



# CALIFORNIA TELECONNECT FUND PERFORMANCE AUDIT

CENIC Broadband Initiatives, LLC  
(U-7181-C)

July 1, 2022, through June 30, 2023

Utility Audits, Risk and Compliance Division  
Utility Audits Branch  
July 8, 2025



## **MEMBERS OF THE TEAM**

**Angie Williams, Director**

**Masha Vorobyova, Assistant Director**

**Sharmin Wellington, Program and Project Supervisor**

**Thong Thao, Lead**

**Nicholas Van Skike, Staff**

**A digital copy of this report can be found at:**

**[Audit Reports by Industry \(ca.gov\)](#)**

**You can contact our office at:  
California Public Utilities Commission  
Utility Audits, Risk and Compliance Division  
400 R Street, Suite 221  
Sacramento, CA 95811**

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



Transmitted via e-mail

July 8, 2025

Bill Paik  
Chief Financial Officer  
CENIC Broadband Initiatives, LLC  
16700 Valley Ave. Suite 400  
La Mirada, CA 90638

Dear Bill Paik:

**Final Report Transmittal Letter—Audit of CENIC Broadband Initiatives' California Teleconnect Fund for the period of July 1, 2022, through June 30, 2023**

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) has completed its audit of CENIC Broadband Initiatives, LLC (CBI) California Teleconnect Fund (CTF) program claims for the period of July 1, 2022, through June 30, 2023.

UAB provided a draft review report to CBI for comments on June 12, 2025. CBI submitted its comments via email on June 26, 2025. CBI agreed to implement the recommendations and provided comments regarding the finding. CBI's response to the draft report finding and our evaluation of the response are incorporated into this final report. We will post the final audit report on our website at [Audit Reports by Industry \(ca.gov\)](https://www.cpuc.ca.gov/AuditReportsbyIndustry).

A Corrective Action Plan (CAP) addressing the finding and recommendations is required. CBI's response to the draft audit report included information on corrective actions planned. If CBI has further detailed CAP information including specific steps and target dates to correct the findings identified, please submit the CAP by August 22, 2025, which is 45 calendar days from the issuance of this final audit report to: [UtilityAudits@cpuc.ca.gov](mailto:UtilityAudits@cpuc.ca.gov).

We appreciate CBI's assistance and cooperation during the engagement, and its willingness to implement corrective actions. If you have any questions regarding this report, please contact Sharmin Wellington, Supervisor, at (916) 928-9838.

Sincerely,

*Angie Williams*

Angie Williams, Director  
Utility Audits, Risk and Compliance Division

cc: See next page

Bill Paik  
Chief Financial Officer  
CENIC Broadband Initiatives, LLC  
July 8, 2025  
Page 2

cc: Sherilyn Shiotsu Evans, Senior Advisor, CENIC  
Rachel Peterson, Executive Director, CPUC  
Kristin Stauffacher, Deputy Executive Director, Office of the Commission, CPUC  
Ana Maria Johnson, Deputy Executive Director, Broadband and Communications,  
CPUC  
Robert Osborn, Director, Communication Division, CPUC  
Gelareh Safavi, Program Manager, Communication Division, CPUC  
Brent Jolley, Program and Project Supervisor, Communication Division, CPUC  
Lina Khoury, Program and Project Supervisor, Communications Division, CPUC  
Masha Vorobyova, Assistant Director, UAB, CPUC  
Sharmin Wellington, Program and Project Supervisor, UAB, CPUC  
Thong Thao, Senior Management Auditor, UAB, CPUC  
Nicholas Van Skike, Staff Services Management Auditor, UAB, CPUC

# TABLE OF CONTENTS

---

EXECUTIVE SUMMARY ..... 1

AUDIT REPORT

    Background ..... 2

    Audit Authority..... 3

    Objective and Scope ..... 3

    Methodology ..... 3

    Conclusion..... 6

    Follow-up on Prior Audit Findings ..... 6

    Views of Responsible Officials..... 6

    Restricted Use ..... 6

FINDING AND RECOMMENDATIONS..... 7

APPENDIX A—CALREN MAP ..... 10

APPENDIX B—UTILITY’S RESPONSE TO DRAFT AUDIT REPORT ..... 11

APPENDIX C—UAB’S EVALUATION OF UTILITY’S RESPONSE..... 14

## EXECUTIVE SUMMARY

---

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) conducted a performance audit of the California Teleconnect Fund (CTF) program's claims reported by CENIC Broadband Initiatives, LLC (CBI) for the audit period of July 1, 2022, through June 30, 2023.

