

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

**FRONTIER CALIFORNIA, INC. (U-1002-C) ON DRAFT RESOLUTION
T-17688 FRONTIER COMMUNICATIONS CASF GRANT FOR THE TAFT CLUSTER PROJECT**

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Frontier California, Inc. (U-1002-C) (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-17688 (Draft Resolution) regarding Frontier’s California Advanced Services Fund (CASF) Broadband Infrastructure Grant for the Taft Cluster Project (Project).

Frontier agrees that this project meets all qualifications for full funding and appreciates the Commission’s recommendation to approve the grant at 100%. However, Frontier has serious concerns regarding the Commission’s methodology of determining the funding offset for Connect America Fund (CAF II) households; it differs drastically from the Frontier’s methodology which represents the accurate and correct level of funding. The method prescribed by the Draft Resolution does not coincide with the Legislature or 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 the Taft Cluster, Frontier’s funding request was reduced by approximately 83% and does not adequately – or fully – fund the project as proposed. Therefore, the grant is not being funded at 100% as the Draft Resolution suggests, but instead only 17 percent. At this level the project is not viable and the residential and public benefits envisioned by the CASF program for this area will not be realized.

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 that contain CAF II households, providers are encouraged to leverage both state and federal funds to avoid a checkerboard effect, where some houses gain access to service but 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 41 households that are CASF-eligible and federal funds for 224 households that are CAF II-eligible, a total of 265 households.

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

- Frontier estimates that building to 265 households will cost \$2,583,438.40.
- 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 \$567,172.48.
- To calculate the appropriate amount of funding to be provided by state CASF funding, Frontier deducted the federal CAF II funds of \$567,172.48 from the estimated project cost of \$2,583,438.40. This results in a true cost of \$2,016,265.92 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 approach requires 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 84.5% of the project and CASF households accounting for 15.5% of the project. This technique is inherently problematic because Frontier is only awarded \$2,532.02 per CAF II household under the federal program. Under this structure, the Draft Resolution costs for CAF II households drastically increases to \$9,748 per household, about \$7,500 more than Frontier is allotted by the CAF II program. The Commission's methodology to offset costs for CAF II households removes \$1,616,564.92 from Frontier's CASF funding request. Thus, the Commission proposal is to award Frontier \$339,701.79 – approximately 17% funding – which misrepresents the true 100% funding request that was made by Frontier in the amount of \$2,016,265.92. Further, Frontier was not made aware of the proposed methodology in the Resolution during the extensive and detailed review of the project by the Commission. Frontier was surprised by a methodology as proposed by the Draft Resolution that had not been vetted or discussed.

The proposed infrastructure grant of 17% funding is insufficient funding for Frontier to sustain a viable broadband project in one of the most difficult serve regions of California. In line with AB 1665 and the Decision, Frontier remains a committed to submitting CASF applications in areas where deployment continues to lag – the rural areas that are the most expensive to serve because of remote location, sparse population, rough terrain, and frequently above-average poverty rates. No other providers have ever submitted a CASF application to expand broadband to the regions within Frontier's proposed Taft Cluster project, nor has any right of first

refusal has been filed. For Frontier, the area does not present a business case for deployment absent 100% funding support, and without that support, these communities will remain digital deserts where families, businesses, libraries and schools will continue to lack access to the resources and opportunities that High Speed Internet (HSI) can provide.

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 \$2,532.02 for CAF II households, in essence, “double dipping”. This is inaccurate. The CAF II households will be covered by the CAF II program at \$2,532.02 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 41 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 strongly requests 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 HSI, VoIP and over-the-top (OTT) video services (such as Netflix, Hulu, etc.) to 41 unserved CASF-eligible households in the communities of Taft, Buttonwillow, Fellows, McKittrick, and McFarland in western Kern County. Frontier also seeks to leverage the federal CAF II dollars to build out to 224 CAF II households within the region; this results in an upgrade of a total of 265 households. Additionally, because of the CASF/CAF II infrastructure upgrades proposed by this project, 7,713 non-CASF/CAF II Frontier households will receive improved services. Frontier’s modest funding request will result in significant benefits:

- First-time HSI and OTT services to 265 remote, unserved and low-income households which reside within a rural census block with rugged, difficult terrain. Central California is largely underserved with affordable, reliable, and HSI services. This is affecting rural counties’ ability to conduct retail business, advance in education, 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, which can ensure availability of emergency communication services during disaster events and enable fast recovery of these services after the events.

- Providing enhanced internet service capabilities which are critical for education. 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. 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 Kern County.
- Providing enhanced internet service capabilities for businesses. Slow Internet connections hurt business retail sales when the transaction is slow or stops in the middle of the process.
- Contributing significantly to the San Joaquin Valley Regional Broadband Consortia Region, which is currently served at 96.38% 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.
- Full support of the San Joaquin Valley Regional Broadband Consortia Region and the California Emerging Technology Fund, who are partners and advocates to help close the Digital Divide.

CONCLUSION

Frontier is pleased that this Commission agrees that this project is eligible to receive up to 100% funding, however, we strongly urge the Commission to utilize Frontier’s methodology of funding to ensure that the project can take place; this build is financially infeasible as currently proposed by the Draft Resolution. The Taft, Buttonwillow, Fellows, McKittrick and MacFarland regions within Kern County house communities where no

provider has ever found a business case for private investment or incentive to seek a CASF grant. The proposed project would bring life-changing benefits to a community that has long been unserved and can be done for a relatively low cost compared to other projects that have been approved by the Commission. This project is a prime example of why the Legislature increased funding availability to 100% in AB 1665. Appropriately funding this project in the amount of \$2,016,265.92 will ensure that resources are available for Frontier to proceed with the proposed deployment and help close the Digital Divide in areas that need it most. Appropriate funding of this project is supported by the San Joaquin Valley Regional Broadband Consortia Region and the California Emerging Technology Fund.

Frontier has spent substantial time and resources on this application by working to combine CAF II and CASF funding for the very first time. Frontier also invested a significant amount of time and effort to respond to multiple detailed data requests and informal conversations from the Commission and the Public Advocates Office. In the spirit of this venture, Frontier urges the Commission to act as a committed partner and 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. Without full support as requested this project will not occur and the proposed regions within Kern County will continue to lack advanced services that could have helped promote educational advancement, economic growth, enhanced safety systems, and the substantial social benefits of advanced information and communications technologies.

Respectfully submitted,



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