the download speed and upload speeds on a CBG and zip code basis in the final completion report. Recipients must certify that each progress report is true and correct under penalty of perjury.

I. Submission of Form 477

The FCC currently requires broadband providers to biannually submit the Form 477, which includes speed data. While there is an imperfect match between the data that is reported in the Form 477 and to the CASF, Form 477 data will be useful in documenting CASF deployment for the new service area of the carrier. CASF recipients shall submit a copy of their Form 477 data directly to the Commission, under General Order 66-C, when they submit this data to the FCC for a five-year period after completion of the project.<sup>9</sup>

**V. PAYMENTS TO CASF RECIPIENTS**

Submission of invoices from and payments to Surfnet shall be made in accordance with Section XI of Appendix 1 of D.12-02-015 and according to the guidelines and supporting documentation required in D.12-02-015.

Payment to Surfnet shall follow the process adopted for funds created under P. U. Code § 270. The following table describes the timeline for processing CASF payments.

Event	Payment Cycle 1 (Day/ Month)	Payment Cycle 2 (Day/ Month)
Invoices due from Surfnet to CD	5 <sup>th</sup> of Month 1	20 <sup>th</sup> of Month 1
Payment letters from CD to Administrative Services <sup>10</sup>	On 19 <sup>th</sup> of Month 1	On 4 <sup>th</sup> of Month 2

<sup>9</sup> Approval of the California Advanced Services Fund (CASF) Application Requirements and Scoring Criteria for Awarding CASF Funds (2008) Cal. P.U.C. Res. No. T-17143 at 4.

<sup>10</sup> The above schedule is contingent on the CASF recipient submitting clear, complete, and error-free invoices to CD. Additional time to process payments may be necessary if CD finds problems with the submitted invoices.

Invoices submitted from Administrative Services to State Controller's Office (SCO) for payments	20 <sup>th</sup> through 26 <sup>th</sup> of Month 1	5 <sup>th</sup> through 13 <sup>th</sup> of Month 2
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Surfnet may submit its invoices under Payment Cycle 1 or 2.

If any date in this payment schedule falls on a weekend or holiday, that date will be advanced to the next business day, but the remaining dates in the payment schedule will remain unchanged. The State Controller's Office (SCO) requires 14 to 21 days to issue payment from the day that requests are received by SCO.

**VI. COMMENTS ON DRAFT RESOLUTION**

In compliance with P.U. Code § 311(g), a notice letter was emailed on February 11, 2014, informing all applicants filing for CASF funding, parties on the service list of R.06-06-028, and the CASF distribution list of the availability of the draft of this Resolution for Public Comments at the Commission's website <http://www.cpuc.ca.gov/PUC/documents/>. This letter also informed parties that the final conformed Resolution adopted by the Commission will be posted and will be available at this same website.

**VII. FINDINGS**

1. On May 10, 2012, the Commission approved Resolution T-17362 which established the application deadlines for the CASF Broadband Infrastructure Grant Account and the Revolving Loan Account as follows: October 1, 2012, for unserved areas; February 1, 2013, for underserved areas not previously funded by the CASF and hybrid projects that cover both unserved and underserved areas; and, a date to be determined for projects in underserved areas where the existing broadband infrastructure was partially funded by a CASF grant.
2. Surfnet filed an application for CASF funding for its Paradise Road Project on February 1, 2013.
3. The Paradise Road Project will extend high-speed broadband service to 3.30 square miles in Paradise Road by deploying high speed fiber to the home technology to the area which is capable of reaching speeds of 100 Mbps download and 100 Mbps upload. The CBGs impacted by the project are: 060530103051 and 060530147001.

4. The Paradise Road Project is dependent on completion of the Sunesys middle mile project to obtain backhaul and enable last mile connections in the area. If CASF funding for the Sunesys project is denied or if the Sunesys project does not materialize, it will not be possible to build and operate the Paradise Road project as proposed. The Paradise Road proposal will be financially and technically impossible to pursue and will be withdrawn.
5. CD posted the proposed project area map, CBGs and zip codes by county for the Paradise Road Project on the Commission's CASF webpage under "Pending New CASF Applications to Offer Broadband as of February 11, 2013." CD received one challenge from Verizon to the proposed project areas. The Commission did not uphold the challenge because CD determined that speeds in the area challenged were not above served speed thresholds.
5. CD reviewed and analyzed data submitted for the Paradise Road Project CASF grant application to determine the project's eligibility for CASF funding. This data includes, but is not limited to: a CPCN application; descriptions of current and proposed broadband infrastructure; geographic information system (GIS) formatted shapefiles mapping the project areas; assertion that the area is underserved; number of potential subscriber households and average incomes; project construction schedule; project budget; proposed pricing and commitment period for new subscribers; and financial viability of the applicant.
6. CD reviewed the submitted shapefiles, which mapped the proposed broadband deployment using United States 2010 Census data and the California Broadband Availability Maps, revised July 31, 2012. These maps helped to verify the existence or nonexistence of broadband service areas and broadband speeds, where available.
7. Based on its review, along with results of the underwriting conducted by SAFE-BIDCO, CD determined that the project qualifies for funding under D.12-02-015 and recommends Commission approval of CASF grant and loan funding for Surfnet's project.
8. Surfnet must sign a loan agreement document that contains all the terms and conditions of the loan. If Surfnet does not sign the loan agreement, the Commission will not execute the loan and will revoke the loan offer. Surfnet cannot withdraw loan funds without a signed loan agreement in place.
9. Surfnet is required to post a performance bond because part of the matching funds it is providing will be a loan from the company's key principals.