Our audit objectives were to determine whether CBI's claims from the CTF were accurate, properly supported, incurred for eligible participants, services, and activities; and to determine whether CBI applied the applicable CTF discount to the eligible participants, in accordance with Public Utilities (PU) Code sections 280 and 884, Commission Decisions (D.) 96-10-066, D.15-07-007, and D.19-04-013, and other applicable CTF program's rules, regulations, and requirements.

Based on the procedures performed, samples tested, and evidence gathered, we were not able to determine whether CBI complied with requirements for the audit period of July 1, 2022, through June 30, 2023, as described in the Finding and Recommendations section of this audit report. The audit finding is summarized as follows:

- **Finding: Potential Ineligible Services and Fees Claimed from CTF**  
CBI may be claiming ineligible backbone CTF services and unallowable fees from the CTF program. However, we were unable to determine compliance due to 1) unclear definition of backbone or infrastructure services in the applicable CPUC guidelines, and 2) lack of clearly outlined description of services and fees CBI provides to its participants in CBI's contracts and invoices.

We issued a draft report on June 12, 2025. CBI's representative responded by email dated June 26, 2025, agreeing to implement the recommendations and providing comments on the finding. CBI's response is included in this final report as an attachment in Appendix B—Utility's Response to Draft Audit Report and our evaluation of the response is included in Appendix C—UAB's Evaluation of Utility's Response.



## AUDIT REPORT

---

### Background

#### California Teleconnect Fund Program

The California Public Utilities Commission (CPUC) implemented the California Teleconnect Fund (CTF) in 1996 pursuant to Public Utilities (PU) Code section 280(a). CPUC D.96-10-066 created the CTF program to promote innovation in the delivery and use of advanced communication services, encourage the diversity of choices among services and providers, and ensure affordable and widespread access to California's broadband networks and technology. CTF program aims to bring every Californian direct access to advanced communication services in their local communities, particularly those with lower rates of internet adoption and greater financial need.

CTF program provides support for the cost of advanced communication services to approved participants, including schools, libraries, hospitals, health clinics, community colleges, 2-1-1 referral providers, and community-based organizations (CBOs). Participants receive a 50 percent discount on the monthly recurring cost (MRC) of eligible services, such as Ethernet and Fiber Optics. CTF support is adjusted to account for federal E-rate program support for all participants in the following categories: Public Schools, Private Schools, and Libraries, and approved Rural Health Care Program (RHCP) participants. The CTF discount is applied to the balance of eligible charges remaining after the federal E-rate and federal RHCP support is applied. Service providers apply the discount within participants' monthly bills, then submit claims for reimbursement to the CPUC Communications Division (CD). CTF program is funded by California ratepayers through a surcharge assessed on revenues collected by telecommunications companies for intrastate telecommunications' products and services or the number of active access lines that a telephone corporation operates in California<sup>1</sup>.

The CPUC's CD administers the CTF program in coordination with the CTF Administrative Committee. CD processes applications from entities requesting eligibility for the program, processes claims for reimbursement from carriers, prepares annual budgets, proposes changes to the surcharge, and performs other administration tasks. The CTF Administrative Committee advises CPUC regarding the development, implementation, and administration of the program.

#### CENIC Broadband Initiatives, LLC

Corporation for Education Network Initiatives in California (CENIC) was established in 1997 as a non-profit organization and operates the California Research and Education Network (CalREN), a high-speed capacity computer network which serves schools, libraries, hospitals, health clinics, and other organizations. CalREN is a high-speed capacity computer network with more than 8,000 miles of optical fiber. Headquartered in La Mirada CA, CENIC Broadband Initiative, LLC (CBI) is a subsidiary of CENIC.

