

Last-Mile Broadband Initiative

Update

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California Public Utilities Commission

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California Public
Utilities Commission

2021 Broadband Investments – Background: CPUC Responsibilities



Middle-Mile Locations

- Identify routes & priority areas using public process.
- Report mapping & analysis to the California Department of Technology for use in program implementation & project development.

Last-Mile Initiative

- \$2 billion total
- Implemented through the California Advanced Service Fund (CASF) Federal Funding Account.
- Funding available for awards to applicants with broadband last-mile infrastructure projects.

Supporting Programs

- **California Advanced Services Fund (CASF)**
 - ~\$66 million current authorized amount*
 - Purpose: assist with broadband infrastructure deployment & adoption in public housing, tribes, & unserved areas.
- **Loan Loss Reserve**
 - \$750 million total
 - Purpose: enable local governments & nonprofits to secure financing for broadband infrastructure.
- **Technical Assistance**
 - \$50 million total**
 - Purpose: Help prepare local governments & Tribes for broadband infrastructure investments.

* May be increased pursuant to Public Utilities Code Section 281(d)(4)

** Included in \$2 billion Last-Mile Initiative



Federal Funding Account Timeline

Legislature passes & Governor Newsom signs SB 156/AB 164

CPUC develops program rules proposal, rescopes *Broadband Infrastructure Deployment* proceeding & assigns resources to program development & implementation

Interim Report to U.S. Treasury Dept. & Treasury releases Capital Projects Fund Allocations

CPUC releases Ruling with program rules proposal & allocations for public comment

Stakeholder opening comments due Nov. 15th on program rules

Stakeholder reply comments due Dec. 15th for funding allocations

U.S. Treasury Dept. releases final program spending guidelines

CPUC reviews stakeholder comments & finalizes program rules & release a Proposed Decision on program rules

1st Quarterly Report to U.S. Treasury

CPUC plans to adopt final Decision & begin accepting applications from providers to review for alignment with program rules & policy objectives

2nd Quarterly Report to U.S. Treasury

CPUC plans to award funding to applicants

Ongoing U.S. Treasury Reporting

July 2021

August-September 2021

October-December 2021

January-March 2022

April-June 2022

July-December 2022

CPUC *Broadband Infrastructure Deployment* Proceeding (R. 20-09-001)

- Formal public process and venue for developing and updating middle-mile mapping analysis and data
- Also serves as the public forum for developing rules for the last-mile program

Moving Expeditiously

The 2021 Legislative Broadband Package removed numerous barriers to deploying broadband infrastructure:

- Total funding is **3x** more than the \$330 million appropriated by AB 1665 (E. Garcia, 2017). That is -
 - Last-Mile Broadband Initiative is **6x** more than AB 1665 CASF infrastructure funding.
 - CASF surcharge cap is **5x** more than AB 1665 (\$150 million/year x 10 years = \$1.5 billion).
 - Loan Loss Reserve program is **x2** more than AB 1665.
- Funds not limited by coordination or “carve-outs” for federal funds (i.e., CAF II and RDOF).
- Modern Program Eligibility:
 - 25/3 Mbps wireline eligibility means projects will not become obsolete (i.e., DSL and fixed wireless).
 - No Right of First Refusal delays.
- Challenge Process Reforms (see Objection Process slide).
- Application Process Efficiencies (Application web portal, ministerial review and resolution efficiencies)

Apportionment of Funds

- SB 156 requires \$2 billion be apportioned to counties:
 - \$1 billion to urban counties and \$1 billion to rural counties.
 - Each county receives a base amount of \$5 million, with remaining apportioned by unserved at 100 Mbps.
- CPUC must determine “rural counties” and “urban counties.”
 - Proposed Decision adopts The Utility Reform Networks (TURN’s) comparative analysis of seven methodologies: Census Bureau, USDA, OMB, U.S. HHS, CSAC, Pew, & RCRC.
- TURN’s proposal balances two significant competing realities:
 - Rural areas have higher constructions costs -- due to more rugged terrain, poles with greater failure rates, and lower population density
 - Urban counties have the highest number of unserved households.

