

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

**CITIZENS TELECOMMUNICATIONS COMPANY OF CALIFORNIA, INC. (U-1024-C),
ON DRAFT RESOLUTION T-17671 FRONTIER COMMUNICATIONS
CASF GRANT FOR THE NORTHEAST PHASE I INFRASTRUCTURE PROJECT**

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Citizens Telecommunications Company of California, Inc. (U-1024-C), d/b/a Frontier Communications of California Inc. (Frontier), in accordance with Rule 14.5 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), hereby submits comments on Draft Resolution T-17671 (Draft Resolution) regarding Frontier’s California Advanced Services Fund (CASF) Broadband Infrastructure Grant for the Northeast Project: Phase I (Project).

Frontier agrees that this project meets all qualifications for full funding and appreciates the Commission’s recommendation to approve the proposed infrastructure project at 100%. However, Frontier has serious concerns regarding the Commission’s methodology in the treatment of determining the funding offset for Connect America Fund (CAF II) households, which differs drastically from the methodology presented by Frontier which represents the correct level of funding. The method proposed by the Draft Resolution does not coincide with the Commission’s direction to providers to leverage both state and federal funds in a CASF project. In fact, it disincentivizes the providers as CAF II household funding is increased dramatically based on an unsupported methodology, which in turn, decreases funding for the project. In the case of this project, Frontier’s funding request was reduced by approximately 10% and does not adequately – or fully – fund the project as proposed. Therefore, in reality, the grant is not being funded at 100% as the Draft Resolution suggests.

FRONTIER’S CAF II FUNDING CALCULATION PROVIDES AN ACCURATE OFFSET

AB 1665 (Garcia, 2017) disallows CAF II funding in areas that are eligible for CASF grants to prevent “double dipping” in public funds. Further, the legislation states that in CASF regions which contain CAF II households, providers are encouraged to leverage both state and federal funds to avoid a “checkerboard” effect where some houses are served while others remain unserved. In the spirit of AB 1665 and the new CASF rules under D.18-12-018 (Decision), Frontier’s project proposes to leverage state funds for 222 households that are CASF-eligible and federal funds for 187 households that are CAF II-eligible, a total of 409 households.

Frontier's CASF funding request for this project was calculated in the following manner:

- Frontier estimates that building to 409 households will cost \$12,322,700.61.
- Frontier receives \$2,532.02 per CAF II household from the Federal Communications Commission (FCC).
- Frontier applied the per-household subsidy to each of the 187 CAF II households, resulting in a total federal CAF II funding level of \$473,487.74.
- To calculate the appropriate amount of funding to be provided by state CASF funding, Frontier deducted the federal CAF II funds of \$473,487.74 from the estimated project cost of \$12,322,700.61. This results in a proposed grant of \$11,849,212.87, which represents Frontier's request for 100% funding.

THE DRAFT RESOLUTION'S METHODOLOGY FOR CAF II HOUSEHOLDS IS INCORRECT AND WILL INHIBIT PROVIDERS FROM OPTING TO LEVERAGE BOTH STATE AND FEDERAL FUNDING IN THE FUTURE

The Draft Resolution establishes an unprecedented and unworkable plan for how CAF II households should be managed when a provider chooses to leverage both state and federal funding in a CASF application. The proposed approach states that funds be apportioned by the percentage of households to be served by the specific program source, either state or federal. In the case of this project, allocating household costs based on program source shows CAF II households accounting for 46% of the project and CASF households accounting for 54% of the project. This technique is inherently problematic because Frontier is only awarded \$2532.02 per CAF II household under the federal program. Under this structure, the Draft Resolution costs for CAF II households drastically increases to \$6,380 per household, about \$4,000 more than Frontier is allotted by the CAF II program. The Commission's methodology to offset costs for CAF II households removes \$1,193,243.04 from Frontier's CASF funding request. In reality, the Commission proposal is to award Frontier \$10,655,969.83 – approximately 90% funding – which misrepresents the true 100% funding request that was made by Frontier's in the amount of \$11,849,212.87.

Further, the Draft Resolution incorrectly states that Frontier's proposal allows for an overlap in state and federal funding. This rationale assumes that CASF monies would be used to pay for any costs that may go beyond the \$2532.02 for CAF II households, in essence, "double dipping". This is inaccurate. The CAF II households will be covered by the CAF II program at \$2532.02 per household, and any remaining costs to each CAF II household will be paid for with Frontier's own private capital. CASF

dollars would only be leveraged for the 222 households proposed in our project, which represents a clear separation of funds.

