

**BROADBAND OVER POWER LINES
STATEMENT OF COMMISSIONER RACHELLE CHONG
APRIL 27, 2006
ITEM 47**

Today's proposed decision promotes competition in the California broadband market by setting forth a clear, "light touch" regulatory framework for companies seeking to provide Broadband Over Power Lines, or BPL.

At present, the California broadband market is dominated by DSL service on conventional phone lines and cable modem services over upgraded cable lines. BPL can provide Californians with a *new* broadband pipe to the home, using high speed data signals over existing electric power lines. The BPL signal can occupy the electric wires without interfering with electric transmission.

Today's proposed decision takes the proactive step of setting up a "BPL-friendly" regulatory framework. I think of it as the PUC "setting the table" for more broadband competition.

We do this because of our hope that BPL will bring valuable, additional competition to the California broadband market. As the home of Silicon Valley, we want to be a broadband leader in the nation. Therefore, today, we remove a variety of obstacles that have created regulatory uncertainties that in turn, have caused California to trail other sections of the country in the deployment of BPL.

We also expect that BPL will expand broadband access to more Californians. Expanding broadband infrastructure and access to all of California is one my top priorities as a Commissioner. Because existing electrical wires run to each neighborhood, home, and business, the state's power grid could serve as an important new broadband pipe. Increasing the number of broadband delivery platforms and facilitating broadband competition is one of the best ways to extend broadband access to rural areas and other underserved communities. It is my hope that BPL providers will execute business plans to bring service to underserved niche markets.

Without question, more broadband competition will bring benefits to Californians. Thus, this proposed decision is pro-consumer in the most fundamental ways. It will introduce a new competitor, which in turns helps drive broadband prices down. It brings the possibility of new rate plans. Broadband benefits the lives of Californians by providing a backbone, which brings the riches of the world's libraries to every California school, library, medical facility, and community.

BPL can also provide benefits to electrical customers by enabling valuable "smart grid" applications that could improve electrical system reliability and support the implementation of money-saving energy management systems.

The advanced telecommunications market is developing at light speed. All too often regulation struggles to keep up. We could wait until after the world around us has changed, and only then change the regulatory rules to catch up to the rest of the nation. I prefer the other approach, consistent with this decision: look ahead, anticipate unnecessary regulatory hurdles to this new technology, and put in place a sensible, light touch regulatory framework that protects consumers.

BPL is still a nascent technology that faces formidable technological and financial hurdles. Bringing BPL to the broadband marketplace will require significant investment. By setting forth clear regulations today while the technology is still young, we will encourage investors in BPL to continue exploring BPL's potential in California.

Although this decision is focused on just one broadband technology, I do not believe this Commission should choose winners and losers among telecommunications companies or technologies. My proposed decision levels the playing field and will allow BPL to compete. Its success will be determined by the marketplace, however.

Specifically, this decision:

- Allows third-parties or electric utility affiliates to invest in and operate BPL systems,
- Requires electric utilities to follow affiliate transaction rules for transactions between a utility and BPL affiliate,
- Maintains the safety and reliability of the electric distribution system,
- Requires companies installing BPL equipment on utility infrastructure to pay pole attachment fees,

- Does not require a utility to charge a BPL company to access the utility's wires,
- Aligns investors' risks and rewards, and
- Pursuant to our authority under Public Utilities Code Section 853(b), adopts a policy of exempting BPL-related transactions, with conditions, from the requirements of Public Utilities Code Section 851.

These actions will spur investment, protect against anti-competitive cross subsidies, protect worker and public safety around transmission wires, ensure that BPL pays its fair share of costs for utility poles, benefit ratepayers where appropriate, and remove regulatory uncertainty.

In contrast, the alternate takes a more intrusive regulatory approach. It limits the lease lengths, requires a fixed deployment date, and imposes inappropriate energy affiliate transaction rules on these communications transactions. These types of onerous rules will discourage investment in this new technology.

In summary, for all the reasons I set forth, the proposed decision best serves Californians, by providing our consumers a new pipeline to receive the services and products of the uniquely Californian television, movie, music and high technology industries.

I would like to thank ALJ Peter Allen for his work on this item, Andrew Campbell (who worked on it in both his DSP seat and his new role in my office as my energy advisor), and all my advisors, both old and new, who worked on this item at one time or another in the team spirit of the Chong office.