CBI claimed and was reimbursed a total of \$7,187,340 in subsidy from the CTF during the audit period of July 1, 2022, through June 30, 2023. CBI had three participants each month, which encompasses most schools, libraries, and community colleges within California. CBI's claims for reimbursement are summarized in Table 1 below:

---

<sup>1</sup> Effective April 1, 2023, pursuant to D.22-10-021.

Table 1. CBI Claim Information During Audit Period

Claim Period	Claimed Amount	Reimbursed Amount
July 2022	\$ 598,945	\$ 598,945
August 2022	598,945	598,945
September 2022	598,945	598,945
October 2022	598,945	598,945
November 2022	598,945	598,945
December 2022	598,945	598,945
January 2023	598,945	598,945
February 2023	598,945	598,945
March 2023	598,945	598,945
April 2023	598,945	598,945
May 2023	598,945	598,945
June 2023	598,945	598,945
Total	<u>\$ 7,187,340</u>	<u>\$ 7,187,340</u>

### Audit Authority

UAB conducted this audit under the general authority outlined in the PU Code sections 270-274, 314.5, 314.6, 581, 582, and 584. UAB is authorized to verify the CTF program claims for the purposes of ensuring regulatory compliance of the CTF program.

### Objective and Scope

Our audit objectives were to determine whether CBI's claims from the CTF were accurate, properly supported, incurred for eligible participants, services, and activities; and to determine whether CBI applied the applicable CTF discount to the eligible participants, in accordance with PU Code sections 280 and 884, CPUC D.96-10-066, D.15-07-007, and D.19-04-013, and other applicable CTF program's rules, regulations, and requirements.

The scope of our audit covered CBI's claims from the CTF totaling \$7,187,340 for the audit period of July 1, 2022, through June 30, 2023.

### Methodology

In planning our audit, we gained an understanding of CTF program and CBI's operations and identified relevant criteria, by reviewing CBI's policies and procedures, relevant PU Code sections, rules, regulations, CPUC decisions, resolutions, orders, directives, and interviewing CBI's personnel.

We conducted a risk assessment, including evaluating whether CBI's key internal controls relevant to our audit objectives were properly designed, implemented, and operating effectively. Our assessment included conducting interviews, observing processes, or performing walkthroughs, and testing transactions. Deficiencies in internal control that were identified during our audit and determined to be significant within the context of our audit objectives are included in this report.



Additionally, we assessed the reliability of the data extracted from CBI's accounting system and reimbursement claims submitted to CPUC. Our assessment included examining extracted reports, tracing data between differing report formats to verify completeness, and tracing report data to source documents. We determined the data to be sufficiently reliable to address the audit objectives.

We developed specific methods for gathering evidence to obtain reasonable assurance to address the audit objectives. To achieve our audit objectives, we did the following:

- Reviewed applicable PU Code sections, CPUC decisions and resolutions to gain an understanding of CTF program, including eligibility and the claim filing process.
- Reviewed CBI's background information including its policies and procedures to gain an understanding of the nature of the utility and its responsibility over CTF program.
- Determined there were no prior audits reports significant to our audit objectives that required our follow-up.
- Assessed significance by performing analysis of reimbursement claims data and evaluating program requirements.
- Obtained an understanding of CBI's key internal controls relevant to CTF program, such as reviewing its processes over reimbursement claims, and participant billing and discounts, and assessed the design, implementation, and operating effectiveness of selected controls that are significant to the audit objectives by:
  - interviewing key personnel and administering an internal control questionnaire;
  - reviewing CBI's policies and procedures, and specifically assessing the recording and reporting of CTF claims data;
  - performing walkthroughs of the reimbursement claims; and
  - tracing selected transactions to source documents.
- Conducted a risk assessment to determine the nature, timing, and extent of substantive testing.
- Selected claims from July of 2022 and June of 2023 totaling \$598,945 and \$598,945, respectively, and selected the same 3 participants from each month to perform testing procedures, as shown in Table 2 below:

Table 2. Claims Selected for Testing

<b>Months Selected</b>	<b>Claimed Amount</b>	<b>Percent of Total Claims</b>	<b>Participants Selected</b>	<b>Percent of Total Participants</b>
July 2022	\$ 598,945	8.3%	3	100.0%
June 2023	598,945	8.3%	3	100.0%
Total Sampled	\$ 1,197,890	16.7%		
Total Claimed*	<u>\$ 7,187,340</u>		<u>3</u>	

\*For the selected samples, errors found, if any, were not projected to the intended (total) population.

