

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Broadband Policy and Analysis Branch**

**RESOLUTION T- 17409
October 3, 2013**

R E S O L U T I O N

Resolution T-17409 Approval of Funding for the Grant Application of Foresthill Telephone Company (U-1009-C), from the California Advanced Services Fund (CASF) in the Amount of \$117,000 for the Big Dipper Underserved Broadband Project

I. SUMMARY

This Resolution approves funding in the amount of \$117,000 from the California Advanced Service Fund (CASF) for the CASF grant application of Foresthill Telephone Company, dba Sebastian (Foresthill) for its Big Dipper Underserved Broadband Project (Big Dipper Project). The Big Dipper Project will extend high-speed internet service to 10.88 square miles covering the Iowa Hill community in Placer 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) 1040¹ 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 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

¹ Stats. 2010, c. 317, codified at Public Utilities (P.U.) Code § 281.

Broadband Infrastructure Grant Account.”² 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.³

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 January 31, 2013, Foresthill, an incumbent local exchange carrier, submitted an application for CASF funding in the underserved area of Iowa Hill in Placer County.

III. NOTICE/PROTESTS

Communications Division (CD) posted the proposed project area map, census block groups (CBGs), and zip codes by county for the Big Dipper Project on the Commission’s CASF webpage under “Pending New CASF Applications to Offer Broadband as of

² P.U. Code § 281(e).

³ P.U. Code § 281(b)(1).

February 11, 2013.” CD did not receive any challenges from any broadband provider purporting to provide service at served speeds in the proposed project areas.

IV. DISCUSSION

This Resolution approves CD’s recommended CASF fund award of \$117,000 for the Big Dipper Project. This award represents 60% of the total project cost of \$195,000. Key project information and maps are shown in Appendix A.

A. Project Overview

Foresthill has been a provider of local exchange service for more than 100 years. Aside from local exchange service, it also provides broadband and video security services. Iowa Hill currently receives its telephone and internet services via an unlicensed microwave radio site that is fed by fiber from the Foresthill central office. That radio site serves two far end radios in Iowa Hill. Each radio site is powered by a complete solar power system, as the community of Iowa Hill has no commercial power at this time. Foresthill proposes to upgrade the microwave radio sites which are currently providing internet access to the Iowa Hill area in order to provide high speed internet service over a 10.88 square mile area. The CBG impacted by the project area is: 060610202003.

Foresthill has targeted the area for broadband deployment because of the existence of customer demand and because it determined that the project is economically feasible with the assistance of a CASF grant of \$117,000, or 60% of total project costs, to match Foresthill’s funding of \$78,000.

When completed, the project will reach an estimated 84 households at maximum advertised speeds of 10 Mbps/ 3 Mbps, which is above the served threshold of 6 Mbps/ 1.5 Mbps. Foresthill estimates the project will initially yield 42 potential subscriber households in the proposed area.

Foresthill has committed to a broadband pricing plan under the terms shown below for two years, starting from the beginning date of service. This commitment is for its affiliate, Audeamus, which will provide internet access over Foresthill’s network. Foresthill will also provide wholesale access to its network to other internet service providers whose rates may differ from Audeamus. Since Foresthill provides network access to its broadband facilities under the National Exchange Carrier Association federal tariff, the standalone prices are higher. The recurring monthly rates assume a one year commitment by the customer.

	Standalone Broadband Service Rates	Broadband Service Rates When Bundled with Voice Service*
Recurring Monthly Charges:		
Entry Level Speed (1.5 Mbps/ .384 Mbps)	N/A	\$29.95
Standard Speed(6 Mbps/ 1.5 Mbps)	\$69.95	\$49.95
Other Speed Tier (10 Mbps/ 3 Mbps)	\$79.95	\$59.95
Non-recurring Charges:		
Standard Router (optional)	\$2.95	\$2.95
Wireless Router (optional)	\$4.95	\$4.95
Installation	Fee Waived	Fee Waived

* This price requires that the customer subscribe to telephone service in addition to broadband service.