Program Eligibility

- Proposed Decision defines “Eligible Areas” as those unserved by a wireline provider that can reliably provide 25/3 Mbps service.
 - “Wireline provider” excludes fixed and mobile wireless service.
 - “Reliably” excludes legacy DSL and older cable networks.
- Proposed Decision establishes “priority project areas” as large portions or entire communities of unserved households.
 - This will help mitigate past issues with applicants “cherry picking.”

Application Evaluation Criteria

- Proposed Decision application scoring criteria:
 - Building a public network – 20 points
 - Serving a Commission-identified priority area – 20 points
 - Providing matching funds – 10 points
 - Building fiber infrastructure – 10 points
 - Providing lifeline service – 10 points
 - Applicant experience – 10 points
 - Project viability – 10 points
 - Leverages state middle mile network, if reasonable – 10 points

Affordability Requirements

- U.S. Treasury Final Rule:
 - “a project cannot be considered a necessary investment in broadband infrastructure if it is not affordable to the population the project would serve.”
 - Requires participation in Federal Communications Commissions (FCC's) Affordable Connectivity Program (ACP), which offers a \$30 subsidy or equivalent for the life of the program.
 - Requires additional low-cost option without data caps and at sufficient speeds.
- Proposed Decision additionally requires:
 - Proposes low-cost options as 50/50 Mbps for \$40 a month, with flexibility if needed by applicant.
 - Extra application points for participating in the lifeline programs.
 - Requires affordable plans be provided for life of the infrastructure.
 - All plan prices may be lowered but cannot increase for 10 years without Commission approval.

Objection Process

- Proposed Decision reforms “challenge process,” which caused significant delays in the California Advanced Services Program (CASF) infrastructure program:
 - Public filing, were previously confidential.
 - Affidavit that objection is truthful, and evidence that area is served (e.g., permits, subscriber information, pictures of actual wires).
 - Wireline focus means fewer valid challenges.
- U.S. Treasury’s Final Rule encourages funding portions of served areas, if needed, for economies of scale.

Ministerial Review

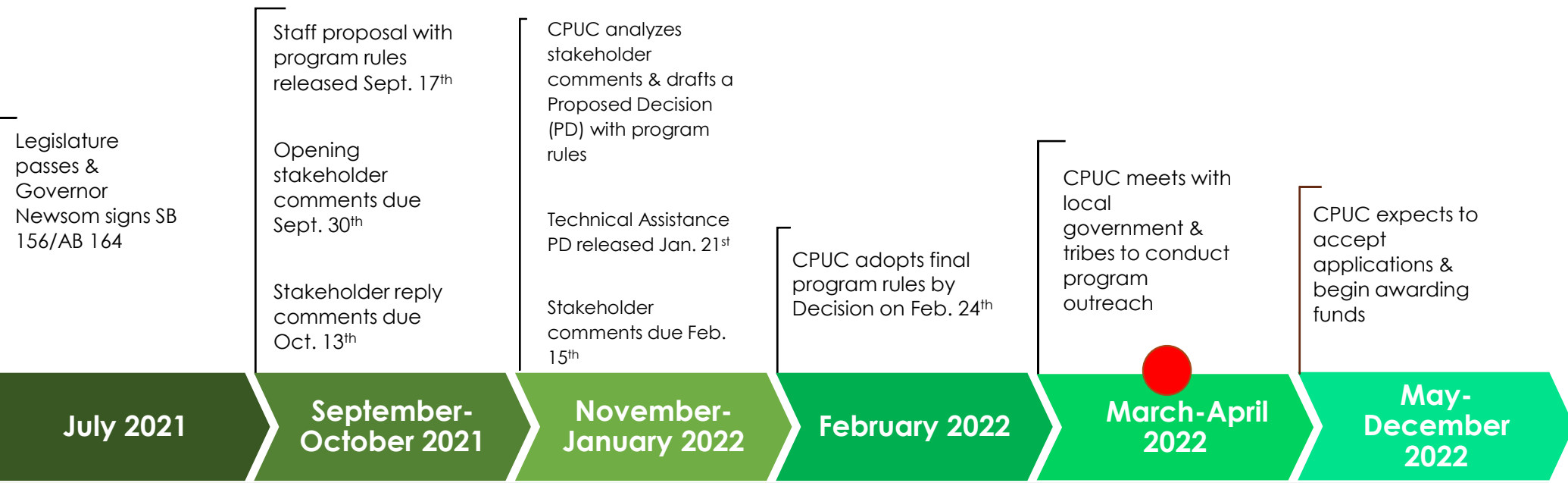
- Delegates to CPUC Communications Division Staff the authority to approve applications that:
 - 1) Meet the program eligibility requirements.
 - 2) Has not received objections or competing applications.
 - 3) Does not exceed \$25 million.
 - 4) Does not require CA Environmental Quality Act (CEQA) review.
 - 5) Costs are less than \$9,300 per household.
 - 6) Does not request a waiver or otherwise deviate from program requirements.

