

Docket:	<u>A.20-05-010</u>
Exhibit Number:	<u>CalAdv.-</u>
Commissioner:	<u>M. Guzman-Aceves</u>
Admin. Law Judge:	<u>P. Wercinski</u>
Cal Adv. Project Mgr.:	<u>R. Ledesma Rodriguez</u>
Cal Adv. Expert	<u>Bixia Ye</u>
Witness:	<u>Cameron Reed</u>
	<u>Tony Tully</u>
	<u>Kristina Donnelly</u>



Public Advocates Office

California Public Utilities Commission

Public Advocates Office's Executive Summary

Application of Frontier Communications Corporation, Frontier California Inc. (U1002C), Citizens Telecommunications Company of California Inc. (U1024C), Frontier Communications of the Southwest Inc. (U1026C), Frontier Communications Online and Long Distance Inc. (U7167C), Frontier Communications of America, Inc. (U5429C) on Corporate Restructuring

- PUBLIC -

San Francisco, California
September 30, 2020

1 MEMORANDUM

2 Staff of the Communications & Water Policy Branch of the Public Advocates Office at
3 the California Public Utilities Commission (Cal Advocates) prepared testimony on Application
4 (A.) 20-05-010 under the general supervision of Program & Project Supervisor, Raisa Ledesma
5 Rodriguez. Cal Advocates is represented in this proceeding by legal counsel, Noel Obiora.
6 Statements of qualifications for Cal Advocates witnesses are presented as an attachment to each
7 testimony.

Testimony Topic	Cal Advocates Witness
Executive Summary	Raisa Ledesma Rodriguez
Impacts on Economic Benefits and Frontier’s Financial Condition	Bixia Ye
Impacts on Frontier’s Service Quality and 9-1-1 Network	Cameron Reed
Impacts on Frontier’s Pricing and Customer Service	Tony Tully
Impacts on Frontier’s Broadband Deployment Settlement Agreement Conditions	Kristina Donnelly

8
9 In preparing testimony, Cal Advocates prioritized analysis and recommendations given the
10 expedited schedule of the proceeding.

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1 **I. Introduction**

2 On May 22, 2020, Frontier Communications Corporation, Frontier California Inc.
3 (“Frontier California”), Citizens Telecommunications Company of California Inc (“Citizens”),
4 Frontier Communications of the Southwest Inc. (“Frontier SW”), Frontier Communications
5 Online and Long Distance Inc., Frontier Communications Online and Long Distance, Inc., and
6 Frontier Communications of America, Inc. (collectively, “Frontier”) filed Application (“A.”) 20-
7 05-010 (“Application”) seeking approval from the California Public Utilities Commission
8 (“Commission”) for Frontier’s restructuring plan, which will transfer control of Frontier to new
9 owners. Prior to this filing, on April 14, 2020, Frontier filed for bankruptcy under Chapter 11 of
10 the United States Bankruptcy Code in the Southern District of New York to, among other things,
11 reorganize the company’s corporate structure.

12 In accordance with the August 5, 2020 Scoping Memo and Ruling of Assigned
13 Commissioner Martha Guzman Aceves (“Scoping Memo”), Cal Advocates conducted a review
14 and analysis of several issues set forth in the Scoping Memo. To help determine if the proposed
15 restructuring is in the public interest, Cal Advocates examined numerous materials, including
16 Frontier’s Application, Opening Testimony, and responses to several data requests, as well as
17 other sources.

18 The proposed restructuring should be approved, but only if the Commission imposes the
19 conditions outlined below, which are necessary to ensure that the proposed restructuring delivers
20 public benefits. The conditions are focused on outcomes and measurable actions that will address
21 concerns with Frontier’s California (1) infrastructure investments, (2) service quality and
22 reliability, (3) declining customer satisfaction, and (4) existing broadband deployment
23 commitments. The conditions can and should be paid for through an equitable allocation of
24 Frontier’s savings from the proposed restructuring and capital expenditure commitments. Cal
25 Advocates analysis recommends an annual allocation of no less than <<BEGIN
26 CONFIDENTIAL>> [REDACTED] <<END CONFIDENTIAL>> to Frontier’s California
27 subsidiaries¹ and minimum capital expenditures of <<BEGIN CONFIDENTIAL>> [REDACTED]
28 [REDACTED] <<END CONFIDENTIAL>> annually from 2021 through 2024.²

¹ Cal Advocates Testimony of Bixia Ye at pp. 29-31.

