

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

In the Matter of Connect America Fund
ETC Annual Reports and Certifications

WC Docket No. 10-90

WC Docket No. 14-58

**COMMENTS OF THE
CALIFORNIA PUBLIC UTILITIES COMMISSION**

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I. INTRODUCTION

The California Public Utilities Commission (CPUC) respectfully submits these comments in response to the Federal Communications Commission’s (FCC or Commission) *Further Notice of Proposed Rulemaking (FNPRM), In the Matter of Connect America Fund and ETC Annual Reports and Certifications*,¹ regarding state support for Connect America Fund (CAF) Phase II implementation. The FCC states that it “remains committed to working with our state and other governmental partners to advance our mutually shared goals of preserving voice service and extending broadband-capable infrastructure to consumers across the nation. We thus wish to further explore how best to maximize the reach of our existing Connect America budget and leverage non-Federal funding to extend broadband to as many households as possible.”²

The FCC seeks comment on how to create incentives for states to assist in the deployment of voice and broadband Internet access service (broadband) in unserved high cost areas of the country. Specifically, the FCC seeks comment “on providing bidding credits in the [CAF] Phase II competitive bidding process that will occur after the offer of model-based support to price cap carriers, in order to create incentives for states to share financial responsibility for preserving and extending broadband-capable infrastructure.”³

¹ *FNPRM, In the Matter of Connect America Fund and ETC Annual Reports and Certifications*, WC Docket No. 10-90, WC Docket No. 14-58; rel. July 14, 2014 (*FNPRM*).

² *Id.*, ¶ 97.

³ *Id.*, ¶ 98.

Alternatively, the FCC asks whether it should award a bidding credit to any [CAF] bidder in a state that is a net donor to the universal service fund.⁴

The CPUC recommends that Commission give priority to bidders from net donor states commensurate with the state's percentage contribution to the total Universal Service Fund (USF) and urge the Commission to give net donor state bidders priority over bidders from other states and bidders with non-federal funding support.

II. DISCUSSION

California telephone subscribers devote significant resources to ensure that residents of California have access to voice and broadband service. California ratepayers contribute millions of dollars each year to fund six State universal service support programs:

- 1) Universal Lifeline Telephone Service Program (California LifeLine) which subsidizes the cost of residential voice service for low income residents;
- 2) Deaf and Disabled Telecommunications Program (DDTP) which provides free specialized telecommunications equipment to consumers with hearing, vision, mobility, speech and cognitive disabilities, and also funds the California Relay Service;
- 3) High Cost Fund A Program which provides high cost support to small carriers of last resort service serving rural areas;
- 4) High Cost Fund B program which provides high cost support to midsize and large carriers of last resort serving high cost areas;
- 5) California Teleconnect Fund Program (CTF) which subsidizes the monthly telecommunications and broadband service costs of non-profit K-12 schools, community colleges, libraries, hospitals and health clinics and community-based organizations; and

⁴ *Id.*, ¶ 101.

- 6) California Advanced Services Fund Program (CASF) which is budgeted to provide over \$300 million in grants and loans to entities for the deployment of broadband in unserved and underserved areas, for wiring public housing units and for adoption programs.⁵

The CPUC's Fiscal Year 2014-2015 budget for these six programs is over \$520 million.

California also promotes and facilitates the deployment of broadband via regional broadband planning consortia, and through efforts of the California Broadband Council which was established by legislation for the purpose of promoting broadband deployment in unserved and underserved areas of the state, and broadband adoption throughout the State for the benefit of all Californians.⁶

California also has a strong record of partnering with federal agencies in financing broadband Internet deployment projects, including the recently completed Digital 395 project, funded with \$80 million from the National Telecommunications and Information Administration's (NTIA) Broadband Technology Opportunities Program (BTOP) and

⁵ CPUC Decision 12-02-015 defines an "underserved area" as an area, "where broadband is available, but no wireline or wireless facilities-based provider offers service at advertised speeds of at least 6 mbps download and 1.5 mbps upload," while CPUC Resolution T-17143 defines an "unserved area" as "an area that is not served by any form of facilities-based broadband, or where Internet connectivity is available only through dial-up service or satellite." In general, this means areas where broadband Internet service is available at speeds of less than 768 kbps downstream and 200 kbps upstream are unserved, while areas with broadband Internet service is available at speeds greater than 768 kbps downstream and 200 kbps upstream, but less than 6 mbps downstream and 1.5 mbps upstream are underserved. Almost \$100 million in grants and loans has been distributed to date.

