

**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

**COMMENTS BY CITIZENS TELECOMMUNICATIONS COMPANY OF
CALIFORNIA INC. D/B/A FRONTIER COMMUNICATIONS OF CALIFORNIA,
FRONTIER COMMUNICATIONS WEST COAST INC. AND FRONTIER
COMMUNICATIONS OF THE SOUTHWEST INC.
ON THE ORDER INSTITUTING RULEMAKING TO CONSIDER MODIFICATIONS
TO THE CALIFORNIA ADVANCED SERVICES FUND**

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Citizens Telecommunications Company of California Inc. d/b/a Frontier Communications of California (U 1024 C), Frontier Communications West Coast Inc. (U-1020-C), and Frontier Communications of the Southwest Inc. (U-1026-C) (collectively “Frontier”) provide these initial comments on the Order Instituting Rulemaking (“OIR”) to Consider Modifications to the California Advanced Services Fund issued on November 1, 2012. The primary purpose of the OIR is to propose adoption of rules that will permit an entity which is not a “telephone corporation”, as defined under the Public Utilities Code, to apply for California Advanced Services Fund (CASF) infrastructure grants and loans.

Frontier is a strong supporter of the CASF program and appreciates the opportunity to provide comments based on Frontier’s experience with the program and perspective as a rural local exchange telecommunications provider that places a high priority on broadband deployment. Frontier has been awarded CASF grants for both unserved and underserved areas in the state and will be receiving Connect America Fund (CAF) Phase I funding in California.

As directed by the Rulemaking, Frontier’s brief comments will address questions raised in the OIR regarding safeguards that would be necessary if the eligibility were modified to include entities not defined as a “telephone corporation” under the Public Utilities Code.¹

CALIFORNIA PORTION OF CAF PHASE I SHOULD NOT BE AN INDICATOR OF INTEREST IN BROADBAND EXPANSION

The discussion on page 14 of the OIR implies that providers in California are not interested in the CASF because they have a low participation in CAF Phase I funding. Frontier disagrees. Frontier will be receiving CAF Phase I support for unserved areas and is also planning on filing CASF grant applications for underserved areas by the application due date February 1, 2013. Frontier is receiving all the CAF money it qualified for under the program. The most important reason for a lower participation in both the CAF Phase I and CASF regarding unserved areas is the level of subsidy. The remaining unserved areas in California are very high cost. The CAF parameters are too stringent to actually address the very rural and high cost areas. The \$775 per household level did not make economic sense for the remaining very high cost areas in California. The number of providers and the levels in California would have been higher if the FCC had a higher benchmark than \$775. In addition, the CASF support at 70 percent is too low for many of the remaining unserved areas in California. As Frontier pointed out in previous comments, the grant support level needs to be at least 80 percent to have a significant impact. In particular more Frontier areas would have been economical for broadband expansion if the grant level had been higher.

¹ R.12-10-012. 3.4.3., page 22.

THE COMMISSION SHOULD MAINTAIN TIGHT CONTROL AND OVERSIGHT OF CASF APPLICANTS

Frontier does not support opening up the grant program to providers not certified or registered by the Commission. As acknowledged in the OIR², the performance by past applicants when ARRA funding was available was less than stellar. The OIR points out that the Commission had concerns with enforcement and lack of expertise by applicants. Additionally, the funds are generated by ratepayers of regulated and registered entities. The best way to ensure proper oversight and control of this valuable program is to insure that the Commission has complete authority. Frontier's own experience with grant applications and working with staff is that expertise is required to ensure compliance with commission procedures and requirements and that staff needs the authority to work with applicants that are subject to commission oversight for grants.

THE COMMISSION IS ON RECORD THAT OVERSIGHT IS REQUIRED FOR PROVIDERS PARTICIPATING IN PUBLIC PROGRAMS

Decision 12-11-017 denied the joint application of Frontier, Surewest and Verizon to exempt them from General Order 77-M reporting requirements.³ As part of the justification for denying the application the Commission implied that carriers participating in public programs are held to a different level of regulation. The decision discussion was in reference to Carriers of Last Resort; however, the overall implication was about carriers participating in public programs, and the need for Commission strong oversight. Certainly the CASF is a public program with large exposure that should fall under the same criteria.

² R.12-10-012, page 6.

³ D. 12-11-017, 5.2.2 "Relationship of GO-77M and Public Purpose Programs

IF THE AUTHORITY IS EXPANDED CERTAIN SAFEGUARDS NEED TO BE INCLUDED

If the Commission decides to expand the authority then at minimum the safeguards in Resolution T-17233 should be adopted in the requirements. In addition, it should be made abundantly clear that the standards and requirements, along with financial fitness test, are no less than what is required for an existing certified and registered provider. The approval process for an applicant should precede a grant application in order to insure that any work on grant proposals is not wasted effort. The Commission should be diligent in insuring that potential new participants are indeed qualified and committed. The standards for any new class of providers needs to be at minimum the standard the Commission applies to regulated entities operating as Carriers of Last Resort. This position is supported by the Commission's position in D.12-11-017 regarding carriers that participate in public programs.

CONCLUSION

Frontier urges the Commission to maintain the current program eligibility requirements to be those providers certified or registered by the CPUC.

Dated December 3, 2012

Respectfully submitted,

Citizens Telecommunications Company of California Inc. d/b/a Frontier Communications of California (U 1024 C), Frontier Communications West Coast Inc. (U-1020-C), and Frontier Communications of the Southwest Inc. (U-1026-C).



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