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 data and the California Interactive Broadband Availability map, which is based on broadband availability data as of June 30, 2012. Once CD determines that the area is eligible either as an unserved or underserved area, 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 income; 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 Foresthill’s application, CD checked the CBGs submitted in the project application to determine that the project was indeed underserved. In doing so, CD found that there was a possibility that Smarter Broadband, a fixed wireless provider, and Verizon Wireless, a mobile broadband provider, were providing internet at served speeds in this area. In order to determine actual internet speeds in this area, Foresthill used the Commissions’s mobile testing app, CalSPEED. Based on these test results, CD found that the areas were indeed underserved. The California Interactive Broadband Availability map shows broadband availability at

served speeds by a satellite provider, Skycasters, LLC in the Big Dipper 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.⁴

Additionally, CD requested greater detail for the project budget and estimated economic life of assets to be funded. CD also obtained a revised pricing plan to include standalone broadband service rates. Lastly, Foresthill provided CD with information that substantiated its claim of potential customer households, including households counted using a third party vendor, a list of households in the area in 2007 which had been interested in telephone service when that option was made available in 2010, and a count of households done by Foresthill's plant department.

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 that is able to submit local government and community endorsements or letters of support.

This project had an above average overall score relative to other projects. It also scored particularly high in the areas of funds requested per customer, timeliness, and low income areas. It requested \$1,393 per customer and aims to complete the project within five months, which is much faster than the 24 month deadline imposed by the CASF rules. The median income in this area is \$33,250, which is well below the state median of \$61,632.⁵

D. Safety Impact

The project area includes the Iowa Hill Volunteer Fire Department, which may benefit from the project. Iowa Hill is located about 22 miles from Foresthill, served by winding rural roads that may be closed seasonally. Further, during the fire of 2012, it was

⁴ 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.

⁵ U.S. Department of Commerce and U.S. Census Bureau, State and County Quick Facts, 2010 (last visited Aug. 19, 2013) <http://quickfacts.census.gov/qfd/states/06000.html>.

anecdotally reported that communications were disrupted and residents had to drive into the community of Foresthill to exchange information with regard to the fire's location.

V. COMPLIANCE REQUIREMENTS

Foresthill is required to comply with all 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 categorically exempt pursuant to CEQA guidelines.

Foresthill provided the Commission with construction plans for the Big Dipper Project area. It consists of replacing the existing unlicensed sixteen and eight channel microwave radios with one GB licensed radio. Foresthill will replace seven existing Occam Digital Loop Carrier (DLC) blades with two Ethernet DLC blades. It will also replace coaxial cables between radios and DLC equipment with fiber optic cables. Additionally, Foresthill will replace the existing battery system with a larger capacity battery system to support the additional equipment. Accordingly, this project meets the criteria of the CEQA categorical exemption for minor alterations to land.⁶ Thus, the Commission is not required to conduct an environmental review pursuant to CEQA before approving this project.

B. 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 the schedule for deployment, major construction milestones and costs submitted in the proposal; indicate the actual date of completion of each task/ milestone; 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 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.

⁶ CEQA Guidelines § 15304 G.

C. Submission of Form 477

The Federal Communications Commission (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.⁷

D. Deployment Schedule

The Commission expects Foresthill to complete the project within five months from the start date. If the applicant is unable to complete the proposed project within the five month timeframe identified in its application, it must notify CD's Director as soon as it becomes aware of this prospect. The Commission may reduce payment for failure to notify CD's Director and timely complete the project. In D.12-02-015, the Commission required complete build-out of a CASF funded project within 24 months from approval of the application.

E. 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.

⁷ *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.

F. 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. In its application, Foresthill certified that 40% of the total project costs it is providing will come from its existing capital budget. Therefore, a performance bond is not required for this project.

G. Price Commitment Period

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

H. Project Audit

The Commission has the right to conduct any necessary audit, verification, and discovery during project implementation and 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.

I. Providing Voice Service

Foresthill currently provides voice services, which meet the FCC standards for E-911 service and utilize battery backup power. Foresthill will continue to provide voice services.