⁶ See California Government Code §§8885 *et. seq.*; California Broadband Council consists of the following nine members: 1) Director of Technology; 2) President of the Public Utilities Commission; 3) Director of Emergency Services; 4) Superintendent of Public Instruction; 5) Director of General Services; 6) Secretary of Transportation; 7) President of the California Emerging Technology Fund; 8) A member of the Senate; and 9) A member of the Assembly.

\$29 million from the CASF program. The CPUC is also the California Mapping grantee under the NTIA's ARRA program. In addition, the CPUC has developed a publically available application to measure the download speed of mobile broadband service throughout the State.

As noted above, in this *FNPRM*, the FCC is “particularly interested in how States, localities, Tribal governments, and other non-federal governmental bodies can provide assistance, through matching funds, in-kind contributions or other regulatory approvals and permits, to improve the business case for deployment of next generation networks.”⁷ Specifically, the FCC asks whether it should provide a bidding credit during the CAF Phase II competitive bidding process to bidders that obtain non-federal funding support for the project on which they are bidding.⁸ For purposes of awarding such a bidding credit, the FCC proposes to consider “all forms of non-Federal assistance, including but not limited to support from a state universal service fund, state broadband authority, other state institutions that provide funding for communications infrastructure development, appropriated funds, regional and local governmental authorities, or Tribal government funding.”⁹

⁷ *FNPRM* at ¶ 98.

⁸ *Id.*

⁹ *Id.*, ¶ 99.

As an alternative, the FCC asks if it should award a bidding credit to any applicant in a state that is a net donor to the federal USF, as suggested in previous CPUC comments.¹⁰ The FCC notes that “[t]his would be simple to administer and would provide one means of creating greater equity between states in terms of their respective net draws from the fund. If we were to adopt such an approach, we propose to utilize the most recent Universal Service Monitoring Report to determine which states are net donors.”¹¹

California strongly recommends that the Commission give bidding credits to applicants in a state that is a net donor to the USF. California is a net donor state. The most recent Monitoring Report on Universal Service released by the Federal-State Joint Board on Universal Service in December 2013 estimates that California contributed \$963,027,000 to the federal USF in 2012, while California service providers received payments totaling only \$582,478,000.¹² Thus, in addition to the millions that California telephone ratepayers contribute to state universal service programs, these ratepayers also help fund universal service in other states through the federal programs.

The CPUC wishes to continue this robust partnership and encourages the FCC to do so by awarding bidding credits to applicants in states that are net donors to the USF. In

¹⁰ *Id.*, ¶ 101. In comments filed on March 28, 2014, in this proceeding, the CPUC urged the FCC to take into account the proportion of a State’s contributions to the USF when scoring the Rural Broadband Experiments, noting that California is a net contributor to the USF.

¹¹ *Id.*

¹² Table Service Monitoring Report, (through October 2013).

addition to its administrative simplicity, this proposal provides greater equity in the bidding process, as California is a significant net donor.

The CPUC does not oppose the Commission giving bidding credits to bidders that have non-federal funding support. As shown above, California already provides non-federal funds and other support to advance the universal deployment of broadband and voice services in the State. However, we strongly urge the Commission to give CAF Phase II bidders in net donor states priority over bidders in other states, and bidders with non-federal funding. Additionally, the CPUC proposes that the bidding credit for a net donor state be commensurate with the state's percentage contribution to the total USF.

III. CONCLUSION

California has been and will continue to be a strong partner with the Federal government in the promotion of universal voice and broadband Internet access service. We urge the FCC to provide bidding credits to CAF Phase II bidders in states that are net donors to the USF, in addition to any credits for non-federal funding. We thank the Commission for this opportunity to comment on this matter.

Respectfully submitted,

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