- For the selected months and participants, performed substantive testing procedures including the following:
  - Verifying claims were approved, accurately computed, and properly supported
    - recalculated the CTF amounts claimed for the selected participants to verify the claimed amounts were accurate;
    - recalculated the total monthly CTF claimed amounts submitted to CPUC for reimbursement to verify the claimed amounts were accurate;
    - obtained the service contracts for the selected participants to verify the MRC claimed amounts were accurate; and
    - verified claims for reimbursement were properly approved before submittal.
  - Ensuring CTF discounts were properly applied
    - recalculated the CTF discount on the participants' billing invoices to verify that the correct discount was applied.
  - Verifying eligible services and participants were claimed
    - reviewed service provider's claimed services to verify the services were CTF eligible;
    - compared CPUC's CTF eligible services list to the participants' service types on the claims to determine only eligible services were claimed;
    - obtained and reviewed CPUC's CTF Participant Report to verify the participants were approved for the CTF program; and
    - verified the participants' eligibility start and end dates on the CTF Participant Report to assess whether the participants were eligible for the CTF discount during the audit period.

We did not audit CBI's financial statements. Our audit scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance that CBI's claims from the CTF were

accurate, properly supported, incurred for eligible participants, services, and activities; and to determine whether CBI applied the applicable CTF discount to eligible participants, in accordance with the applicable PU Code sections, CPUC decisions, and other applicable CTF program's rules, regulations, and requirements. We considered CBI's internal controls only to the extent necessary to plan the audit and achieve our audit objectives.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). GAGAS standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Conclusion

Based on the procedures performed, samples tested, and evidence gathered, we were not able to determine whether CBI complied with requirements for the audit period July 1, 2022, through June 30, 2023. Details are described in the Finding and Recommendations section of this audit report.

## Follow-up on Prior Audit Findings

We have not previously conducted an audit of CBI's CTF program's claims within the last ten years. Furthermore, CBI did not identify any prior engagements that are significant within the context of our audit objectives that would require us to determine if appropriate corrective actions have been taken to address potential findings and recommendations.

## Views of Responsible Officials

We issued a draft report on June 12, 2025. CBI's representative responded by email dated June 26, 2025, agreeing to implement recommendations and providing comments on the finding. CBI's response is included in this final report as an attachment in Appendix B—Utility's Response to Draft Audit Report and our evaluation of the response is included in Appendix C—UAB's Evaluation of Utility's Response.

## Restricted Use

This audit report is intended solely for the information and use of CBI and CPUC; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this audit report, which is a matter of public record and will be available on the CPUC website at [Audit Reports by Industry \(ca.gov\)](https://www.cpuc.ca.gov/Audit-Reports-by-Industry).

*Angie Williams*

---

Angie Williams, Director  
Utility Audits, Risk and Compliance Division

## FINDING AND RECOMMENDATIONS

---

### **Finding: Potential Ineligible Services and Fees Claimed from CTF**

#### **Condition:**

CBI may be claiming ineligible backbone CTF services and unallowable fees from the CTF program. However, without a clear written definition of backbone or infrastructure services in the applicable CPUC laws, rules, and regulations we are unable to determine the extent, if any, potentially ineligible backbone CTF services were claimed. Additionally, the contract agreements and invoices between CBI and its three participants do not clearly outline the services and fees being provided to the participants. Therefore, we are unable to determine if there are any ineligible services and fees being claimed.

#### *CBI Contracts and Backbone Services Claimed*

CBI claimed a total of \$7,187,340 from CTF for providing 100 gigabit ethernet service on a backbone ring to a total of three participants during the audit period of July 1, 2022, to June 30, 2023. CBI provides services on the CalREN infrastructure, which is owned by CENIC, the parent company of CBI. CBI contracted with three participants that represent most schools, libraries, and community colleges within California. These contracts stipulate that CBI sells 100 gigabit ethernet service on a backbone ring, and that CBI provides 100 gigabit ethernet backbone service to its participants. Aside from these general descriptions, CBI's contracts lack a clear outline and description of specific types of backbone services it provides to its participants.

