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DRA Opposes Massive Ratepayer Subsidy for Broadband Project With No Oversight

SAN FRANCISCO, December 3, 2009 – The Division of Ratepayer Advocates (DRA), an independent consumer advocacy division of the California Public Utilities Commission (CPUC), strongly opposes another give-away of ratepayer money to companies for building broadband facilities with no CPUC oversight.

The CPUC today conditionally approved a grant of \$19 million from the California Advanced Services Fund (CASF) for the Digital 395 Middle Mile Project of the California Broadband Cooperative (CBC). While DRA supports statewide access to broadband for Californians, it said the CPUC should require the CBC to explain how ratepayer subsidies will be spent and should provide an opportunity for public review or comment on the CBC's proposal.

The CPUC's decision, adopted by a 4-1 vote with Commissioner John A. Bohn opposed, granted the CBC a subsidy of 19 percent, instead of the 10 percent subsidy allowable by state rules. Combined with federal funding that pays another 80 percent of the project's costs, CBC's subsidy reaches almost 100 percent of its total costs, requiring virtually no investment by CBC. In agreement with the comment made before the vote by Commissioner Bohn, companies applying for subsidies must have some appreciable level of financial commitment as an incentive to make them succeed, as well as obligations to complete the project in the most cost-effective manner possible, said DRA.

"DRA supports the economic and social benefits of broadband expansion. However, the CPUC is charged to responsibly deploy ratepayer funds and provide appropriate oversight," said DRA Director Dana Appling. "Today's decision fails on both counts: the subsidy is too great, and the oversight too minimal."



The CPUC's decision finds that CBC's non-profit financial structure is enough to ensure that service remains affordable for broadband subscribers, but there is nothing in the decision to prevent CBC from charging exorbitant rates to consumers once the project has been completed. DRA has previously demanded that service connection or service activation fees be waived for projects built using ratepayer subsidies.

Since 2007, the CPUC has approved funding for 36 ratepayer-subsidized broadband projects. None of the companies involved have provided sufficient information to demonstrate that a project is a good use of ratepayer and taxpayer funds.

As the only commissioner to vote against the decision, DRA commends Commissioner Bohn for presenting his concerns before the vote.

For more information on DRA, please visit www.dra.ca.gov.

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