² Cal Advocates Testimony of Bixia Ye at pp. 15-20.

1 **II. THE COMMISSION SHOULD APPROVE THE PROPOSED**
2 **TRANSACTION WITH CONDITIONS**

3 Frontier claims the proposed restructuring will produce significant benefits for California
4 customers. In its Application, Frontier claims the proposed restructuring will reduce Frontier’s
5 debt by over \$10 billion annually and will reduce interest payments of about \$1 billion annually.³
6 According to Frontier, this will enhance the company’s corporate and operational stability, which
7 will allow Frontier’s California Operating Subsidiaries to “improve and enhance the services
8 they provide.”⁴ However, releasing debt and lowering interest payment will not, on its own,
9 necessarily be in the public interest of Californians unless specific, concrete benefits will accrue
10 to customers through increased network investments and improved service quality and reliability.

11 If the proposed restructuring is approved, Cal Advocates recommends the Commission
12 require Frontier to commit to the following conditions, which will ensure the proposed
13 restructuring is in the public interest by making measurable improvements to Frontier’s service
14 quality and reliability, customer support, and existing broadband deployment commitments in
15 California:

16 *Economic Benefits and Frontier’s Financial Condition*

- 17 1. Frontier should implement California specific Reinvestment Case or Alternative
18 Reinvestment Case plan that at minimum expands fiber deployment, and commit to
19 improving the scale, quality, and reliability of the backhaul services it provides to the
20 wireless carriers.⁵

³ Application of Frontier Communications Corporation, Frontier California Inc. (U1002C), Citizens Telecommunications Company of California Inc. (U1024C), Frontier Communications of The Southwest Inc. (U1026C), Frontier Communications Online and Long Distance Inc. (U7167C), and Frontier Communications of America, Inc. (U5429C), For Determination that Corporate Restructuring is Exempt from or Compliant with Public Utilities Code Section 854. A. 20-05-010. Filed with the Commission on May 22, 2020. At p. 18.

⁴ Application of Frontier Communications Corporation, Frontier California Inc. (U1002C), Citizens Telecommunications Company of California Inc. (U1024C), Frontier Communications of The Southwest Inc. (U1026C), Frontier Communications Online and Long Distance Inc. (U7167C), and Frontier Communications of America, Inc. (U5429C), For Determination that Corporate Restructuring is Exempt from or Compliant with Public Utilities Code Section 854. A. 20-05-010. Filed with the Commission on May 22, 2020. At p. 15 lines 25-26, and p. 16 lines 1-6.

⁵ Cal Advocates Testimony of Bixia Ye at pp. 14, 23, 31.

1 2. To implement the Reinvestment Case or Alternative Reinvestment Case plan,
 2 Frontier should deploy fiber to at least <<Begin Confidential>> ██████████ <<End
 3 **Confidential**>> California copper locations with lower than 20% IRR in addition to
 4 Frontier’s approximately <<Begin Confidential>> ██████████ <<End Confidential>>
 5 California copper locations with above 20% IRR, in years 2021 through 2031.
 6 Additionally, Frontier should expand its broadband services to California’s
 7 unserved/underserved communities and increase rural broadband access to help bring
 8 Internet service to these communities.⁶
 9 3. Frontier should commit to the capital expenditure of no less than a total of <<Begin
 10 **Confidential**>> ██████████ <<End Confidential>> in California, over four years
 11 from 2021 through 2024; <<Begin Confidential>> ██████████ <<End
 12 **Confidential**>> annually from 2021 through 2024. This amount excludes any
 13 winning bid from RDOF but includes the minimum \$322 million service quality
 14 investment over four years recommended in the testimony of Cal Advocates’ witness
 15 Cameron Reed.^{7,8}

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Cal Advocates Recommended Capital Expenditure in California from 2021 through 2024 ²

	Amount (in Millions)
Line 1: Minimum Service Quality expenditure in California from 2021 through 2024 (from the testimony of Cal Advocates witness Cameron Reed)	\$322
Line 2: Minimum California specific capital expenditures level to implement Reinvestment Case Plan or Alternative Reinvestment Case Plan, excluding a winning bid from RDOF, from 2021 through 2024.	██████████
Line 3: Total minimum Fronter's capital expenditure in California from 2021 through 2024. (Line 1 + Line 2)	██████████
Line 4: Frontier's annual minimum capital expenditure in California (Line 3/4 years)	██████████

<<END CONFIDENTIAL>>

16

⁶ Cal Advocates Testimony of Bixia Ye at pp. 11-17, 22-23, 31-32.