Proposed Decision – *Recent Revisions*

- **Affordability** – Clarifications on provider waiver request process to adjust the ten-year price cap (not freeze) and \$40 low-cost plan.
- **Letter of Credit** – Removed the letter of credit requirement for local governments and tribal governments.
- **Priority Areas** – Added disadvantaged and low-income communities as a factor for project selection.
- **Objection/Challenge Process** – Clarified the objection process to provide flexibility to address industry concerns with providing consumers' confidential information to verify that an area is already served.



Local Agency Technical Assistance Timeline



CPUC California Advanced Services Fund (CASF) Proceeding (R. 20-08-021)

- Formal public process and venue for CASF Public Housing, Infrastructure, Consortia, and Adoption Accounts as well as Technical Assistance and Loan Loss Reserve Account.

Local Agency Technical Assistance – *Implementation*

- SB 156 tasked the CPUC with designing and administering a last-mile broadband infrastructure deployment **Technical Assistance** program for tribes and local governments.
- Implemented in the **CASF proceeding** (R. 20-08-021).
- **Final program rules** and application guidelines adopted February 24, 2022.
- Technical Assistance funds for specific pre-last-mile broadband deployment costs, including **needs assessments and strategic plans**.
- **Public Webinars** to present and discuss the Technical Assistance application process.
- Expect to open applications in **Summer 2022**.



Loan Loss Reserve Timeline



CPUC California Advanced Services Fund (CASF) Proceeding (R. 20-08-021)

- Formal public process and venue for CASF Public Housing, Infrastructure, Consortia, and Adoption Accounts as well as Technical Assistance and Loan Loss Reserve Account.

Loan Loss Reserve – *Implementation*

- SB 156 tasked the CPUC with designing and administering a Loan Loss Reserve (LLR) program of \$750 million for local governments and nonprofit entities.
- To assist local-governments and non-profit entities to finance and build out their own last-mile broadband infrastructure.
- The LLR will provide collateral to local governments to enable better borrowing rates and terms for bonds issued to deploy broadband infrastructure.
- This program is being implemented through the CASF proceeding (R. 20-08-021).

Loan Loss Reserve - *Next Steps*

- Request for stakeholder Comment on the LLR Fund **March 1, 2022**.
- The comments received will help form the basis of a subsequent staff proposal.
- Opening comments were due **April 1, 2022**. Reply comments are due **April 22, 2022**.
- To inform a staff proposal targeted to be issued before **August 2022**.



California Advanced Service Fund Timeline



CPUC California Advanced Services Fund (CASF) Proceeding (R. 20-08-021)

- Formal public process and venue for CASF Public Housing, Infrastructure, Consortia, and Adoption Accounts as well as Technical Assistance and Loan Loss Reserve Account.

California Advanced Service Fund - *Implementation*

Ruling requesting stakeholder comment on implementation of reforms to existing CASF subprograms:

- Public Housing Account Implementation
 - Requested comment on how to implement changes to the program made by SB 156, including expansion of eligibility.
- Broadband Adoption Program Revisions
 - Requested comment on program changes, including increasing budget limits for ministerial review and expansion of reimbursable costs to include additional devices.
- Broadband Consortia Program Revisions
 - Requested comment on program changes, including expanding Consortium responsibilities to allow for assisting applicants for Local Agency Technical Assistance and the Loan Loss Reserve Fund
- CASF Account Appropriations
 - Requested comment on allocation of total CASF budget across CASF subaccounts

Thank You



Deployment of Anza Electric's CASF Connect Anza
project, Riverside County



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