Hence, because there is no overlap in public funding for either of these projects, Frontier would respectfully request that the Commission instead follow the methodology as submitted by Frontier for 100% funding.

FUNDING THIS PROJECT AT FRONTIER’S PROPOSED REQUEST WILL ENSURE THAT A WIDE RANGE OF ESSENTIAL COMMUNICATIONS SERVICES AND BENEFITS ARE AVAILABLE FOR CALIFORNIANS THAT LIVE IN THE MOST REMOTE AND DIFFICULT TO SERVE AREAS

This project proposes to deploy last mile VDSL2 facilities that will enable High Speed Internet (HSI), VoIP and over-the-top (OTT) video services (such as Netflix, Hulu, etc.) to 222 unserved CASF-eligible households in the region of Alturas, Ravendale and Standish within Lassen and Modoc Counties. Frontier also seeks to leverage the federal CAF II dollars to build out to 187 CAF II households within the region; this results in an upgrade of a total of 409 households. Additionally, because of the CASF/CAF II infrastructure upgrades proposed by this project, 869 non-CASF/CAF II Frontier households will receive improved services. Major benefits of this project include:

- First-time HSI and OTT services to 406 remote, unserved and low-income households which reside within a rural census block with rugged/difficult terrain. Northern California is underserved with affordable, reliable, and HSI services. This is affecting rural counties’ ability to conduct retail business, advance in education, and healthcare, and attract people who can work from home.
- Providing enhanced internet service capabilities which are critical for public safety communications and allow first responders to send and receive critical voice, video and data during emergencies and disasters as California experiences its “new normal” of wildfires and Public Safety Power Shutoffs. These vulnerable areas should be part of the focus for broadband expansion or upgrade projects, including last-mile and resilient and redundant middle-mile infrastructure which can ensure availability of emergency communication services during disaster events, and will enable fast recovery of these services after the events. Existing microwave fed areas will evolve as a result of this build.

- Providing enhanced internet service capabilities which are critical for education. The Lassen County Office of Education supports this project based on the understanding that HSI is integral in connecting teachers to students, parents and educational resources. Rural school teachers and administrators acknowledge connectivity limitations as a primary obstacle to effectively using technology in the classroom. Additionally, students lacking internet connectivity at home are at a disadvantage when completing assignments that require online access and interaction. As more bandwidth intensive material moves online—such as educational videos, interactive learning tools, and video conferencing tools for teachers—connection speed is quickly becoming a major issue for rural educators. This project will be important to reduce these barriers through expanded internet access in Lassen County.
- Providing enhanced internet service capabilities which are critical for businesses. Slow Internet connections hurt business retail sales when the transaction is slow or stops in the middle of the process. Rural northern counties want to attract young families there to keep towns active, and HSI is crucial to achieve this goal.
- Providing enhanced internet service capabilities which are critical for rural healthcare facilities. In the Northeast, many facilities frequently close due to unreliable broadband service which prevents them from accessing patient records. This is a big challenge for healthcare providers which struggle to serve our rural communities and their citizens.
- Contributing significantly to Northeastern California Connect Consortium, a region which is served at 90.4% and falls below the 98% goal set forth in AB 1665.
- Paving the path for expansion of services with a Phase II project to be proposed in the 2020 CASF filing timeline.

CONCLUSION

Frontier is pleased that this Commission agrees that this project is eligible to receive up to 100% funding, however, we respectfully request that Commission use Frontier’s methodology of funding to ensure that the project, and future phases of this project, are financially viable. This area encompasses communities where no provider has ever found a business for private investment or incentive to seek a CASF grant. Additionally, this project has wide support, including the Northeastern California Connect Consortium, the California Emerging Technology Fund, Geolinks, the Lassen and Alturas Chambers of Commerce, the Lassen County Office of Education, and the regional California Legislators/Congressman¹.

Frontier has spent substantial time and resources on this application by working to combine CAF II and CASF funding for the first time. In the spirit of this venture, Frontier is hopeful that the Commission will act as a committed partner to support providers that are willing to undertake the most difficult deployment projects in rural California. Ensuring that CAF II is treated properly within the CASF program would inspire Frontier – and possibly other providers – to submit future applications that are true to the intent of the Legislature and the Commission by leveraging funds as effectively and responsibly as possible.

Respectfully submitted,



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¹ See Attachment A – “NE Project Phase I Support Letters”.