⁷ Cal Advocates Testimony of Bixia Ye at pp. 15-19, 23, 32.

⁸ Cal Advocates Testimony of Cameron Reed at pp. 7, 18 and 31.

⁹ Cal Advocates Testimony of Bixia Ye at pp. 19, 32.

<<BEGINCONFIDENTIAL>>

Frontier's Capital Expenditure in California from 2017 through 2024 (in Millions) ¹⁰

2016	2017	2018	2019	2020	2021	2022	2023	2024
Frontier's Historical Record				Frontier Projected	Cal Advocates Recommended			
█	█	█	█	█	█	█	█	█

<<END CONFIDENTIAL>>

1

2 4. Frontier’s California subsidiaries should not be responsible for any of Frontier
3 Communications Corporation or Reorganized Frontier’s debt payment obligations
4 due to the proposed Restructuring.¹¹

5 5. Reorganized Frontier should allocate no less than <<BEGIN CONFIDENTIAL>>
6 █ <<END CONFIDENTIAL>> annually, of the saved cash from
7 the proposed Restructuring to its California subsidiaries to support its California
8 capital expenditures and broadband infrastructure deployment.¹²

9 *Frontier’s Service Quality and 9-1-1 Network*

- 10 1. The Commission should require Frontier to continue investment in service quality
11 projects and commit to spending no less than \$322 million addressing existing service
12 quality issues over the next four years.¹³
- 13 2. The Commission should require Frontier to conduct a customer satisfaction survey
14 similar to the survey conducted pursuant to the Settlement Agreement adopted in
15 Appendix F, Settlement Agreement Condition #6 of Decision 15-12-005 to measure
16 customer awareness of digital voice service back-up power requirements and measure
17 the level of customer satisfaction with Frontier’s service. The customer satisfaction
18 survey should have a large sample size to ensure the survey is representative of
19 Frontier’s customers.¹⁴

¹⁰ Cal Advocates Testimony of Bixia Ye at pp. 20, 32.

¹¹ Cal Advocates Testimony of Bixia Ye at pp. 27-29, 33.

¹² Cal Advocates Testimony of Bixia Ye at p. 33.

¹³ Cal Advocates Testimony of Cameron Reed at pp. 11-18, 31-32.

¹⁴ Cal Advocates Testimony of Cameron Reed at pp. 28-32.

- 1 3. Frontier should reinvest money freed up in the restructuring into its network to
2 improve California service quality.¹⁵

3 *Frontier's Pricing and Customer Service*

- 4 4. For a period of not less than three years from approval of the Application, Frontier
5 should progressively increase its California workforce numbers to, at least, meet the
6 national customers per employee ratios by the end of the third year. To ensure this
7 requirement is met, Frontier should submit to the Commission and Cal Advocates an
8 annual report of California and national customer and workforce totals each year up
9 until the final report on the third year.¹⁶

- 10 5. No later than 180 days from approval of the Application, Frontier should retain an
11 independent expert Survey Consultant to conduct a quarterly customer satisfaction
12 survey to measure and monitor Frontier's customer service performance. In jointly
13 held meetings facilitated by the Survey Consultant, input will be solicited from
14 stakeholders in regard to questions to be included in the survey. Stakeholders include
15 Commission staff, Frontier, Cal Advocates and other consumer groups. The survey
16 will include, but is not limited to, measuring customer satisfaction for broadband and
17 voice services (including VoIP), affordability, and recommendations reflected in the
18 testimony of Cameron Reed. Each quarter the Survey Consultant will present the
19 results of the survey to Commission staff and Cal Advocates. The presentation should
20 clearly identify the steps Frontier will take to remedy any low customer satisfaction
21 results.¹⁷

- 22 6. For a period of no less than one year from the approval of the Application, Frontier
23 should maintain current customer rates on Broadband only services, and Broadband
24 and Voice bundled basic services as listed in Exhibit A-5: PAO-01.11 (Residential
25 Service Offerings).¹⁸

- 26 7. For a period of no less than three years from the approval of the Application, Frontier
27 should maintain its current rates, listed in Exhibit A-5: PAO-01.11 (Residential

¹⁵ Cal Advocates Testimony of Cameron Reed at pp. 25-28, 33-34.