10. Surfnet is required to comply with all guidelines, requirements, and conditions associated with the granting of CASF funds as specified in D.12-02-015 and must submit the FCC Form 477, as specified in T-17143.
11. Surfnet will be required to wait until Sunesys has also begun construction of its middle mile network in the Paradise Road area to begin Surfnet's construction in the project area.
12. The Commission finds CD's recommendation to fund Surfnet's project as summarized in Appendix A to be reasonable and consistent with Commission orders and, therefore, adopts such recommendation.
13. This project meets the criteria of the CEQA categorical exemptions for existing facilities (CEQA Guidelines § 15301); minor alterations to land (CEQA Guidelines § 15304); and new construction or conversion of small structures (CEQA Guidelines § 15303). Thus, the project is categorically exempt from CEQA review.
14. The CASF award shall be contingent upon Commission approval of Surfnet's CPCN application. If the Commission does not grant Surfnet a CPCN, then Surfnet shall comply with the safeguard rules that the Commission will establish for non-telephone corporations in the existing CASF Rulemaking proceeding (R.12-10-12) implementing SB 740 (Padilla, Chapter 522, Statutes of 2013), in addition to other conditions for its CASF award.
15. A notice letter was emailed on February 11, 2014 informing all applicants filing for CASF funding, parties on the service list of R.06-06-028, and the CASF distribution list of the availability of the draft of this Resolution for public comments at the Commission's website <http://www.cpuc.ca.gov/PUC/documents/>. This letter also informed parties that the final confirmed Resolution adopted by the Commission will be posted and available at this same website.

**THEREFORE, IT IS ORDERED** that:

1. The Commission shall award \$237,272, where \$177,954 represents grant funding and \$59,318 represents loan funding, from the CASF to Surfnet Inc., (Surfnet) for the Paradise Road Project as described herein and summarized in Appendix A of this Resolution.
2. The CASF award shall be contingent upon Commission approval of Surfnet's CPCN application. If the Commission does not grant Surfnet a CPCN, then Surfnet shall comply with the safeguard rules that the Commission will establish for non-telephone corporations in the existing CASF Rulemaking proceeding (R.12-10-12) implementing SB 740 (Padilla, Chapter 522, Statutes of 2013), in addition to other conditions for its CASF award.
3. Surfnet will be required to wait until Sunesys has also begun construction of its middle mile network in the Paradise Road area to begin Surfnet's construction in the project area.
4. Surfnet shall post a performance bond equal to the total CASF grant as specified in Section V, Item #20, in Appendix 1 of D.12-02-015.



5. The program fund payment of \$237,272 for this underserved project shall be paid out of the CASF fund in accordance with the guidelines adopted in D.12-02-015.
6. Payments to the CASF recipient shall be in accordance with Section XI of Appendix 1 of D.12-02-015 and in accordance with the process defined in the "Payments to CASF Recipients" section of this Resolution. Specifically for the loan amount of \$59,318, payment shall be in accordance with Appendix 2 of D.12-02-015, Resolution T-17369, and in accordance with the loan agreement documents signed by the borrower.
7. The CASF fund recipient, Surfnet, shall comply with all guidelines, requirements and conditions associated with the CASF funds award as specified in D.12-02-015 and must submit the FCC Form 477, as specified in T-17143.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on March 13, 2014.

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PAUL CLANON  
Executive Director

**APPENDIX A**  
**Resolution T – 17430**  
**Surfnet Paradise Road Project**  
**Key Information**

<i>Project Name</i>	<b>Paradise Road</b>
<i>Project Plan</i>	Deployment of high speed fiber to the home technology. Middle Mile connectivity will be provided by Sunesys. Broadband connectivity will be provided via a connection to a Cruzio Internet data center in Santa Cruz. The last mile component will use Passive Optical Networking (PON).
<i>Project Size (in square miles)</i>	3.30
<i>Download/ upload speed (in Mbps)</i>	100 Mbps down / 100 Mbps up
<i>Location</i>	Paradise Road, Monterey County
<i>Community Name</i>	Paradise Road
<i>CBGs/ Household Income</i>	060530103051/\$80,500
	060530147001/\$70,341
<i>Zip Codes</i>	93907 95012
<i>Estimated Potential Subscriber Size Households/ Subscribers</i>	278
<i>Deployment Schedule (from Commission approval date)</i>	6 months
<i>Proposed Project Budget Total</i>	\$296,590
<i>Amount of CASF Funds Requested (60% grant; 20% loan)</i>	Grant: \$177,954 Loan: \$59,318
<i>Internally funded (20%)</i>	\$59,318

**Resolution T – 17430**  
**Surfnet Paradise Road Project Maps**



