

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

Order Instituting Rulemaking to Consider Modifications to  
the California Advanced Services Fund.

R. 12-10-012  
(Filed October 25, 2012)

**REPLY COMMENTS OF THE UTILITY REFORM NETWORK, AND THE  
GREENLINING INSTITUTE ON THE PROPOSED DECISION IMPLEMENTING THE  
CASF BROADBAND ADOPTION, PUBLIC HOUSING AND LOAN ACCOUNT  
PROVISIONS**

Vinhcent Le, Legal Counsel  
The Greenlining Institute  
360 14th Street, 2nd Floor  
Oakland, CA 94612  
(510) 898-2053  
[vinhcentl@greenlining.org](mailto:vinhcentl@greenlining.org)

Ashley L. Salas, Staff Attorney  
The Utility Reform Network  
1620 5th Ave, Ste. 810  
San Diego, CA 92101  
(619) 398-3680  
[asalas@turn.org](mailto:asalas@turn.org)

Dated: June 12, 2018

## I. INTRODUCTION

Pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure, The Utility Reform Network and the Greenlining Institute (“Joint Consumers”) respectfully submit these reply comments in response to CETF’s Opening Comments.

## II. DISCUSSION

### A. The Commission Should Not Adopt Strict Performance Based Repayment Requirements During the Pilot Phase

In its Opening Comments on the Proposed Decision, CETF recommends conditioning grant payments on verification that the grantees’ participants subscribe to residential broadband services.<sup>1</sup> Joint Consumers share CETF and CASF’s goals of ensuring the Adoption Account supports adoption and delivers subscriptions following the completion of digital literacy trainings and public broadband access projects. However, at this stage, Joint Consumers do not believe conditioning grant payments on participant subscriptions is necessary or prudent. Instead, Joint Consumers believe the Proposed Decision strikes the right balance by requiring grantees to track adoption outcomes without tying grant payments to verified subscriptions.

As Joint Consumers note in their earlier comments,<sup>2</sup> there are many factors beyond the control of CASF applicants that make it difficult – if not impossible – to guarantee project participants will subscribe to residential broadband.<sup>3</sup> For example, availability of low cost broadband offers, program participant income, or the cost barrier of a computing device can prevent a participant from subscribing to a broadband plan. The Proposed Decision either does

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<sup>1</sup> CETF Opening Comments on the Proposed Decision at p. 4.

<sup>2</sup> See TURN Opening Comments to the Amended Scoping Memo at p. 4; Joint Consumers Opening Comments on the Proposed Decision at p. 1.

<sup>3</sup> *Id.*

not address these factors directly or, on the issue of computing devices, chooses not to subsidize these devices and, therefore, does very little to mitigate these barriers.<sup>4</sup>

The projects funded by the Adoption Account provide value even where they do not directly result in residential broadband subscriptions. Ignoring these benefits can have unintended consequences. If a participant cannot afford to subscribe to residential broadband shortly after the end of the project, the project will still have a net positive affect on subscriptions and adoption in the long term and short term. In the short term, parents may be better able to navigate online resources to assist their children with homework, apply for jobs or complete other tasks online, using public computers and broadband services. In the long run, the projects lay the groundwork by encouraging participants to adopt broadband when their financial conditions or broadband service availability improves in the future. In addition, if payments are strictly tied to broadband subscriptions, it may have the unintended consequences of discouraging organizations that work with the lowest income communities from applying for CASF grants. These organizations justifiably may fear that those low-income participants will not be able to afford to subscribe to broadband and therefore the organizations will not receive the grant funding they need to cover the expenses they will incur for the projects.

**B. Lessons Learned from the Lifeline Public Purpose Program**

While a performance-based payment system – like the one CETF suggests - may seem to have some benefits, it also introduces risk to the CASF program. For example, in the Lifeline proceeding, Joint Consumers have repeatedly raised concerns of providers’ aggressive marketing practices, pressuring and misleading consumers to sign up for a Lifeline services, and as a result

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<sup>4</sup> See Proposed Decision at p. 37; see also TURN Opening Comments to the Amended Scoping Memo at p. 4; Joint Consumers Reply Comments to the Amended Scoping Memo at p. 12.

the customer incurs fees and costs that they did not anticipate.<sup>5</sup> These aggressive marketing practices have led to waste, fraud, abuse, and create distrust of the Lifeline program from the perspective of Lifeline customers, other Lifeline providers, government officials, and the general public. A driving force behind these aggressive marketing practices is payment based on the marketers' performance signing up new customers. Adopting a performance-based repayment model in the CASF program may introduce the same risks, therefore the Commission should not adopt CETF's recommendation for a performance-based payment system absent significant safeguards against anti-consumer behavior.

### **C. Pilot Program**

If the Commission chooses to consider a strict performance-based adoption program despite Joint Consumer's strong reservations, the Commission should first implement a pilot period where both payment models exist side by side. Organizations could choose to apply for a grant under a cost reimbursement model without strict adoption verification requirements for payment, while others could choose to apply for a grant under CETF's performance based rules with incentives for the applicant to choose this option. This would ensure that applicants are not deterred by the strict verification requirement while also giving the Commission data on the effectiveness of each type of program in increasing adoption and minimizing costs. After the pilot period, the Commission, along with other stakeholders, could then revisit the issue of which model is best for increasing broadband adoption throughout California.

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<sup>5</sup> See e.g. March 30, 2016 Reply Comments of the Utility Reform Network, The Center for Accessible Technology and The Greenlining Institute on Amended Scoping Memorandum and Ruling, R.11-03-013 Order Instituting Rulemaking Regarding Revisions to the California Universal Telephone Service (Lifeline) Program (March 24, 2011).

### III. CONCLUSION

For the reasons set forth above, Joint Consumers request that the Proposed Decision be adopted in accordance with our recommendations here and in opening comments.

Respectfully Submitted,

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Vinhcent Le, Legal Counsel  
The Greenlining Institute  
360 14th Street, 2nd Floor  
Oakland, CA 94612  
(510) 898-2053  
vinhcentl@greenlining.org

/s/

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San Diego, CA 92101  
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