#### *Discussions with Experts*

Based on our discussions with various industry experts, the 100 gigabit ethernet backbone service provided to the participants are the fiber optic cables that run between each CENIC hub site to the CalREN infrastructure as shown on the map in appendix A. According to CENIC, the 100 gigabit ethernet backbone service ring is a segregated ring within the CalREN backbone infrastructure. Therefore, based on our review of the contracts and our discussions with the industry experts including CBI/CENIC representatives, backbone services can be interpreted as fiber optic cables infrastructure or the services that are run through the fiber optic cables infrastructure. Lack of clear distinction of where CBI services fit within these two interpretations leads to ambiguity relating to eligibility of CBI's claims.

#### *CPUC Guidance/Manual*

Based on the lack of clarity in CPUC D.15-07-007 and the CTF Service Provider Manual, it is unclear whether CBI provided backbone services that run through the fiber optics cables or backbone infrastructure services that are the fiber optics cables. The CPUC Service Provider Manual states that fiber optics and ethernet services are CTF eligible services, but infrastructure services are not eligible services.

Additionally, CBI's monthly CTF claims listed ethernet backbone service under service name and fiber under service category. Although ethernet and fiber optics, including leased dark fiber and leased lit fiber are eligible CTF services, backbone services are not eligible if they are part of the main infrastructure per the CTF Service Provider Manual. However, without having a clear definition of what backbone is and what backbone includes, we are unable to determine whether the ethernet backbone service is part of the infrastructure and an eligible CTF service.

*Fees Claimed by CBI*

Finally, CBI's contract payment terms stipulate a three percent cost increase in fees each year. However, the context of "fees" charged in CBI's contracts is unclear. In one of its three contract amendments, it appears the three percent cost increase covers "the provision, installation, and maintenance of 100 gigabit ethernet backbone services." The remaining two contracts do not outline what the three percent cost increase covers. Assuming all of CBI's fees charged for all three contracts are similar in nature, they all would likely be unallowable pursuant to the CTF Service Provider Manual, which states that all taxes and fees are ineligible for reimbursement from CTF.

Furthermore, if the fees described within all three contracts are actual fees that are assessed on the services provided, such as usage fees and maintenance, then the fees would also not be considered eligible. However, some fees may be eligible if they relate to eligible services provided that comply with the CTF program's rules and regulations. Because we are unable to determine the exact context of "fees" CBI charged due to the lack of detail in CBI's contracts, at least some portion of these fees and services provided may be ineligible per the CTF Service Provider Manual.

*Summary*

Due to lack of clarity in CBI's contracts and CPUC guidelines, the extent to which the amounts claimed totaling \$7,187,340 for the audit period included ineligible services is unclear. In addition, CBI's contracts lack a clear outline of what fees it charges its three participants and what specific type of backbone services it provides to its participants. Therefore, we are unable to determine the extent, if any, of potentially ineligible backbone CTF services and unallowable fees being claimed.

**Criteria:**

CPUC D.15-07-007, Appendix B, states, in part, that:

The following items are not eligible for CTF reimbursements: content/usage, construction/infrastructure, maintenance/inside wire maintenance, ....

CPUC D.19-04-013, states, in part, that:

Section 12.

The California Teleconnect Fund discount shall not be used to reduce taxes, fees, and surcharges effective July 1, 2020. All other changes to the California Teleconnect Fund program adopted in today's decision shall be effective July 1, 2019.

CPUC CTF Service Provider Manual, January 30, 2023 revision, states, in part, that:

Section 5.A

Eligible services are limited to the following categories from the CTF program's Eligible Services List... fiber optics, including leased dark fiber and leased lit fiber...

The following fees, services, and products are ineligible: usage fees, service "add-ons" ... equipment/maintenance, construction/infrastructure, Local Area Network, ...

