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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Joint Application of Frontier Communications Corporation, Frontier Communications of America, Inc. (U5429C), Verizon California, Inc. (U1002C), Verizon Long Distance LLC (U5732C), and Newco West Holdings LLC for Approval of Transfer of Control Over Verizon California, Inc. and Related Approval of Transfer of Assets and Certifications.

Application 15-03-005

**ADMINISTRATIVE LAW JUDGE'S RULING
AN ORDER TO SHOW CAUSE**

This Ruling orders Respondents Frontier Communications Corporation and Frontier Communications of America, Inc. (U5429C) (collectively, Frontier) to appear for an Order to Show Cause Evidentiary Hearing (OSC hearing) and to show cause, if any, why Respondents should not be:

1. Found in contempt of Decision (D.) 15-12-005;
2. Fined, penalized, or have other sanctions imposed for failing to comply with D.15-12-005;
3. Found in contempt for failing to comply with Rule 1.1; and/or
4. Fined, penalized, or have other sanctions imposed for failing to comply with Rule 1.1.

1. Background

In Decision (D.) 15-12-005, the California Public Utilities Commission (Commission) approved the sale and transfer of Verizon California, Inc. together with certain assets held by it and the customer accounts of Verizon Long Distance, LLC, in the service territory of Verizon California, Inc., to Frontier Communications Corporation. Approval of the sale was subject to certain conditions including Frontier's promise to carry out the agreements contained in a Memorandum of Understanding (MOU) between itself and the California Emerging Technologies Fund (CETF).

In the CETF MOU, Frontier promised that it would assist various community organizations to provide Internet service to 50,000 low-income households. Specifically, Frontier promised to provide \$3 million in cash and 50,000 Internet-enabled computing devices. On May 30, 2018 CETF filed a Petition to Modify D.15-12-005 to include an order directing Frontier to provide the promised cash and devices and otherwise fully comply with all the terms of the MOU. On June 28, 2018 Frontier filed a response denying that it was not in compliance with the CETF MOU. On the same day the California Public Advocate's office (Cal PA, formerly the Office of Ratepayer Advocates), The Utility Reform Network and The Center for Accessible Technology, all of whom are parties in this matter, filed a response supporting the CETF Petition.

On October 8, 2018, CETF and the community organizations who were promised money and equipment from Frontier in the MOU sent a joint letter to the Commissioners, a copy of which is attached hereto as Exhibit A. The letter stated that Frontier had failed to keep its commitments to provide the \$3 million in cash and the 50,000 Internet-enabled computers and asked the Commissioners directly to order Frontier to live up to its commitments under the MOU.

2. Discussion

Public Utilities Code Section (Pub. Util. Code §) 2107 provides for a penalty of not less than \$500 and not more than \$50,000 for a utility's failure or neglect to comply with "any part or provision of any order, decision, decree, rule, direction, demand, or requirement of the [C]ommission."

Pub. Util. Code § 2108 provides that every violation of any order, decision, decree, rule, direction, demand or requirement of the Commission "is a separate and distinct offense, and in case of a continuing violation each day's continuance thereof shall be a separate and distinct offense."

Pub. Util. Code § 2113 states that a utility, corporation, or person which fails to comply with any part of any order, decision, rule, regulation, direction, demand, or requirement of the Commission or any Commissioner is "in contempt of the [C]ommission," and may be punished by the Commission "in the same manner and to the same extent as contempt is punished by courts of record."

In addition, pursuant to Rule 1.1 of the Commission's Rules of Practice and Procedure, any person who transacts business with the Commission may never "mislead the Commission or its staff by an artifice or false statement of fact or law." A person who violates Rule 1.1 may be sanctioned in accordance with Pub. Util. Code § 2107.

Moreover, in addition to imposing monetary fines, penalties, and holding a utility in contempt, the Commission can do all things necessary and convenient in the exercise of its power and jurisdiction. (Pub. Util. Code § 701.) In sum, the Commission may impose, fines, penalties, hold Respondent in contempt, and/or impose any other punishments consistent with the foregoing Pub. Util. Code

sections and Rule 1.1 if the allegations made by CETF and the community organizations are found to be supported by the evidence at the OSC hearing.

3. Categorization of Proceeding

As provided in Rule 1.3(a) and 8.2(b) of the Commission's Rules of Practice and Procedure, the Order to Show Cause portion of this proceeding including the OSC hearing, is categorized as adjudicatory and *ex parte* communications are prohibited. The determination as to category is appealable pursuant to Rule 7.6 of the Commission's Rules of Practice and Procedure.

IT IS RULED that:

1. Respondents are ordered to appear at an Order to Show Cause Evidentiary Hearing (OSC hearing) to be scheduled as described below, and there to show cause why the California Public Utilities Commission (Commission) should not adjudge Respondents in contempt of the Commission, for failing to comply with the Commission's orders in Decision 15-12-005, and/or for failing to comply with the following Rule 1.1.