¹⁶ Cal Advocates Testimony of Tony Tully at pp. 4, 6-9.

¹⁷ Cal Advocates Testimony of Tony Tully at pp. 4, 6-10, 14.

¹⁸ Cal Advocates Testimony of Tony Tully pp. 4-5, 11-13.

1 Service Offerings), for its low-income broadband plans while ensuring Internet
2 speeds and data per month at or greater than the Federal Communications
3 Commission Lifeline program.¹⁹

4 8. Frontier and its California subsidiaries should provide all data requested by the
5 Commission and Cal Advocates to verify compliance with all conditions. If Frontier
6 fails to perform and comply with the conditions imposed by the Commission, the
7 Commission should pursue appropriate enforcement remedies, including the
8 imposition of fines.²⁰

9 *Frontier's Broadband Deployment Settlement Agreement Conditions*

10 9. Frontier should commit to providing minimum speeds of 25/3 megabits per second
11 (Mbps) download/upload for all remaining unmet deployment conditions.²¹

12 10. The Commission should require Frontier to maintain or improve the share of the
13 remaining settlement deployment that occurs in tribal areas. Thus, the Commission
14 should require that no fewer than [BEGIN CONFIDENTIAL] [REDACTED] [END
15 CONFIDENTIAL] households of the remaining speed tier commitments should be
16 in tribal areas.²²

17 11. The Commission should impose fines if Frontier continues to fail to meet any of the
18 remaining commitments.²³

¹⁹ Cal Advocates Testimony of Tony Tully at pp. 4-5, 12-13.

²⁰ Cal Advocates Testimony of Tony Tully at p. 4-5, 16.

²¹ Cal Advocates Testimony of Kristina Donnelly at p. 10, 16.

²² Cal Advocates Testimony of Kristina Donnelly at p. 12, 16.

²³ Cal Advocates Testimony of Kristina Donnelly at p. 16.

1 **III. CAL ADVOCATES RECOMMENDATIONS ARE SUPPORTED BY**
 2 **THOROUGH ANALYSIS OF PUBLIC INTEREST FACTORS**

3 The testimonies of Cal Advocates’ witnesses Bixia Ye, Cameron Reed, Tony Tully and
 4 Kristina Donnelly support the recommended conditions with detailed analysis of Frontier’s
 5 Application and the impact of Frontier’s proposed restructuring on California customers. See
 6 below for the page reference in individual testimony addressing the factors outlined in the
 7 Scoping Memo.

8 **References to Cal Advocates’ Analysis of Public Interest Factors**

	Public Interest Determination Factor²⁴	Staff Testimony, Location of Analysis
1	Provides short-term and long-term economic benefits to ratepayers (Section 854(b)(1)).	Testimony of Bixia Ye, pp. 8-23
2	Maintains or improves Applicants’ financial condition (Section 854(c)(1)).	Testimony of Bixia Ye, pp. 23-31
3	Maintains or improves Applicants’ quality of service (Section 854(c)(2)).	Testimony of Cameron Reed, pp. 8-32 Testimony of Tony Tully, pp. 6-10
4	Maintains or improves Applicants’ quality of management (Section 854(c)(3)).	Testimony of Tony Tully, pp. 6-10
5	Is fair and reasonable to affected Applicants’ employees, including both union and nonunion employees (Section 854(c)(4)).	N/A
6	Is beneficial on an overall basis to state and local economies, and to the communities in the area served by Applicants (Section 854(c)(6)).	Testimony of Bixia Ye, pp. 8-23 Testimony of Cameron Reed, pp. 17-18
7	Preserves the jurisdiction of the Commission and the capacity of the Commission to effectively regulate and audit Applicants (Section 854(c)(7)).	N/A
8	Provides mitigation measures to prevent significant adverse consequences that may result (Section 854(c)(8)).	N/A
9	Raises any safety or health considerations, including any effects on 911 service.	Testimony of Cameron Reed, pp. 19-25, 33-34
10	Provides economic and noneconomic benefits to the tribal communities in the area served by Applicants.	Testimony of Kristina Donnelly, p. 10-12
11	Will result in the transfer or disposal in any form of Applicants’ assets, and whether the Commission should	N/A

²⁴ Scoping Memo at pp. 4-6.