VI. PAYMENTS TO CASF RECIPIENTS

Submission of invoices from and payments to Foresthill 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 Foresthill 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 Foresthill, to CD	5 th of Month 1	20 th of Month 1
Payment letters from CD to Administrative Services ⁸	On 19 th of Month 1	On 4 th of Month 2
Invoices submitted from Administrative Services to State Controller's Office (SCO) for payments	20 th through 26 th of Month 1	5 th through 13 th of Month 2

Foresthill 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- 21 days to issue payment from the day that requests are received by SCO.

VII. COMMENTS ON DRAFT RESOLUTION

In compliance with P.U. Code § 311(g), a notice letter was emailed on September 3, 2013, 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 available at this same website.

No opening or reply public comments were submitted on this Resolution.

⁸ 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.

VIII. 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. Foresthill filed an application for CASF funding for its Big Dipper Project on January 31, 2013. The Big Dipper Project will upgrade the microwave radio sites which are currently providing internet access to the Iowa Hill area in order to provide high speed internet service over a 10.88 square mile area. The CBG impacted by the project area is: 060610202003.
3. CD posted the proposed project area map, CBGs and zip codes by county for the Big Dipper Project on the Commission's CASF webpage under "Pending New CASF Applications to Offer Broadband as of February 11, 2013." CD received no challenges to the proposed project areas.
4. CD reviewed and analyzed data submitted for the Big Dipper Project CASF grant application to determine the project's eligibility for CASF funding. This data includes, but are not limited to: proof of a CPCN from the Commission; 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 subscribers and average household incomes; project construction schedule; project budget; proposed pricing and commitment period for new subscribers; and financial viability of the applicant.
5. CD reviewed the submitted shapefiles, which mapped the proposed broadband deployment using United States 2010 Census data and the California Broadband Availability Map, which is based on data as of June 30, 2012. This helped to verify the existence or nonexistence of broadband service and broadband speeds, where available.

6. Based on its review, CD determined that the project qualifies for funding under D.12-02-015 and recommends Commission approval of CASF funding for Foresthill's Big Dipper Project.
7. Foresthill is not required to post a performance bond because 40% of the total project cost will be financed through Foresthill's existing capital budget.
8. Foresthill 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's Form 477, as specified in Resolution T-17143.
9. The Commission finds CD's recommendation to fund Foresthill's Big Dipper Project as summarized in Appendix A to be reasonable and consistent with Commission Orders and, therefore, adopts such recommendation.
10. This project meets the criteria of the CEQA Guidelines § 15304(G), categorical exemptions for minor alterations to land.
11. A notice letter was emailed on September 3, 2013 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/>.
12. This letter also informed parties that the final conformed Resolution adopted by the Commission will be posted and available at this same website.
13. No opening or reply public comments were submitted on this Resolution.

THEREFORE, IT IS ORDERED that:

1. The Commission shall award \$117,000 from the CASF to Foresthill for the Big Dipper Project as described herein and summarized in Appendix A of this Resolution.
2. The program fund payment of \$117,000 for this underserved project shall be paid out of the CASF fund in accordance with the guidelines adopted in D.12-02-015.
3. 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.
4. The CASF fund recipient, Foresthill, 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 Resolution 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 October 3, 2013. The following Commissioners approved it:

/s/ Paul Clanon

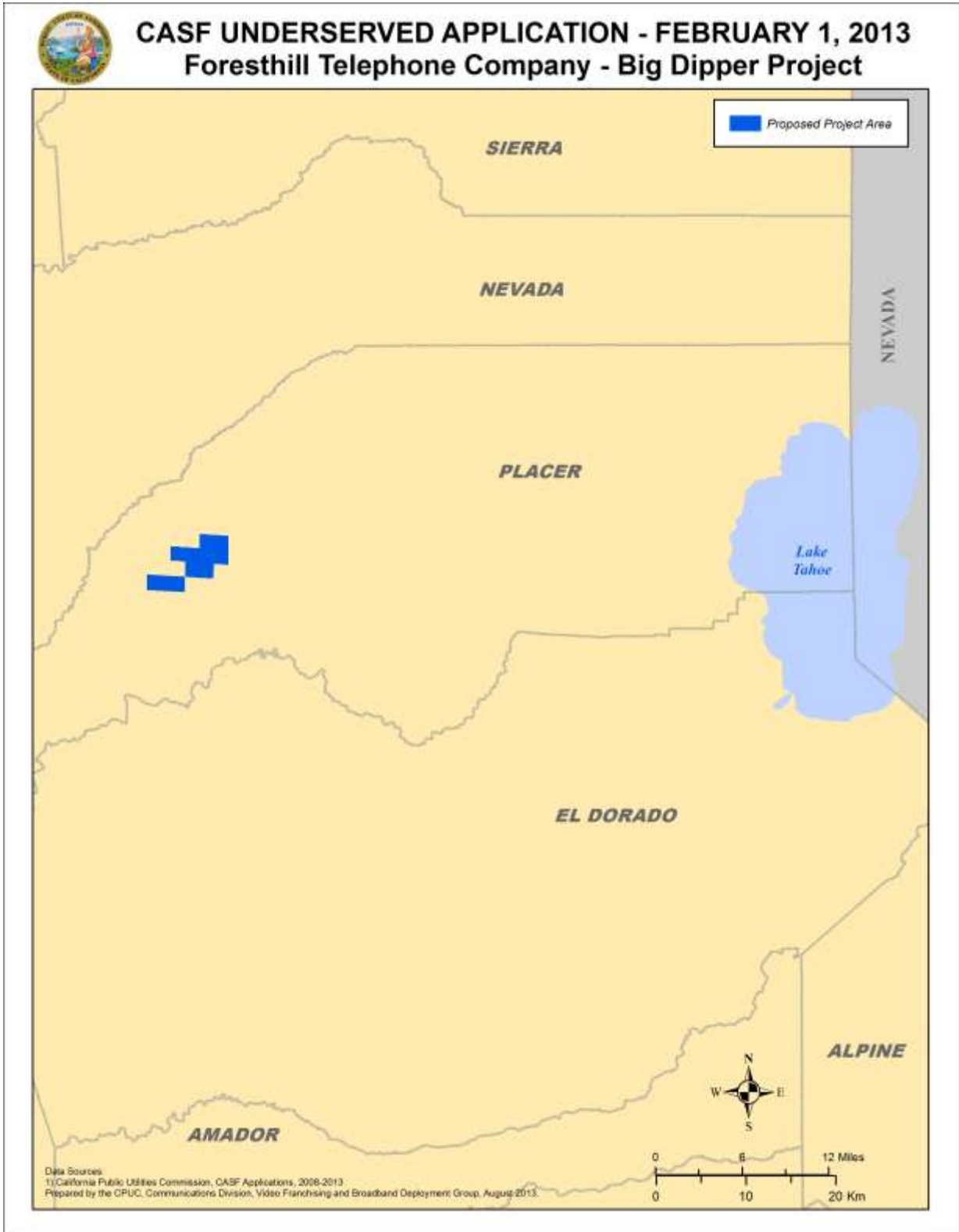
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Executive Director

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Commissioners

APPENDIX A
Resolution T -17409
Foresthill Telephone Company Big Dipper Project
Key Information

<i>Project Name</i>	Foresthill Telephone Company Big Dipper Project
<i>Project Plan</i>	Upgrade microwave radio towers
<i>Project Size (in square miles)</i>	10.88
<i>Download/ upload speed (in Mbps)</i>	10 Mbps/ 3 Mbps
<i>Location</i>	Placer County
<i>Community Name</i>	Iowa Hill
<i>CBGs/ Household Income</i>	060610202003/ \$33,250
<i>Zip Codes</i>	95713
<i>Estimated Potential Subscriber Size Households/ Subscribers</i>	84
<i>Deployment Schedule (from Commission approval date)</i>	5 months
<i>Proposed Project Budget</i>	
<i>Total</i>	\$195,000
<i>Amount of CASF Funds requested (60%)</i>	\$117,000
<i>Internally funded (40%)</i>	\$78,000

Resolution T -17409
Foresthill Telephone Company Big Dipper Project
Maps





CASF UNDERSERVED APPLICATION - FEBRUARY 1, 2013 Foresthill Telephone Company - Big Dipper Project