2. Respondents shall appear and show cause why they should not be sanctioned, fined, or otherwise penalized, or have their license to operate revoked or suspended, at the following evidentiary hearing:

Date: November 14, 2018

Place: 505 Van Ness Avenue, San Francisco, CA 94102

Time: 10:00 a.m.

3. A quorum of the Commission may attend the hearing.

4. At the hearing, Respondents shall cause to appear a senior executive capable of addressing the alleged violations in this Ruling, as well as any other officers, employees, or agents necessary to explain and address all of the above allegations. Such witnesses shall be placed under oath and subject to

cross-examination. Respondents may provide other competent witnesses to provide relevant testimony.

5. No later than November 2, 2018, Respondents shall file and serve a verified statement responding to the allegations contained in this Ruling.

6. No later than November 9, 2018, California Public Advocate's office shall file and serve a verified reply statement in response to Respondents' November 2, 2018 statement.

7. This Ruling constitutes the Notice of Opportunity to Be Heard pursuant to Public Utilities Code Section 2113. Respondents must appear at the hearing. Should Respondents fail to appear, the allegations in this Ruling will be deemed admitted although the assigned Administrative Law Judge may allow additional evidence or information.

8. This Order to Show Cause portion of the proceeding, including the OSC hearing, is categorized as adjudicatory and *ex parte* contacts are prohibited. The determination as to category is appealable pursuant to Rule 7.6 of the Commission's Rules of Practice and Procedure.

9. This Ruling shall be served on the mailing list for this proceeding. Additionally, the Executive Director shall send by certified mail return receipt requested, a copy of this Ruling to the Respondents at the following addresses:

Frontier Communications Corporation
Attn: Charles H. Carrathers, III
2560 Teller Road
Thousand Oaks, California 91320

10. This Ruling is effective today.

Dated October 25, 2018, at San Francisco, California.

/s/ KARL J. BEMESDERFER
Karl J. Bemederfer
Administrative Law Judge

EXHIBIT A

October 8, 2018

President Michael Picker
Commissioner Carla J. Peterman
Commissioner Liane M. Randolph
Commissioner Martha Guzman Aceves
Commissioner Clifford Rechtschaffen

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

Dear President Picker and Commissioners Peterman, Randolph, Guzman Aceves, and Rechtschaffen:

We are community-based organizations (CBOs) who are non-profit grantees helping implement the public benefit commitments by Frontier Communications, Inc. in their Memorandum of Understanding (MOU) with the California Emerging Technology Fund (CETF) which was recognized and memorialized by your Commission in approving Frontier's acquisition of the Verizon wireline network in California in 2015. Together we have entered into Grant Agreements in good faith to achieve a total of 50,000 adoptions by low-income households and to distribute 50,000 Internet-enabled computing devices. Frontier is obligated in the MOU to provide \$3 million and 50,000 devices to support our work to achieve the 50,000 adoptions, but Frontier now is attempting to abandon their obligations and escape their public benefit commitments. After being shown that their original affordable offer was flawed and non-viable in the marketplace, Frontier delayed for more than a year the release of a new viable offer and stalled a course correction to run out the arbitrary timetable in the MOU. We have worked in good faith with Frontier and found their community and customer relations personnel to be quite collaborative, but the Frontier corporate position is unacceptable and betrays the public trust pledged in their commitments in the MOU.

Thus, we are writing to request your assistance and support to ensure that Frontier complies with the substance of the public benefit obligations in the MOU. We concur in the CETF Petition to Modify Decision No. 15-12-005 to Compel Frontier to Comply with the Memorandum of Understanding. We also welcome and appreciate the position of the Office of Ratepayer Advocate, Greenlining Institute, The Utility Reform Network (TURN), and Center for Accessible Technology in reaffirming the imperative for Frontier and other corporations to comply with the substance of public benefits pledged to secure approvals for business transactions. The integrity of the State of California's policy and regulatory commitments to closing the Digital Divide are on the line in

this matter. We respectfully urge you to champion Digital Inclusion for our most disadvantaged residents and order Frontier to follow through in providing the full \$3 million and 50,000 devices to use with a sufficient timeframe to achieve 50,000 adoptions.

We are available to provide additional information about our efforts and experience in diligently working to fulfill our commitments in the Grant Agreements with CETF. To be sure, CETF is focused totally on performance and is dedicated to achieving the total 50,000 adoptions. We need your help to make Frontier live up to their public benefit obligations. Thank you for your consideration of our request.

Sincerely,

Helen Galvan, Treasurer
American GI Forum Education
Foundation of Santa Maria

Christina Mills, Executive Director
California Foundation for Independent
Living Centers

Gregory Walker, Chief Executive Officer
Great Harvest Community Center

James Jack, Co-Founder
human-I-T

Chelsea Pacino Duffy, Executive Director
Partners in Education

Eduardo Gonzalez, Program Manager
San Joaquin Valley Regional
Broadband Consortium

Cesar Zaldivar-Motts, Executive
Director, Southeast Community
Development Corporation (SCDC)

Pete Manzo, President & CEO
United Ways of California