	require that local or tribal governments have a right of first offer or a right of first refusal regarding any transfer or disposal of Applicants' assets.	
12	Affects the performance of Applicants' obligations under and compliance with the terms and conditions of laws and Commission decisions, rules, orders, and resolutions.	Testimony of Kristina Donnelly, pp. 6-10, 13-15
13	Affects the performance of Applicants' obligations and compliance with the terms and conditions relating to Applicants' status as a Carrier of Last Resort and an Eligible Telecommunications Carrier.	N/A
14	Affects the rate or price charged to a ratepayer or customer.	Testimony of Tony Tully, pp. 11-14
15	Affects Applicants' performance or compliance with the terms and conditions of service to a ratepayer or customer.	N/A
16	Affects Applicants' network infrastructure.	Testimony of Cameron Reed, pp. 16-18
17	Affects Applicants' broadband deployment.	Testimony of Kristina Donnelly, pp. 6-15
18	Affects the performance of Applicants' obligations under, compliance with the terms and conditions of, and future participation in universal service and public purpose programs, including the California Advances Services Fund, the California High Cost Fund-B, California LifeLine Services, the California Teleconnect Fund, the Connect America Fund, and the Deaf and Disabled Telecommunications Program.	N/A
19	Has any potential environmental impact requiring consideration under the California Environmental Quality Act.	N/A
20	Affects Applicants' provision of special access services, including backhaul services.	N/A
21	Will increase, modify, or affect the Commission's responsibilities regarding the regulation of Applicants.	N/A

1

2 Among several findings, Cal Advocates witness Bixia Ye discusses Frontier's capital

3 investment plans and how they rely on prioritizing a limited number of California locations and

4 concentrates reinvestment in metropolitan areas.²⁵ Cal Advocates' witness Cameron Reed

5 identifies several concerns with Frontier's service quality and reliability, including out of service

6 repair intervals, wireline outages, leading causes of Frontier's outages, and the number of

²⁵ Cal Advocates Testimony of Bixia Ye at pp. 9-15, 22.

1 complaints filed with the Commission’s Consumer Affairs Branch (CAB) relating to Frontier.²⁶
2 Cal Advocates’ witness Tony Tully analyzes Frontier’s customers per employee ratios and
3 reveals a disproportionate workforce level between its California workforce compared to its
4 nationwide workforce.²⁷ Cal Advocates’ witness Kristina Donnelly discusses several concerns
5 about Frontier meeting broadband deployment settlement condition deadlines and the broadband
6 speeds deployed to customers in tribal communities and customers in non-tribal communities.²⁸
7 The collective findings in Cal Advocates staff testimonies support the need for any approval of
8 Frontier’s proposed transaction to include conditions that will ensure the restructuring provides
9 significant public interest benefits for California.

10

11

²⁶ Cal Advocates Testimony of Cameron Reed pp.11-28.

²⁷ Cal Advocates Testimony of Tony Tully at pp. 6-10.

²⁸ Cal Advocates Testimony of Kristina Donnelly at pp. 8-15.

1 **ATTACHMENT A**

2 **Statement of Qualifications and Experience**

3 My name is Raisa Ledesma Rodriguez. My business address is 505 Van Ness Avenue,
4 San Francisco, California, 94102. I am a Program and Project Supervisor with the Public
5 Advocates Office at the California Public Utilities Commission in the Communications and
6 Water Policy Branch.

7 I received a Bachelor of Arts degree in public policy and minor in economics from Duke
8 University in Durham, North Carolina in 2010. In 2014, I received a Master of Public Policy
9 degree from Georgetown University in Washington, D.C.

10 From 2014 to 2017, I worked at the U.S. Department of Energy as a coordinator and
11 advisor to the Director of the Office of Energy Policy and Systems Analysis. I developed policy
12 recommendations for physical and cyber security issues relevant to the electricity sector and
13 supported interagency policy reviews. In 2017, I joined the California Public Utilities
14 Commission as a senior regulatory analyst consulting on electric market structure issues,
15 customer choice, and stakeholder outreach. In 2018, my work focused on California Independent
16 System Operator (CAISO) initiatives, ranging from proposals for market power mitigation to
17 governance changes in the multi-state Energy Imbalance Market. I joined the Public Advocates
18 Office in April 2020, where I work to advance the organization's mission and advocate on behalf
19 of public utility customers. In my role as a supervisor, I oversee numerous proceedings related to
20 telecommunications policy and mergers and acquisitions.