

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Resolution T-17443 Implementation of
New Timelines for California Advanced
Services Fund Applicants.

Draft Resolution T-17443
(Served May 27, 2014)

**COMMENTS BY CITIZENS TELECOMMUNICATIONS COMPANY OF
CALIFORNIA INC. D/B/A FRONTIER COMMUNICATIONS OF CALIFORNIA
(U-1024-C) AND FRONTIER COMMUNICATIONS OF THE SOUTHWEST INC.
(U-1026-C) (COLLECTIVELY FRONTIER) ON DRAFT RESOLUTION T-17443**

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COMMENTS BY CITIZENS TELECOMMUNICATIONS COMPANY OF CALIFORNIA INC. D/B/A FRONTIER COMMUNICATIONS OF CALIFORNIA (U-1024-C) AND FRONTIER COMMUNICATIONS OF THE SOUTHWEST INC. (U-1026-C) (COLLECTIVELY FRONTIER) ON DRAFT RESOLUTION T-17443

Citizens Telecommunications Company of California Inc. d/b/a Frontier Communications of California (U 1024 C), and Frontier Communications of the Southwest Inc. (U-1026-C) (collectively “Frontier”) provide these opening comments on Draft Resolution T-17443 for Implementation of New Timelines for California Advanced Services Fund Applicants (Resolution) mailed on May 27, 2014.

Frontier is a strong supporter of the CASF program and appreciates the opportunity to provide comments based on Frontier’s experience with the program and perspective as a rural local exchange telecommunications provider that places a high priority on broadband deployment. Frontier has been awarded CASF grants for both unserved and underserved areas in the state in addition to being a recipient of Connect America Fund (CAF) Phase I, Rounds 1 and 2, funding in California. For these CAF recipients, matching the CASF build-out time periods to the CAF build-out periods would leverage the CASF grants to maximize the potential benefit of these programs.

Frontier is supportive of the Resolution and its emphasis on meeting the goals set forth in SB 740, including the priority of granting awards to unserved areas first in order to provide broadband access to no less than 98% of California households by no later than December 31, 2015. Frontier believes that the Resolution should be modified to provide a higher percentage of grant funding in order to reach the stated goal since many of the remaining unserved areas are in extremely high cost to serve areas of the state.

Frontier also believes that the CASF program has been very successful at improving broadband availability in the state but is concerned that the stated goal of 98% will be a challenge given the existing grant level of 70%. This is an ambitious goal due to the very remote and hard to serve areas that remain. Rural, sparsely populated areas are expensive to serve with broadband at any speed.

The April 1, 2015 Deadline For Existing Planned Upgrades Should Be Modified To Match CAF Deadlines

The Resolution allows an existing broadband provider with plans to upgrade its network in an existing area to file a letter of intent by September 26, 2014 with details of the planned upgrades that will be completed by April 1, 2015. These areas will be excluded from grant applications by other providers during this time period. Frontier and other CAF recipients should be allowed to have the April 1, 2015 date extended to mirror the dates required by CAF for completion of the CAF round 1 and 2 projects. Providers already made their engineering and capital commitments based on the CAF requirements. The letter contained in Appendix 3 should be modified to allow for providing the specific CAF funding locations and timeline commitments.

The CASF Grant Percent Should Be Increased To Reach Remaining Unserved Areas

With the existing 70% funding cap, many projects in the remaining extremely rural and high cost areas cannot be financially justified because of the significant upfront investment to deploy the infrastructure and facilities to provide the broadband service. For example, Frontier previously considered additional broadband deployment projects that could not be justified at a 70% grant level. If, however, the grant level was at 85-90% these broadband deployment projects would have made more economic sense in terms of Frontier's ability to recoup its investment.

Frontier recommends that the Commission eliminate the contribution threshold and instead review each project on a case-by-case basis to determine whether the project should be funded, and for each project funded what amount and/or percentage the applicants should be required to contribute. Applicants should be required in their applications to specify the level of funding they are prepared to contribute to a project and explain their basis for the contribution level. To the extent an applicant commits to provide a greater share of the budget for the proposed broadband project, the Commission may want to give that applicant's proposal a higher preference in being granted CASF funds. However, the Commission should be flexible and consider whether CASF funds should be awarded based on the overall merits of the applicant's request and whether the awarding of funds advances the primary CASF goal to bring broadband infrastructure and service to rural areas that currently do not have service.

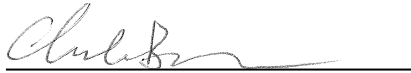
Alternatively, Frontier believes that increasing the grant level up to 90% should go a long way towards encouraging more grant applications for the remaining unserved areas of the state.

The Underserved Grant Percent Should Increase To Meet CPUC Mandated Speed Criteria

Many providers of broadband, including Frontier, invested heavily in broadband deployment based on criteria applicable at the time. With the evolving industry environment, demand for faster broadband and changing Commission requirements, providers are now required to re-invest to increase speeds. For instance, until relatively recently, the California Commission requirement of 3 mbps down and 1 mbps up was the standard benchmark under which companies invested. With the change in minimum speed to 6 mbps down and 1.5 mbps up, carriers are required to up their investment into an already existing network that is copper based. Frontier suggests that increasing the grant percentage to 80% will stimulate the additional grant requests necessary for all areas that are currently underserved and are expensive to update

due to a large sunk cost for a network based on previous “served” criteria determined by the Commission. In many cases the original investment amounts still remain to be fully recouped and upgrades to the next level require a large investment in fiber and enhanced electronics.

In summary, Frontier supports the direction of the Resolution and recommends that the grant level suggestions by Frontier will help meet the goals of the CASF program and SB 740 in addition to changing the time period for planned CAF projects that would be provided in the September 26, 2014 letter.



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