Section 5.F

Effective July 1, 2020, all taxes, fees, and surcharges will be ineligible to receive the CTF discount.

**Cause:**

CBI may be claiming unallowable infrastructure services and fees due to the lack of clear program guidance, rules, and regulations not clearly defining backbone and infrastructure services. CBI contracts also lack any clear details of what the contract fees and backbone services entail to ensure only eligible CTF services and activities are claimed for reimbursement from CTF.

**Effect:**

CBI has a responsibility to ensure participants receive CTF discounts for CTF-eligible services. The lack of clear descriptions and guidance for verifying eligible services could result in:

- Misuse of CTF funds,
- Ratepayers contributed funds to be used for ineligible services, and
- Ratepayers contributed funds not fully utilized for their intended purposes of supporting local communities and eligible services.

**Recommendations:**

CBI should:

- Work with CPUC's CD to obtain clear definition or guidance to ensure only eligible services are claimed,
- Ensure its CTF contract terms and invoices relating to services and activities provided are clearly outlined to determine eligibility and provide transparency, and
- Work with CPUC's CD to determine whether to remit any fees related to unallowable activities/services as stated in the contracts with its participants back to CTF, if they are determined to be ineligible.

## APPENDIX A—CALREN MAP

---



[CENIC Node Sites Map](#)



## APPENDIX B—UTILITY'S RESPONSE TO DRAFT AUDIT REPORT

---



June 26, 2025

Angie Williams, Director  
Utility Audits, Risk and Compliance Division  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102-3298  
*Via electronic mail*

Dear Ms. Williams,

We are in receipt of the Draft California Teleconnect Fund Performance Audit Report of CENIC Broadband Initiatives, LLC (CBI) for the period of July 1, 2022, through June 30, 2023.

We appreciate the extensive work done by audit staff. Before addressing the audit Finding and Recommendations directly, we identified the following errors in statements of fact within the audit report, which are in need of correction:

On page 1 of the Transmittal Letter: the period of the audit is stated as "January 1, 2022, Through June 30, 2023." However, the audit period, as stated by audit staff in multiple meetings with CBI, is from July 1, 2022 through June 30, 2023.

On page 2 of the Transmittal Letter: In the list of ccs the title for Sherilyn Evans is listed as "Senior Advisor, CBI." Ms. Evans is Senior Advisor at CENIC.

On page 2 of the report, fourth paragraph: The acronym "CENIC" is incorrectly expanded as "Corporation for Education Initiatives in California." The correct expansion of CENIC is "Corporation for Education Network Initiatives in California." Also on page 2, in the fourth paragraph, the second sentence refers to CENIC as "a mobile virtual network operator." This is not correct. Please see [www.cenic.org](http://www.cenic.org).

On page 4, the final bullet point: The report cites, "claims from July of 2022 and June of 2023 totaling \$598,954 and \$598,945, respectively" The first dollar figure is incorrect; the correct figure, as cited in Table 1 of the audit report, is "\$598,945."

16700 Valley View Ave, #410 La Mirada, CA 90638  
(714) 220-3400 • Fax: (714) 220-3409

On page 7, second paragraph: The report incorrectly expands the acronym CalREN as "California Regional Energy Network." The correct expansion of CalREN is "California Research and Education Network."

**Response to Finding: Potential Ineligible Services and Fees Claimed from CTF**

In discussions with audit staff, CBI has been consistent in describing the CBI service under audit for CTF eligibility as a 100 Gigabit Ethernet service. In the context of being a CLEC, "ethernet service" is an industry-standard term used in the same way by all CTF-eligible telecommunications providers. It always refers to the service of transporting network traffic, not to the physical infrastructure that enables the service.

The audit report states:

"Based on our discussions with various industry experts, the 100 gigabit ethernet backbone service provided to the participants are (*sic*) the fiber optic cables that run between each CENIC hub site to the CalREN infrastructure as shown on the map in appendix A."

The CPUC's industry experts appear to define "Ethernet" in a more generic sense, which is why they erroneously advised that this term refers to the physical infrastructure of fiber optic cables and hardware, ignoring the context in which the term was used – that of being a telecommunications service provider. Furthermore, on April 25, 2024, the audit staff requested, and CENIC subsequently provided, data on network traffic flowing over the ethernet service for each of the three CBI customers. The network traffic flow data demonstrates that the service being provided is a legitimate CTF-eligible service (i.e., "the services that are run through the fiber optic cables" as noted in the audit report). If the CBI service for which customers were charged was for "the fiber optic cables" as the "various industry experts" with whom the auditors consulted believe to be the case, we would not have had access to the network traffic flow data that we provided to the auditors. Therefore, we respectfully disagree with the statement that "CBI may be claiming ineligible backbone CTF services and unallowable fees from the CTF program."

Nevertheless, we accept the audit recommendation to work with the CPUC's Communications Division to adopt the CPUC's preferred terminology whenever describing the service in CBI's various contracts, invoices, and claims for CTF-eligible services.

With regard to the paragraph entitled "Fees Claimed by CBI," our contracts were intended to codify an increase in Monthly Recurring Cost (MRC) of 3% per year. CBI will work with our customers to remove the word "fees" in describing this annual increase. To be clear, this 3% increase is not a separate fee assessed on the MRC; it is a mutually agreed upon annual price increase in the MRC itself.

**16700 Valley View Ave, #410 La Mirada, CA 90638  
(714) 220-3400 • Fax: (714) 220-3409**

Thank you for incorporating CBI's response into the final audit report.

Sincerely,

*Bill Paik*

Bill Paik  
CFO, CBI

cc: Louis Fox, Managing Director, CBI  
Sherilyn Evans, Senior Advisor, CENIC  
Ana Maria Johnson, Deputy Executive Director, Broadband and  
Communications, CPUC  
Masha Vorobyova, Assistant Director, UAB, CPUC  
Sharmin Wellington, Program and Project Supervisor, UAB, CPUC  
Thong Thao, Senior Management Auditor, UAB, CPUC  
Nicholas Van Skike, Staff Services Management Auditor, UAB, CPUC

**16700 Valley View Ave, #410 La Mirada, CA 90638  
(714) 220-3400 • Fax: (714) 220-3409**

## APPENDIX C—UAB'S EVALUATION OF UTILITY'S RESPONSE

---

We appreciate CBI's comments submitted on June 26, 2025. CBI provided general comments and its perspective regarding the finding and agreed to implement the recommendations. The finding and recommendations remain unchanged.

In its response, CBI proposed five clarification edits to the transmittal letter and report. We agreed with all five proposed edits and made the following corrections:

- Incorporated CBI's proposed correction into the transmittal letter by updating the typo in the audit period from January to July 2022 of the transmittal letter.
- Updated the title of CENIC staff in the transmittal letter's list of carbon copy (cc).
- Removed "a mobile virtual network operator" and updated the expanded acronym of CENIC from Corporation for Education Initiatives in California to Corporation for Education Network Initiatives in California in the Background section on page 2 of the report.
- Corrected the transposition error from \$598,954 to \$598,945 for July 2022 claim in the Methodology section on page 4 of the report, and
- Removed duplicate acronym expansion of CalREN on page 7 of the report.

In addition to requesting clarification edits as outlined above, CBI disagreed that they may be claiming ineligible backbone services and unallowable fees from the CTF program. CBI's response asserted ethernet service refers to transporting network traffic, not the physical infrastructure that enables the service. While we acknowledge CBI's assertions, CBI did not provide additional documentation to substantiate its statements.

Additionally, CBI provided comments regarding Finding's paragraph *Fees Claimed by CBI* on page 8 of the report. In reference to the fees noted in CBI's contracts, CBI stated, in part, that its contracts were intended to codify an increase in MRC rather than charge a fee. CBI, therefore, asserted that the three percent increase is not a separate fee but a reflection of increase in regular service charges. CBI further stated it will work with its customers to remove the word "fees" from the contracts. However, CBI did not provide any documents to support its statements. Therefore, we maintain our position that the nature of the "fees" as claimed in the contracts remains unclear.

We commend CBI for its willingness to implement our recommendations, namely by working with CPUC's CD and clarifying its contractual agreements with CBI's customers. Our finding and recommendations remain unchanged.